



Nova MSC Berhad
Annual Report **2004**



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CORPORATE PROFILE

novaMSC is a leading provider of ready-to-deploy application software for the e-Government and Healthcare industries. Our products are developed based on our proven technical knowledge and in-depth understanding of the e-Government and Healthcare industries. As a result, our customers fully benefit from our solutions that overcome the business challenges of today.

Through our alliances and partners, our products have reached different corners of the world such as Thailand, Vietnam, Hong Kong, China and Europe.



E-GOVERNMENT PRODUCTS

PAVO™ - Collaborative Framework for e-Government that enables government agencies and the private sector to collaborate and carry out any form of transactions over the Internet. PAVO™ can facilitate secure online submission of application documents, such as managing interaction between the government departments and provides e-services to applicants.

OCTANS™ - Council Management System consists of products that supports operations in local government organizations such as city, municipal & district councils in managing land planning & development as well as property valuation.

FORNAX™ - Plan Check Expert is a revolutionary product that promises huge savings to the Building and Construction Industry. FORNAX™ significantly lowers dependencies on skilled resources for both the regulatory bodies and building professionals to perform their compliance checking procedures through standardization and automation.

HEALTHCARE PRODUCTS

VESALIUS-HIS™ (Hospital Information System) was designed to comprehensively improve communications and patient services within a hospital without escalating costs or resources. Deployable on a modular basis, VESALIUS-HIS™ is cost-effective for smaller hospitals and scalable for larger hospitals.

VESALIUS-CIS™ (Clinical Information System) supports clinical care processes such as doctor-patient consultation and review of investigative results in a multi-disciplinary environment. At the core of the system is the Electronic Medical Record and all the intelligent features related to patient safety during the course of treatment and follow-up.

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors, I hereby present to you the Annual Report and Audited Financial Statements of Nova MSC Berhad and its subsidiaries ("Group") for the financial year ended 31 March 2004.

Listing on MESDAQ Market

On 19 August 2003, the Group achieved an important milestone in our corporate history by the Public Listing on the MESDAQ Market of the Bursa Malaysia Securities Berhad. Our Initial Public Offer of 55 million new ordinary shares received overwhelming response whereby the private placement of 50 million shares was fully subscribed and the public offer of 5 million recorded a subscription rate of 40.5 times. The Public Offer raised approximately RM15.4 million to fuel business expansion.

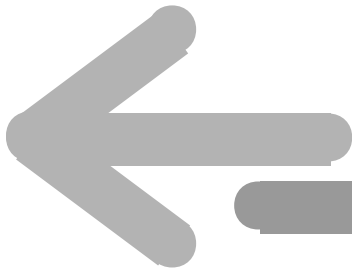
As of 31 March 2004, the Group has utilized RM12.4 million for its identified activities, leaving a balance of RM3.0 million of which RM1.85 million and RM1.15 million is reserved for investment and research & development (R&D) purposes respectively.

Financial Highlight

The financial year ended 31 March 2004 was a challenging year for the Group. Our Group's business development effort was adversely affected by the weak economies of the region caused by the political events in the Middle East and the outbreak of severe acute respiratory syndrome (SARS).

Despite the challenges, I am pleased to report that the Group was able to produce another year of satisfactory financial results. For the financial year under review, the Group recorded a turnover of RM31.9 million and a profit before tax of RM3.3 million. Revenue and profits were mainly contributed from the e-Government sector. Earnings per share (EPS) of 1.32 sen was generated for the financial year under review and the shareholders' fund stood at RM39.7 million as at 31 March 2004.





Business Direction

Moving ahead, the Group is committed to continuously enhance shareholders' value by becoming the leading e-Government and healthcare solutions provider. In line with this vision, we will embark on a two-pronged growth strategy through our regionalization effort and investment in R&D.

Currently, our existing market includes Malaysia, Singapore, Thailand, Indonesia, Vietnam and Hong Kong. We intend to strengthen our position in these existing markets by anchoring on long-term partnerships with current and prospective customers with excellent service and support and being constantly accessible to our customers' needs.

As we expand into other Asian regions, we will increase our marketing efforts to boost our corporate profile and awareness of our products and services amongst potential customers in new markets. This also includes appointing more business partners and entering into strategic alliances and joint ventures to penetrate into these countries.

The Group will continue its focus on R&D initiatives. For the financial year ended 31 March 2004, approximately RM7.5 million was incurred to enhance the current suite of products, namely, PAVO™, OCTANS™, FORNAX™, VESALIUS-HIS™ and VESALIUS-CIS™. Moving forward, our R&D team will concentrate on two main areas, namely, the localization of products to suit the various countries the Group has penetrated as well as increase the functionality of our products.

Appreciation

On behalf of the Board of Directors, I wish to thank our clients, business partners, associates and shareholders for their strong support and the management and staff for their hard work, dedication and loyal service. I am also taking this opportunity to thank fellow Board Members, including Mr Hwang Wei-Cherng and Mr Khoo Chee Keng, who had stepped down during the financial year under review, for their invaluable counsel and contributions.

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar
Chairman, Non-Executive Independent Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar
- Chairman, Non-Executive Independent Director

Chan Wing Kong
- Chief Executive Officer

Victor John Stephen Price
- Chief Technology Officer

Onn Kien Hoe
- Non-Executive Independent Director

Kwa Lay Keng
- Non-Executive Non-Independent Director

Yap Yuh Foh
- Non-Executive Non-Independent Director

Lim Ee-Jin
- Alternate director to Yap Yuh Foh

AUDIT COMMITTEE

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar
- Chairman, Non-Executive Independent Director

Victor John Stephen Price
- Chief Technology Officer

Onn Kien Hoe
- Non-Executive Independent Director

COMPANY SECRETARIES

Loy Tuan Bee (BC/L/168)

Wong Wai Yin (MAICSA 7003000)

SPONSOR

OSK Securities Berhad
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel: (03) 2162 4388
Fax: (03) 2164 9684

REGISTERED OFFICE

Unit B-10-3
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: (03) 2161 3633
Fax: (03) 2162 5633
e-mail: steven.chan@nova-hub.com
website: www.novamsc.com

HEAD OFFICE

Lot L3-E-3A
Enterprise 4
Technology Park Malaysia (TPM)
Lebuhraya Puchong - Sg Besi
Bukit Jalil 57000 Kuala Lumpur
Tel: (03) 8996 9688
Fax: (03) 8996 6628

REGISTRARS AND TRANSFER OFFICE

Signet Share Registration Services Sdn Bhd
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel No: (603) 2721 2222
Fax No: (603) 2721 2530

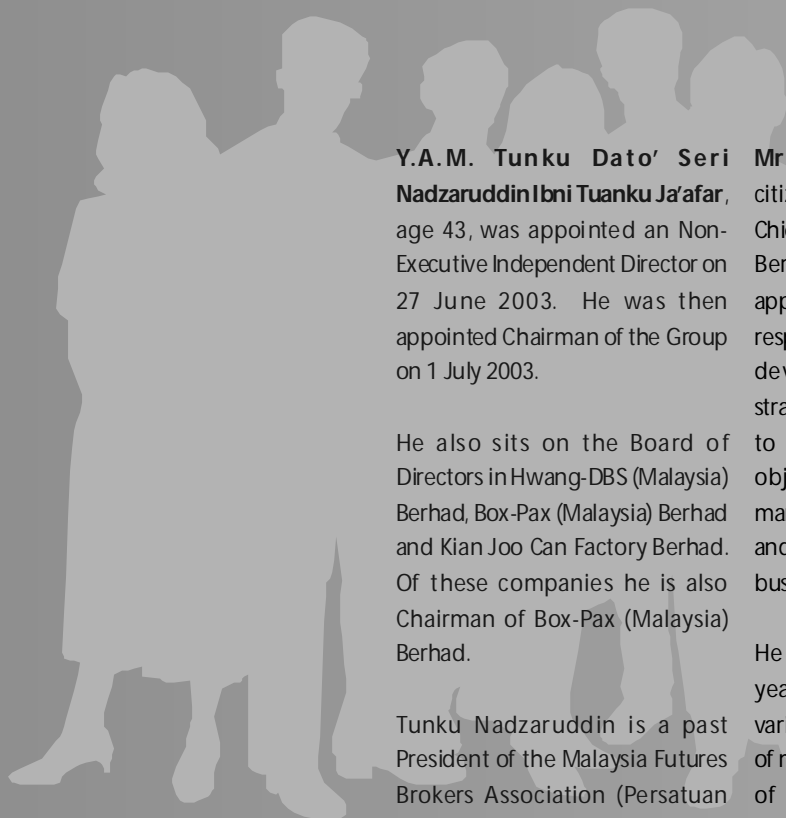
AUDITORS

KPMG
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia

DIRECTORS' PROFILES



Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, age 43, was appointed a Non-Executive Independent Director on 27 June 2003. He was then appointed Chairman of the Group on 1 July 2003.

He also sits on the Board of Directors in Hwang-DBS (Malaysia) Berhad, Box-Pax (Malaysia) Berhad and Kian Joo Can Factory Berhad. Of these companies he is also Chairman of Box-Pax (Malaysia) Berhad.

Tunku Nadzaruddin is a past President of the Malaysia Futures Brokers Association (Persatuan Broker Niaga Hadapan Malaysia) and is currently the patron of the organization. He is also a director on the board of Malaysia Derivatives Exchange Berhad (MDEX), as well as Deputy President of the Financial Planning Association of Malaysia (FPAM) on their Board of Governors and the Chairman of their Board of Membership Affairs.

Tunku Nadzaruddin does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years.

Mr Chan Wing Kong, a Singapore citizen age 45, is the founder and Chief Executive Officer of NovaMSC Berhad ("Company"). He was appointed on 31 October 2002. His responsibilities include the overall development of the business strategies and policies of the Group to achieve long term business objectives. He leads the senior management in the development and implementation of the Group's business vision.

He has more than twenty-one (21) years of working experience at various organizations in the areas of marketing and implementation of large IT projects. Mr Chan obtained his Bachelor of Surveying (Hons) degree from the University of Newcastle in Australia under a Colombo Plan Scholarship awarded by the Singapore Government and a Master of Science degree from the University of Queensland.

Mr Chan does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years.

Dr Victor John Stephen Price, a South African age 61, is a founder of the Company and was appointed Executive Director and Chief Technology Officer of the Company on 31 October 2002. Dr Price is responsible for directing the overall technology strategies of the Group. In this capacity, he oversees the acquisition and early adoption of emerging technologies, research and development to exploit and apply these technologies to the Group's products. Dr Price is also responsible for the Group's quality assurance and leads a team of senior managers and engineers in developing and implementing the Company's ISO9001-certified Quality Management System.

Dr Stephen Price has 40 years of experience in land planning, development and management in both the government and private sectors. Indonesia.

Dr Price does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years.

Dr Kwa Lay Keng, a Malaysian citizen age 45, was appointed as a Non-Executive Non-Independent Director on 8 November 2002, as a nominee director for NatSteel Technology Investments Pte Ltd ("Natsteel"), a shareholder of the Company.

Dr Kwa is currently the Executive Vice-President of NatSteel Ltd and a director of NatSteel, the latter of which is one of our major investors and joint venture partners. She heads the Technology Division in the NatSteel group of companies, overseeing the Chemicals Businesses in the Group and technology investments. Dr Kwa has been with NatSteel Ltd since 1988. Her academic qualifications include a PhD and a Bachelor of Science with honours degree in Mechanical Engineering from the University of Leeds.

Dr Kwa does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has she been convicted of any offences in the last ten (10) years.

Mr Yap Yuh Foh (Eddie), a Malaysian citizen age 35, was appointed a Non-Executive Non-Independent Director on 25 November 2002. He is currently the Chief Operating Officer of the Venture Capital division of OSK Holdings Berhad and is responsible for managing venture capital investments covering a spectrum of industrial and high technology companies.

Mr Yap graduated with Distinction with double majors in Accountancy and Economics & Finance from the Royal Melbourne University of Technology. He is also a CPA with the Australian Society of Certified Practising Accountants and a Chartered Accountant with the Malaysian Institute of Accountants.

Mr Yap does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years.

Mr Lim Ee-Jin, a Malaysian citizen age 35, was appointed an Alternate Director to Mr Yap Yuh Foh (Eddie) on 25 November 2002. He is currently the Manager of the venture capital division of OSK Holdings Berhad and is involved in the management of venture capital investment. He graduated with a Bachelor of Commerce (majoring in accountancy) from the University of Birmingham, United Kingdom in 1993. Mr Lim is also an affiliate member of the Chartered Association of Certified Accountants.

Mr Lim does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years.

Mr Onn Kien Hoe, age 38, was appointed a Non-Executive Independent Director on 5 June 2003. Mr Onn completed his professional qualification with the Chartered Association of Certified Accountants in 1998, and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Onn joined Horwath (Kuala Lumpur Office), an international accounting firm, in 1994. He is currently the partner in charge of Horwath's audit and assurance and corporate advisory departments. His experience includes proposed flotation exercises on the Malaysian, Singapore and Hong Kong stock exchanges, as well as advisory services to several public listed companies. Mr Onn has acted as a Special Administrator over several Danaharta cases.

Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants and as a member of the Interpretation Committee of the Malaysian Accounting Standards Board.

Mr Onn does not have any family relationship with any other Directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offences in the last ten (10) years.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors recognizes the importance of good corporate governance and is committed to the establishment and implementation of a proper framework and controls that are in line with the principles and best practises as recommended by the Malaysian Code of Corporate Governance ("the Code").

The following statements set out the application of the principles of the Code:

1. THE BOARD OF DIRECTORS

1.1 Composition and Board Balance

The Board currently has six members, comprising two Executive Directors, two Non-Executive Non-Independent Directors, and two Non-Executive Independent Directors (including the Chairman of the Company). The board is of the opinion that the interest of shareholders of the Company are fairly represented through the current composition and its size constitutes an effective Board of the Company. The wide spectrum of knowledge, skills and experience of the Board gives added strength to the leadership which is necessary for the effective stewardship of the Group.

Board Balance

The two independent non executive Directors of the Company which forms one third(1/3) of the Board provides the Board with a good mix of industry-specific knowledge plus broad business and commercial experience. They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the higher standards of conduct and integrity are maintained by the Group.

The profiles of the Directors are provided in pages 8 and 9 of the Annual Report.

1.2 Duties and Responsibilities

The executive directors are in charge of the day-to day operations of the business, implementation of Board policies and making strategic decisions for the expansion of the business. Non-executive directors contribute their expertise and experience to give an independent judgment to the Board on issues of strategy, performance and resources, including major policies, key directions and standards of conduct. The role of the independent non-executive directors are to ensure that the strategies proposed by the executive management are fully reviewed and examined. They also undertake the responsibility of protecting and securing the varied long term interests of the public shareholders, employees, customers, and the communities in which the Group conducts its business.

No individual or group of individuals dominate the Board's decision-making. Together, the Directors possess the wide range of business, commercial and financial knowledge, expertise and skills essential in the management and direction of a corporation with regional presence.

1.3 Access to Information and Advice

Before each Board meeting, the Directors are provided with the agenda and full set of Board papers containing relevant

STATEMENT OF CORPORATE GOVERNANCE

(continued)

information relating to the business of the meeting. Where necessary, additional information is provided during the Board meeting on significant issues that arise or when specifically requested by a director.

The directors also have access to the services of the Company Secretary and senior management staff whether as a full board or in their individual capacity. In certain instances as deemed appropriate, the Board may also engage the services of professionals at the expense of the Group on specialized issues.

1.4 Appointment Process

The Board appoints its members through a formal and transparent selection process, which is consistent with the Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met.

1.5 Re-election of Directors

Directors appointed by the Board of Directors during the financial year are subject to re-election by the shareholders at the next Annual General Meeting held following their appointments and thereafter shall retire at least once every 3 years and retiring directors shall be eligible for re-election.

1.6 Meetings

During the year under review, three (3) Board Meetings have been held. The attendance record of each Director since the last financial year or the date of appointment is as follows:

	number of meetings attended
Executive Directors	
Chan Wing Kong	3/3
Dr Stephen Price	3/3
Non-Executive Directors	
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	3/3
Onn Kien Hoe	3/3
Yap Yuh Foh	3/3
Lim Ee-Jin (Alternate Director of Yap Yuh Foh)	1/3
Dr Kwa Lay Keng	3/3
Hwang Wei-Cherng (resigned on 25 Feb 2004)	2/2
Khoo Chee Keng (Alternate Director of Hwang Wei-Cherng) (resigned on 25 Feb 2004)	2/2

During the financial year, the Board also resolved and approved the Company's matters through circular resolutions. Board member are provided sufficient detailed information for approvals via circular resolutions and are given full access to senior management to clarify any matters arising.

STATEMENT OF CORPORATE GOVERNANCE

(continued)

1.7 Directors' Training

All members of the Board have attended a Mandatory Accreditation Programme organized by the Research Institute of Investment Analyst Malaysia. The Directors are briefed on the latest developments of the Group's business and operations at every Board Meeting to enhance and update their knowledge so as to enable them to discharge their responsibilities effectively and to keep abreast with developments in the market place.

In line with the Practice Note 15/2003 of the Listing Requirements of the Malaysia Securities Exchange Berhad, the Directors will continue to attend the Directors Continuing Education Programme to enhance their skills and knowledge where relevant.

2 DIRECTORS' REMUNERATION

2.1 Remuneration

Aggregate remuneration of Directors during the financial year ended 31 December 2003 can be categorized into the following components:

	Director's Fees (RM)	Salaries (RM)	EPF (RM)	Total (RM)
Executive Director	-	612,287	26,047	638,334
Non-Executive Director	-	-	-	-

Directors' remuneration is broadly categorized into the following bands:

Range of Remuneration	Executive	Non-Executive
Below 50,000	-	-
RM 50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM300,000	1	-
RM300,001 to RM400,000	1	-

3 SHAREHOLDERS

Relation with Shareholders and Investors

The Board recognizes the importance of communicating with shareholders and investors. This is done through annual reports, press releases, announcements through Bursa Malaysia, and also via the company's web site (subject to the disclosure requirements of Bursa Malaysia).

Shareholders and investors are kept informed of all major developments with the Group by way of announcements via the Bursa Malaysia Link, the Company annual reports and other circulars to shareholders. The principle forum for dialogue with

STATEMENT OF CORPORATE GOVERNANCE

(continued)

shareholders is during the Annual General Meeting (“AGM”). At the AGM, the Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements, corporate developments in the Group, the resolutions being proposed and on the business of the Group in general.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at end of the financial year and the income statements of the Company and the Group for the year then ended.

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In preparing the financial statements, the Directors are required to select appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Group keeps proper accounting records which disclose with accuracy at any time the financial position of the Group which enables them to ensure that the financial statements comply with the Companies Act, 1965. The Directors also have responsibility for taking such steps as are reasonable to safeguard the assets of the Group for prevention and detection of fraud and other irregularities.

4.2 Audit Committee

The Board has set up an Audit Committee, which composition is in compliance with the relevant regulatory requirements. The report of the Audit Committee is found on pages 16 to 19.

An appropriate relationship is maintained with the company's auditors through the Audit Committee. The Audit Committee has been explicitly accorded the power to communicate directly with both external and internal auditors.

4.3 Internal Control

The Group's Statement of Internal Control is set out on pages 14 to 15 of this Annual Report.

4.4 Relationship with Auditors

The Group would continue to maintain a close and transparent relationship with its Auditors in seeking professional advice and ensure compliance with the appropriate accounting standards. The role of the Audit Committee in relation to the Auditors may be found in the Report of the Audit Committee on pages 27 to 28.

STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board is required to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Board is pleased to include a statement on the state of the Group's internal control in accordance with the paragraph 2.14 (s), Guidance Notes 2 of the Malaysia Securities Exchange Berhad's Listing Requirements for the MESDAQ Market.

The Board of Directors is committed to maintaining a sound system of internal controls in the Group and is pleased to outline the nature and scope of internal controls of the Group during the financial year.

The Group's system of internal controls includes the establishing an appropriate control environment and framework as well as reviewing its adequacy and integrity. The system of internal controls covers, inter-alia, financial, operational and compliance controls and risk management procedures.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal controls and for implementing risk management practices for good corporate governance. However, the Board recognizes that reviewing the adequacy of the Group's system of internal control is a concerted and continuous process, designed to manage rather than eliminate the risk of failure to achieve business objectives.

In pursuing these objectives, internal controls can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an informal on-going process for identifying, evaluating and managing the significant risks faced by the Group for the financial year under review and up to date of approval of the annual report and financial statements.

KEY PROCESSES OF INTERNAL CONTROL

The key processes that the Board have established in reviewing the adequacy and integrity of the system of internal controls, are as follows :

- The Group has in place an organizational structure that supports business and operational requirements, with clearly defined levels of responsibilities, lines of accountability and delegated authority with appropriate reporting procedures.
- The Board are assisted by the Audit Committee, in specific areas in order to enhance system of internal control and governance.
- The Executive Directors are involved in the day-to-day business operations of the Group. Scheduled informal operational and management meetings are held with senior management to identify, discuss and resolve business and operational issues. Significant matters identified during these meetings are highlighted to the Board.

STATEMENT OF INTERNAL CONTROL

(continued)

- The Company's subsidiaries are accredited with ISO9001:2000. Documented internal procedures and standard operating procedures have been put in place and surveillance audits are conducted twice a year by assessors of the ISO certification body to ensure that the standard operating procedures are being adhered to.

INTERNAL AUDIT

Presently the Group does not have an internal audit department. The Company has engaged a professional consulting firm to carry out the internal audit services, which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the year under review, our third party internal auditors carried out audits based on the internal audit plan approved by the Audit Committee. The audit findings are deliberated and resolved with the senior management. The Audit Committee on behalf of the Board, reviews internal control issues identified and recommendations from reports by internal and external auditors on a regular basis.

Some internal control weaknesses were identified from the internal audits conducted and are being addressed by management. None of these weaknesses have resulted in any material loss that would require disclosure in the Group's Annual Report.

CONCLUSION

Although there is a system to identify principal risks within the Group, the Board expects to further strengthen its existing internal control systems through risk assessment and the evaluation framework with the assistance of external professionals.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

The Audit Committee was formed on 1 July 2003 as a committee within the Board of Directors primarily responsible to assist the Directors in carrying out their duties in relation to accounting and financial reporting of the Group and the Company.

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of:

Name	Designation	Directorship
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	Chairman	Non-Executive & Independent
Onn Kien Hoe	Member	Non-Executive & Independent
Dr Victor John Stephen Price	Member	Executive

TERMS OF REFERENCE

MEMBERSHIP

The Audit Committee shall be appointed from amongst the Board and shall comprise at least three (3) members, a majority of whom shall be independent directors and the chief executive officer shall not be a member of the Audit Committee.

The Chairman, who shall be elected by the Audit Committee, must be an independent director.

In the event the elected Chairman is not able to attend a meeting, a member of the Audit Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent director.

In the event of any vacancy with the result that the number of members is reduced to below three, the vacancy must be filled within 3 months.

AUTHORITY

The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries and all employees shall be directed to co-operate as and when required by the Audit Committee. The Audit Committee shall also be empowered to consult independent experts where necessary to assist in executing its duties.

MEETINGS

The Committee is to meet at least four times a year and as many times as the Audit Committee deems necessary.

The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

AUDIT COMMITTEE REPORT

(continued)

NOTICE OF MEETINGS AND ATTENDANCE

The agenda of the Audit Committee meetings shall be circulated before each meeting to members of the Audit Committee. The Audit Committee may require the external auditors and any officer of the Company to attend any of its meeting as it determines.

The external auditors and internal auditors (if any) shall have the right to appear and be heard at any meeting of the Audit Committee and shall so appear when required to do so by the Audit Committee.

Upon the request of the external auditors or internal auditors (if any), the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters that the auditors believe should be brought to the attention of the directors or shareholders.

The Company Secretary of the Company shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Audit Committee members.

DUTIES AND RIGHTS OF THE AUDIT COMMITTEE

The duties and rights of the Audit Committee shall be :-

1. To review the following :-
 - a. The nomination of external auditors;
 - b. The adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
 - c. The effectiveness of the internal audit function (if any);
 - d. The effectiveness of the internal control and management information systems;
 - e. The financial statements of the Company with both the external auditors and management;
 - f. The external auditors' audit report;
 - g. Any management letter sent by the external auditors to the Company and the management's response to such letter;
 - h. Any letter of resignation from the Company's external auditors;
 - i. The assistance given by the Company's officers to the external auditors;
 - j. All areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
 - k. All related-party transactions and potential conflict of interests situations.

AUDIT COMMITTEE REPORT

(continued)

2. The Audit Committee shall:-
 - a. Have explicit authority to investigate any matters within its terms of reference;
 - b. Have the resources which it needs to perform its duties;
 - c. Have full access to any information which it requires in the course of performing its duties;
 - d. Have unrestricted access to the chief executive officer and the chief financial officer;
 - e. Have direct communication channels with the external auditors and internal auditors (if any);
 - f. Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
 - g. Be able to invite outsiders with relevant experience to attend its meetings if necessary.

3. Where the Audit Committee is of the view that any matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matters to the Bursa Malaysia Securities Berhad;

4. To make recommendations to the Board of directors to outsource certain of its internal audit functions to an independent firm of consultants, if necessary.

5. To discuss problems and reservations arising from the interim and final audits, their evaluation of the system of internal controls, and any matters the external auditor may wish to discuss (in the absence of management where necessary).

6. To consider the major findings of internal investigations and management's response during the year with management, external auditors, including the status of previous audit recommendations.

7. To carry out any other function that may be mutually agreed upon by the Committee and the Board.

5. SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Audit Committee met 3 times during the financial year ended 31 March 2004. The attendance record of each Director since the last financial year or the date of appointment is as follows:

	Number of Meetings Attended
Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	3/3
Onn Kien Hoe	3/3
Dr Victor John Stephen Price	2/3

During the financial year ended 31 March 2004, the Audit Committee reviewed the quarterly and yearly results/announcements of the Group to ensure compliance with approved accounting standards and adherence with other legal and regulatory requirements as well as making relevant recommendations to the Board for approval.

AUDIT COMMITTEE REPORT

(continued)

6. INTERNAL AUDIT FUNCTION

The Board outsourced its internal audit functions to a professional services firm which assists the Audit Committee in monitoring and managing risks and internal control systems of the Group.

The main responsibilities of the Internal Auditors are:

- (i) To assist in reviewing the adequacy, integrity and effectiveness of the Company's internal control system for the Board to make an accurate Statement on Internal Controls in the annual report;
- (ii) To support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhanced the internal control system;
- (iii) To perform a risk assessment of the Company to identify the business processes within the Company that internal audit should focus on;
- (iv) To allocate resources to areas within the Company in order to provide management and the Audit Committee with efficient and effective levels of internal audit coverage.

All Internal Auditor's reports which were deliberated by the Audit Committee and recommendations made to the Board and/or the management were acted upon.

DIRECTORS' REPORT

Nova MSC Berhad

(Company No. 591898-H)

(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the year ended 31 March 2004

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2004.

Principal activities

The Company is principally engaged in investment holding, software research and development, provision of e-business solutions through sale of application software and professional services for software customization and implementation. The principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group (RM)	Company (RM)
Net profit for the year	3,017,906	2,856,139

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review.

Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

DIRECTORS' REPORT

(continued)

Directors of the Company

Directors who served since the date of the last report are:

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar
 Chan Wing Kong
 Victor John Stephen Price
 Kwa Lay Keng
 Onn Kien Hoe
 Yap Yuh Foh
 Lim Ee-Jin (alternate director to Yap Yuh Foh)
 Hwang Wei-Cherng (resigned on 25.2.2004)
 Khoo Chee Keng (alternate director to Hwang Wei-Cherng) (resigned on 25.2.2004)

Directors' interests

The holdings in the ordinary shares of the Company of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

Direct Interest	Par Value (RM)	Number of Ordinary Shares					
		At 01.04.2004	Bought	Bonus Issue	Share Split	Sold	At 31.3.2004
Chan Wing Kong	1.00	3,274,395	157,950	494,988	(3,927,343)	-	-
	0.10	-	-	-	39,273,430	(3,600,000)	35,673,430
Victor John Stephen Price	1.00	1,405,134	144,788	223,526	(1,773,448)	-	-
	0.10	-	-	-	17,734,480	(2,700,000)	15,034,480

None of the other Directors holding office as at 31 March 2004 had any interest in the ordinary shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT

(continued)

Directors' benefits

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the issue of shares below.

Issue of shares and debentures

During the financial year, the Company undertook the following :

- Issue of 1,755,000 ordinary shares of RM1.00 each for cash at RM1.55 per share to eligible employees of the Group on 25 June 2003.
- Bonus issue of 2,532,150 ordinary shares of RM1.00 each to the shareholders of the Company on the basis of approximately 0.14 bonus share for every one (1) share of RM1.00 held via capitalisation of the share premium account balance of RM2,532,150 on 27 June 2003.
- Share split of the Company 20,090,000 ordinary shares of RM1.00 each on 27 June 2003 into 200,900,000 ordinary shares of RM0.10 each.
- A public issue of 55,000,000 new ordinary shares of RM0.10 each for cash at an issue price of RM0.28 per share in conjunction with the Company's approved listing on the MESDAQ Market of the Bursa Malaysia Securities Berhad on 19 August 2003.

There were no other changes in the issued and paid-up capital of the Company during the financial year. The Group and the Company have not issued any debentures during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

DIRECTORS' REPORT

(continued)

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and Company for the financial year ended 31 March 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

(continued)

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:



Y.A.M. Tunku Dato' Seri Nadzaruddin
Ibni Tuanku Ja'afar



Chan Wing Kong

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

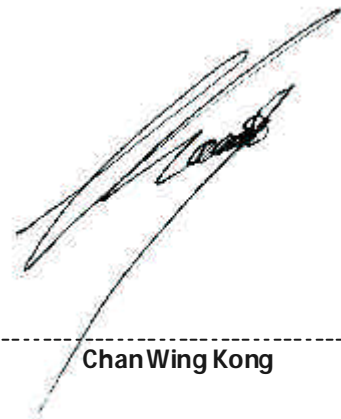
Nova MSC Berhad
(Company No. 591898-H)
(Incorporated in Malaysia)
and its subsidiaries

In the opinion of the Directors, the financial statements set out on pages 29 to 60 are drawn up in accordance with provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2004 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors::



Y.A.M. Tunku Dato' Seri Nadzaruddin
Ibni Tuanku Ja'afar



Chan Wing Kong

Date: 20 July 2004

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

Nova MSC Berhad

(Company No.591898-H)

(Incorporated in Malaysia)

and its subsidiaries

I, **Soo Gian Ming**, the officer primarily responsible for the financial management of Nova MSC Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 60 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 20 July 2004.



Soo Gian Ming

Before me:



REPORT OF THE AUDITORS TO THE MEMBERS OF NOVA MSC BHD

(Company No. 591898-H Incorporated in Malaysia)

We have audited the financial statements set out on pages 29 to 60. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 March 2004 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

The subsidiaries identified in Note 3 to the financial statements are audited by KPMG Singapore, a member firm of KPMG International, and we have considered their financial statements and auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

REPORT OF THE AUDITORS TO THE MEMBERS OF NOVA MSC BHD

(Company No. 591898-H Incorporated in Malaysia) (continued)

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.



KPMG

Firm Number: AF 0758

Chartered Accountants



Khaw Hock Hoe

Partner

Approval Number: 2229/04/06(J)

Kuala Lumpur,

Date: 20 July 2004

BALANCE SHEET

as at 31 March 2004

Nova MSC Berhad
(Company No. 591898-H)
(Incorporated in Malaysia)
and its subsidiaries

		Group	
	Note	2004 (RM)	2003 (RM)
Plant and Equipment	2	764,836	569,089
Intangible Asseets	4	19,059,692	14,108,673
Current Assets			
Contract work-in-progress	5	15,839,254	7,704,594
Inventories		380,798	561,526
Trade and other receivables	6	10,380,620	7,003,642
Cash and cash equivalents	7	6,535,969	2,841,039
		33,136,641	18,110,801
Current Liabilities			
Trade and other payables	8	12,134,601	10,731,024
Bank borrowings	9	-	2,002,560
Provision for taxation		18,064	-
		12,152,665	12,733,584
Net Current Assets		20,983,976	5,377,217
		40,808,504	20,054,979
Financed by:			
Capital and reserves			
Share capital	10	25,590,000	15,802,850
Reserves	11	14,062,193	3,365,806
Shareholder's funds		39,652,193	19,168,656
Deferred liability			
Deferred taxation	12	1,156,311	886,323
		40,808,504	20,054,979

The financial statements were approved and authorized for issue by the Board of Directors on 20 July 2004.

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT

for the year ended 31 March 2004

Nova MSC Berhad

(Company No.591898-H)

(Incorporated in Malaysia)

and its subsidiaries

	Note	Group	
		01.04.2003 to 31.03.2004 (RM)	09.09.2002 to 31.03.2003 (RM)
Revenue		31,868,319	23,456,333
Staff Costs		(11,368,346)	(7,416,290)
Depreciation and amortization		(3,871,795)	(2,450,186)
Hardware and material costs		(10,277,873)	(5,234,135)
Office rental		(1,562,511)	(1,010,443)
Management fees		-	(1,365,193)
Other operating expenses		(1,494,550)	(668,074)
Operating Profit	13	3,293,244	5,312,012
Interest income		131,249	-
Interest expense		(145,863)	(110,164)
Profit before tax		3,278,630	5,201,848
Tax expenses	15	(260,724)	(972,536)
Profit after tax		3,017,906	4,229,312
Pre-aquisition profit		-	(2,503,062)
Net profit after tax for the year/period		3,017,906	1,726,250
Basic earnings per share (sen)	16	1.32	1.32

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2004

Nova MSC Berhad
 (Company No.591898-H)
 (Incorporated in Malaysia)
and its subsidiaries

Group	Share capital (RM)	← Non-distributable →		Distributable	
		Translation reserve (RM)	Share premium (RM)	Retained earnings (RM)	Retained earnings (RM)
At date of incorporation	2	-	-	-	2
Currency translation not recognized in the income statement	-	69,714	-	-	69,714
Issue of shares	15,802,848	-	1,569,842	-	17,372,690
Net profit for the period	-	-	-	1,726,250	1,726,250
At 31 March 2003	15,802,850	69,714	1,569,842	1,726,250	19,168,656
Issue of shares	7,255,000	-	10,865,842	-	18,120,250
Bonus issue	2,532,150	-	(2,532,150)	-	-
Items not recognized in the income statement					
- Currency translation	-	1,103,170	-	-	1,103,170
- Share issue expenses written off	-	-	(1,757,789)	-	(1,757,789)
Net profit for the year	-	-	-	3,017,906	3,017,906
At 31 March 2004	25,590,000	1,172,884	8,145,153	4,744,156	39,652,193

Note 10

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

for the year ended 31 March 2004

Nova MSC Berhad

(Company No.591898-H)

(Incorporated in Malaysia)

and its subsidiaries

	01.04.2003 to 31.03.2004 (RM)	Group	09.09.2002 to 31.03.2003 (RM)
Cash flows from operating activities			
Profit before tax	3,278,630		5,201,848
Less: Pre-acquisition profit	-		(3,271,660)
Post-acquisition profit before tax	3,278,630		1,930,188
Adjustments for:			
Amortisation of intangible assets	3,270,400		1,486,683
Depreciation	601,395		302,008
Interest expense	145,863		46,759
Interest income	(131,249)		-
Operating profit before working capital changes	7,165,039		3,765,638
Changes in working capital:			
Contract work-in-progress	(8,134,660)		(2,316,697)
Inventories	180,728		(561,526)
Trade and other receivables	(3,854,834)		7,385,904
Trade and other payables	1,403,577		(7,824,943)
Cash (used in)/generated from operations	(3,240,150)		448,376
Interest paid	(145,863)		(46,759)
Tax paid	(17,500)		-
Net cash (used in)/generated from operating activities	(3,403,513)		401,617
Cash flows from investing activities			
Aquisition of subsidiaries, net cash acquired	(769,672)		(672,755)
Purchase of plant and equipment	(7,507,802)		(2,347,496)
Development expenditure incurred, net of grant	131,249		-
Interest received	-		(367,114)
Net cash used in investing activities	(8,146,225)		(3,387,365)

CASH FLOW STATEMENT

for the year ended 31 March 2004 (continued)

Nova MSC Berhad
(Company No.591898-H)
(Incorporated in Malaysia)
and its subsidiaries

	01.04.2003 to 31.03.2004 (RM)	Group 09.09.2002 to 31.03.2003 (RM)
Cash flows from financing activities		
Proceeds from issue of shares	18,120,250	3,000,002
Share issue expenses	(1,279,934)	-
Pledged deposits released from/(placed with) licensed banks	570,200	(1,299,800)
Net cash generated from financing activities	17,410,516	1,700,202
Exchange differences on translation of the financial statement of foreign entities	354,198	(30,975)
Net increase/(decrease) in cash and cash equivalents	6,214,976	(1,316,521)
Cash and cash equivalent at beginning of year/period	(1,316,521)	-
Effects of foreign exchange differences	52,714	-
Cash and cash equivalents at end of year/period	4,951,169	(1,316,521)

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	01.04.2003 to 31.03.2004 (RM)	Group 09.09.2002 to 31.03.2003 (RM)
Cash and bank balances	1,946,070	683,423
Fixed deposits (excluding pledged deposit)	3,005,099	2,616
Bank overdrafts	-	(2,002,560)
	4,951,169	(1,316,521)

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

BALANCE SHEET

at 31 March 2004

Nova MSC Berhad

(Company No.591898-H)

(Incorporated in Malaysia)

		Company	
	Note	2004 (RM)	2003 (RM)
Plant and Equipment	2	299,109	25,979
Investments in subsidiaries	3	14,372,690	14,372,690
Current Assets			
Contract work-in-progress	5	1,449,524	1,200,166
Trade and other receivables	6	18,691,479	3,241,632
Cash and cash equivalents	7	3,364,141	22,379
		23,505,141	4,464,177
Current Liabilities			
Trade and other payables	8	236,737	159,304
Provision for taxation		18,064	-
		254,801	159,304
Net Current Assets		23,250,343	4,304,873
		37,922,142	18,703,542
Financed by:			
Capital and reserves			
Share capital	10	25,590,000	15,802,850
Reserves	11	12,332,142	2,900,692
Shareholder's funds		37,922,142	18,703,542

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT

for the year ended 31 March 2004

Nova MSC Berhad

(Company No.591898-H)

(Incorporated in Malaysia)

	Note	Company	
		01.04.2003 to 31.03.2004 (RM)	09.09.2002 to 31.03.2003 (RM)
Revenue		4,881,045	1,644,746
Other operating income		44,674	-
Staff costs		(1,521,653)	(228,889)
Depreciation		(83,156)	(3,367)
Hardware and material costs		(2,161)	-
Office rental		(152,107)	-
Other operating expenses		(401,954)	(81,640)
Operating Profit	13	2,764,688	1,330,850
Interest income		127,015	-
Profit before tax		2,891,703	1,330,850
Tax expenses	15	(35,564)	-
Profit after tax		2,856,139	1,330,850

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2004

Nova MSC Berhad

(Company No.591898-H)

(Incorporated in Malaysia)

Company	Share capital (RM)	<i>Non-distributable</i> Share premium (RM)	<i>Distributable</i> Retained earnings (RM)	Total (RM)
At date of incorporation	2	-	-	2
Issue of shares	15,802,848	1,569,842	-	17,372,690
Net profit for the period	-	-	1,330,850	1,330,850
At 31 March 2003	15,802,850	1,569,842	1,330,850	18,703,542
Issue of shares	7,255,000	10,865,250	-	18,120,250
Bonus issue	2,532,150	(2,532,150)	-	-
Share issue expenses written off not recognized in the income statement	-	(1,757,789)	-	(1,757,789)
Net profit for the year	-	-	2,856,139	2,856,139
At 31 March 2004	25,590,000	8,145,153	4,186,989	37,922,142

Note 10

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

for the year ended 31 March 2004

Nova MSC Berhad
 (Company No.591898-H)
 (Incorporated in Malaysia)

	01.04.2003 to 31.03.2004 (RM)	Company 09.09.2002 to 31.03.2003 (RM)
Cash flows from operating activities		
Profit before tax	2,891,703	1,330,850
Adjustments for:		
Depreciation	83,156	3,367
Interest income	(127,015)	-
Unrealized loss on foreign exchange	-	44,568
Operating profit before working capital changes	2,847,844	1,378,785
Changes in working capital:		
Contract work-in-progress	(249,358)	(1,200,166)
Trade and other receivables	(15,927,702)	(3,286,200)
Trade and other payables	77,433	159,304
Cash used in operations	(13,251,783)	(2,948,277)
Income tax paid	(17,500)	-
Net cash used in operating activities	(13,269,283)	(2,948,277)
Cash flows from investing activities		
Purchase of plant and equipment	(356,289)	(29,346)
Interest received	127,015	-
Net cash used in investing activities	(229,271)	(29,346)

CASH FLOW STATEMENT

for the year ended 31 March 2004 (continued)

Nova MSC Berhad

(Company No.591898-H)

(Incorporated in Malaysia)

	01.04.2003 to 31.03.2004 (RM)	Company	09.09.2002 to 31.03.2003 (RM)
Cash flows from financing activities			
Proceeds from issue of shares	18,120,250		3,000,002
Share issue expenses	(1,279,934)		-
Net cash generated from financing activities	16,840,316		3,000,002
Net increase in cash and cash equivalents	3,341,762		22,379
Cash and cash equivalent at beginning of year/period	22,379		-
Cash and cash equivalents at end of year/period	3,364,141		22,379

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	01.04.2003 to 31.03.2004 (RM)	Group	09.09.2002 to 31.03.2003 (RM)
Cash and bank balances	364,141		22,379
Fixed deposits	3,000,000		-
	3,364,141		22,379

The notes set out on pages 39 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Nova MSC Berhad

(Company No. 591898-H)

(Incorporated in Malaysia)

and its subsidiaries**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in the previous financial period except for the adoption of the following:

- (i) MASB 27, Borrowing Costs; and
- (ii) MASB 29, Employee Benefits.

Apart from the new policies and extended disclosures where required by these new standards, there is no effect on the financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference, if any, between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intra-group transactions and balances and the resulting unrealized profits are eliminated on consolidation. Unrealized losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation.

Depreciation

The straight-line method is used to write off the cost of the plant and equipment over their estimated useful lives of three years.

(d) Investments

Investments in subsidiaries are stated at cost less impairment loss, where applicable.

(e) Intangible assets

(i) *Research costs and development expenditure*

Research costs are charged as an expense in the income statement in the year in which they are incurred. Development expenditure which relate to a definable product or process that is demonstrated to be technically feasible, and for which the Group and Company has sufficient technical, financial and other resources to use or market, are recognized as assets to the extent that such costs are recoverable from related probable future economic benefits. Development costs which do not satisfy the established criteria are recorded as an expense in the year in which they are incurred. The expenditure capitalized includes cost of materials, direct labour and an appropriate proportion of overheads.

Capitalized development expenditure is stated at cost less government grants, accumulated amortization and impairment losses, if any.

(ii) *Copyright acquired*

Copyright which is acquired by the Group are stated at cost less accumulated amortization and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Intangible assets (continued)

(iii) *Subsequent costs*

Subsequent costs on capitalised product development expenditure are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other costs are expensed as incurred.

(iv) *Amortization*

Capitalised development expenditure is charged to the income statement on a systematic basis based on the ratio that current revenue bears to the estimated minimum revenue that is expected to be derived from the use of the intangible assets over their estimated useful lives. Development expenditure and copyright acquired is amortised at approximately 16% to 66% of licensing revenue recognised on the basis described above.

(f) Government grants

Asset-related government grants for the development of e-business solutions are deducted from the product development expenditure incurred to arrive at the cost of the e-business solutions. The net carrying amount is amortised on a systematic basis based on the estimated revenue to be derived from the use of the intangible asset over its estimated useful life.

Income-related government grants are recognised in the income statement.

All government grants are accounted for on an accrual basis when there is reasonable assurance that the Group has complied with all terms and conditions attached to them and that there is reasonable certainty that the grants will be received.

(g) Inventories

Inventories comprise software purchased for resale and are stated at the lower of cost and net realizable value. Cost is determined on a specific identification basis.

(h) Contract work-in-progress

Contract work-in-progress is stated at cost plus attributable profit and after deducting progress billings. Contract costs include costs of direct labour and other costs related to contract performance. Provision for foreseeable losses on uncompleted contracts is made in the year in which such losses are determined.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts, if any.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and deposits pledged.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions for employees are recognized as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognized when absences occur.

(ii) Defined contribution plans

Contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

(m) Impairment

The carrying amount of the Groups and Company's assets, other than inventories, contract work-in-progress and financial assets (other than investments in subsidiaries) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognized in the income statement unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment (continued)

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. The reversal, if any, is recognized in the income statement.

(n) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognized for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(o) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognized in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign currency (continued)

(ii) *Financial statements of foreign operations*

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognized directly in equity.

The rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations is as follows:

SGD1.00	RM2.264	(2003 : RM2.155)
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(p) Revenue recognition

i) *Design services*

Revenue from consultancy contracts, principally relating to the sale of specific e-business solutions to customers, including licence and hardware revenue, is recognized on the percentage of completion method when the outcome of the contract can be estimated reliably. The percentage of completion is determined by the proportion that costs incurred for work performed to date bears to estimated total contract costs, or services performed to date as a percentage of total services to be rendered, depending on the nature of the transaction. Losses, if any, are recognised immediately when their existence is foreseen.

ii) *Maintenance services*

Revenue from maintenance services rendered are recognized on a straight line basis over the life of the contract period.

iii) *Licensing revenue*

Licensing revenue is recognized upon delivery, provided that no significant obligations remain, no significant uncertainties exist with respect to product acceptance and collection is probable.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Expenses

i) *Operating lease payments*

Rental payable under operating leases are recognized in the income statement on a straight line basis over the period of the respective leases.

ii) *Interest expense*

Interest expense and similar charges are expensed in the income statement in the year in which they are incurred.

2. PLANT AND EQUIPMENT

Group Cost	Leasehold improvements (RM)	Computers and office equipment (RM)	Furniture and fittings (RM)	Total (RM)
At 1 April 2003	409,808	927,078	137,090	1,473,976
Additions	120,679	620,043	28,950	769,672
Exchange differences	20,728	45,490	6,849	73,067
At 31 March 2004	551,215	1,592,611	172,889	2,316,715
<i>Accumulated depreciation</i>				
At 1 April 2003	143,670	702,204	59,013	904,887
Charge for the year	237,776	309,040	54,579	601,395
Exchange differences	7,269	35,355	2,973	45,597
At 31 March 2004	388,715	1,046,599	116,565	1,551,879
<i>Net book value</i>				
At 31 March 2004	162,500	546,012	56,324	764,836
At 31 March 2003	266,138	224,874	78,077	569,089
Depreciation charge for the period ended 31 March 2003	127,068	152,060	22,880	302,008

NOTES TO THE FINANCIAL STATEMENTS

(continued)

2. PLANT AND EQUIPMENT (continued)

Company Cost	Leasehold improvements (RM)	Computers and office equipment (RM)	Furniture and fittings (RM)	Total (RM)
At 1 April 2003	-	27,666	1,680	29,346
Additions	100,994	239,285	16,007	356,286
At 31 March 2004	100,994	266,951	17,687	385,632
Accumulated depreciation				
At 1 April 2003	-	3,134	233	3,367
Charge for the year	26,672	52,671	3,813	83,156
At 31 March 2004	26,672	55,805	4,046	86,523
Net book value				
At 31 March 2004	74,322	211,146	13,641	299,109
At 31 March 2003	-	24,532	1,447	25,979
Depreciation charge for the period ended 31 March 2003	-	3,134	233	3,367

3. INVESTMENTS IN SUBSIDIARIES

Company	2004 (RM)	2003 (RM)
Unquoted shares, at cost	14,372,690	14,372,690

The principal activities of the companies in the Group, their places of incorporation and the effective interest of the Company are as follows:

Name of company	Principal activities	Country of incorporation	Effective interest 2004/2003
Subsidiaries			
novaCITYNETS Pte Ltd	Provision of e-business solutions for the building and construction, city, town council and telecommunications industries.	Republic of Singapore	100%
novaHEALTH Pte Ltd	Provision of e-business solutions for the healthcare industry	Republic of Singapore	100%

Both subsidiaries are audited by KPMG Singapore, a member firm of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

4. INTANGIBLE ASSETS

Group Cost	Copyright acquired (RM)	Development expenditure (RM)	Total (RM)
At 1 April 2003	3,290,107	14,780,149	18,070,256
Amount capitalized during the year	-	7,507,802	7,507,802
Exchange differences	166,414	747,581	913,995
At 31 March 2004 (a)	3,456,521	23,035,532	26,492,053
Government grant			
At 1 April 2003	-	1,352,407	1,352,407
Exchange differences	-	68,405	68,405
At 31 March 2004 (b)	-	1,420,812	1,420,812
Accumulated amortization			
At 1 April 2003	536,565	2,072,612	2,609,177
Amortization charge for the year	482,205	2,788,195	3,270,400
Exchange differences	27,139	104,833	131,972
At 31 March 2004 (c)	1,045,909	4,965,640	6,011,549
Netbook value			
At 31 March 2004 (a-b-c)	2,410,612	16,649,080	19,059,692
At 31 March 2003	2,753,542	11,355,130	14,108,672
Amortization charge for the period ended 31 March 2003	349,091	1,137,592	1,486,683

NOTES TO THE FINANCIAL STATEMENTS

(continued)

5. CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)
Aggregate costs incurred to date and attributable profit	33,482,798	20,201,004	1,554,524	1,398,166
Less: Progress billings	(17,917,554)	(13,438,014)	(105,000)	(198,000)
	15,565,244	6,762,990	1,449,524	1,200,166
Amount due to contract customers (note 8)	274,010	941,604	-	-
	15,839,254	7,704,594	1,449,524	1,200,166

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)
Trade receivables	7,765,292	3,722,161	2,831,680	374,580
Other receivables, deposits and prepayments	2,615,328	2,160,476	70,860	477,855
Susidiaries	-	-	15,788,939	2,389,197
Affiliated corporations	-	1,121,005	-	-
	10,380,620	7,003,642	18,691,479	3,241,632

The amounts due from subsidiaries and affiliated corporations are interest free, unsecured and have no fixed terms of repayment.

An affiliated corporation is defined as a company and/or its related corporation in which a Director of the Company has a substantial financial interest and/or have common substantial shareholders.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)
Fixed deposits with licensed banks	4,589,899	2,157,616	3,000,000	-
Cash and bank balances	1,946,070	683,423	364,141	22,379
	6,535,969	2,841,039	3,364,141	22,379

Included in the fixed deposits balance is an amount of RM1,584,800 (2003 – RM 2,155,000) pledged for bank overdraft facilities granted to the Group.

8. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)
Trade payables	6,399,196	3,487,897	-	-
Other payables and accruals	1,506,135	1,437,665	236,737	92,022
Amount due to contract customers (Note 5)	274,010	941,604	-	-
Affiliated corporations	3,955,260	4,863,858	-	67,282
	12,134,601	10,731,024	236,737	159,304

The amounts due to the affiliated corporations (as defined in Note 6) in previous year were interest free, unsecured and had no fixed terms of repayment.

9. BANK BORROWINGS

	Group	
	2004 (RM)	2003 (RM)
Overdrafts - secured	-	2,002,560

The overdraft facilities of the Group are subject to interest rates of 1.5% per annum above the lenders' base lending rates.

The bank overdrafts are secured by way of a corporate guarantee from the holding company and a pledge of fixed deposits amounting to RM1,584,000 (2003 RM2,155,000).

NOTES TO THE FINANCIAL STATEMENTS

(continued)

10. SHARE CAPITAL

Group and Company	2004		2003	
	No. of shares	(RM)	No. of shares	(RM)
Ordinary shares of RM0.10/1.00 each:				
Authorized				
At 1 April 2003/Date of incorporation	50,000,000	50,000,000	100,000	100,000
Created during the year	-	-	49,900,000	49,900,000
Arising from share split	450,000,000	-	-	-
At 31 March	500,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid				
At 1 April 2003/Date of incorporation	15,802,850	15,802,850	2	2
Issued during the year	1,755,000	1,755,000	15,802,848	15,802,848
Bonus issue	2,532,150	2,532,150	-	-
Arising from share split	180,810,000	-	-	-
Public issue	55,000,000	5,500,000	-	-
At 31 March	255,900,000	25,590,000	15,802,850	15,802,850

11. RESERVES

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 March 2004 if paid out as dividends.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

12. DEFERRED TAX

Deferred tax liabilities and assets are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

The recognized net deferred tax liability before and after appropriate offsetting comprise:-

Group	2004 (RM)	2003 (RM)
Development expenditure capitalized	1,852,795	2,464,776
Property, plant and equipment	(265,739)	(242,537)
Allowance for doubtful debts	-	(30,140)
Unutilized tax losses	(430,745)	(1,305,777)
	1,156,311	886,323

The movements in the deferred taxation account are as follows:

	2004 (RM)	2003 (RM)
At 1 April 2003/2002	886,323	-
Deferred tax assets of subsidiaries acquired	-	(86,213)
Transferred from income statement	225,160	972,536
Exchange differences	44,828	-
At 31 March	1,156,311	886,323

No deferred tax has been recognized for the following temporary differences:

	RM'000	RM'000
Development expenditure capitalized	7,226	-
Property, plant and equipment	(347)	-
Allowance for doubtful debts	(144)	-
Unutilized tax losses	(7,002)	-
	(267)	-

The unutilized tax losses do not expire under current tax legislation. The net deferred tax asset has not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the respective subsidiary can utilize the benefits.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

13. OPERATING PROFIT

	Group		Company	
	01.04.2003 to 31.03.2004 (RM)	09.09.2002 to 31.03.2003 (RM)	01.04.2003 to 31.03.2004 (RM)	09.09.2002 to 31.03.2003 (RM)
Operating profit is arrived at after charging:				
Allowance for doubtful receivables	-	14,973	-	-
Amortization of intangible assets	3,270,400	1,486,683	-	-
Auditors' remuneration	65,470	42,325	22,000	10,000
Directors' fees	120,876	-	120,876	-
Directors' remuneration	1,242,256	818,891	156,000	-
Depreciation	601,395	417,321	83,156	3,367
Office rental	1,291,184	1,010,443	152,107	-
Unrealized loss on foreign exchange	-	-	-	44,568
and after crediting:				
Rental income:	74,486	200,738	-	-

14. EMPLOYEE BENEFITS

The number of employees of the Group and of the Company (including 2 Directors) at the end of the year was 117 (2003 - 117) and 31 (2003 - 14), respectively. Included in the staff costs of the Group and of the Company are contributions to defined contribution schemes of RM1,621,561 (2003 - RM1,143,780) and RM128,091 (2003 - RM44,260), respectively.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

15. TAX EXPENSE

	Group		Company	
	01.04.2003 to 31.03.2004 (RM)	09.09.2002 to 31.03.2003 (RM)	01.04.2003 to 31.03.2004 (RM)	09.09.2002 to 31.03.2003 (RM)
Current tax expense	35,564	-	35,564	-
Deferred tax expense				
Origination and reversal of temporary differences	225,160	972,536	-	-
	260,724	972,536	35,564	-

The Company was granted Multimedia Super Corridor ("MSC") status on 29 October 2002. By virtue of this status, the Company obtained its pioneer status incentive which includes five year exemption on statutory business income under Section 127 of the Income Tax Act 1967 which expires in January 2008.

Reconciliation of effective tax expense:

	01.04.2003 to 31.03.2004 (RM)	09.09.2002 to 31.03.2003 (RM)
Group		
Profit before taxation	3,278,630	5,201,848
Income tax using Malaysian tax rate (28%)	918,016	1,456,517
Effect of different tax rates in foreign jurisdictions	(133,167)	(220,787)
Non-deductible expenses	117,886	121,923
Income exempted from tax	(761,899)	(372,638)
Deferred tax benefits not recognized	160,010	-
Others	(40,122)	12,479
	260,724	972,536
Company		
Profit before taxation	2,891,703	5,201,848
Income tax using Malaysian tax rate (28%)	809,677	372,638
Non-deductible expenses	9,497	-
Income exempted from tax	(761,899)	(372,638)
Others	(21,711)	-
	35,564	-

NOTES TO THE FINANCIAL STATEMENTS

(continued)

16. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per share

The calculation of basic earnings per ordinary share is based on the net profit attributable to shareholders of RM3,017,906 (2003 - RM1,726,250) and the weighted average number of ordinary shares outstanding during the financial year of 229,380,242 (2003 - 130,987,960) calculated as follows:

<i>Weighted average number of ordinary shares</i>	2004	2003
Issued ordinary shares at beginning of the year/at date of incorporation	15,802,850	2
Effect of shares issued in October 2002	-	10,638,609
Effect of shares issued in November 2002	-	890,343
Effect of shares issued in June 2003	1,346,301	-
Effect of bonus issued in June 2003	2,308,051*	1,569,842 *
Effect of share split in June 2003	175,114,820**	117,889,164 **
Effect of public issue in August 2003	34,808,219	-
Weighted average number of ordinary shares	229,380,241	130,987,960

* As the bonus issue during the current financial year is an issue via capitalization of share premium, the effects of the bonus issue have been adjusted in deriving the comparative figure. The prior year number of shares has also been adjusted to reflect the effect of the bonus issue (based on share premium account balance existing last year).

** As the share split resulted in an increase in number of shares without any consideration, the exercise is treated as if it had occurred at the beginning of the financial year ended 31 March 2004. The number of shares in the prior year have also been adjusted to reflect the effect of the share split.

17. SEGMENTAL INFORMATION

Segmental information is presented only in respect of the Group's geographical segments by location of assets. There is no information on business segments presented as the Group is principally involved in the provision of e-business solutions.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Inter-segment pricing is determined on an arm's length basis under terms, conditions and prices not materially different from transactions with unrelated parties.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

17. SEGMENTAL INFORMATION (continued)

	Malaysia		Singapore		Eliminations		Consolidated	
	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)
Geographical segments								
Revenue from external customers	3,018,493	1,644,746	28,849,826	9,823,611	-	-	31,868,319	11,468,357
Revenue from inter-segment	1,862,552	-	-	-	(1,862,552)	-	-	-
Total Revenue	4,881,045	1,644,746	28,849,826	9,823,611	(1,862,552)	-	31,868,319	11,468,357
Segment Result								
Interest income							131,249	-
Interest expense							(145,863)	(46,759)
Profit before taxation							3,278,630	1,930,188
Taxation							(260,724)	(203,938)
Profit after taxation							3,017,906	1,726,250
Segment assets	23,804,253	4,490,156	52,599,008	31,665,513	(23,442,092)	(3,367,106)	52,961,169	32,788,563
Total assets							52,961,169	32,788,563
Segment liabilities	254,801	159,304	36,496,267	16,827,709	(23,442,092)	(3,367,106)	13,308,976	13,619,907
Other segments items								
Capital expenditure	356,286	29,346	413,386	643,409	-	-	769,672	672,755
Depreciation and amortization	83,156	3,367	3,788,639	1,785,324	-	-	3,871,795	1,788,691

NOTES TO THE FINANCIAL STATEMENTS

(continued)

18. OPERATING LEASES

Total future minimum lease payments under non-cancelable operating leases are as follows:

Group	2004 (RM)	2003 (RM)
Less than one year	485,438	1,108,959
Between one to five years	-	646,892
	485,438	1,755,851

The Group and the Company leases office premises under operating leases. The leases typically run for an initial period of 3 years, with an option to renew the leases after the date of expiration. None of the leases include contingent rentals.

One of the leased premises has been sublet by the Group. The sublease is cancelable and will expire in August 2004. Sublease payments of RM13,584 (2003 - RM223,513) are expected to be received within the next twelve (12) months.

19. RELATED PARTIES

Controlling related party relationships are as follows:

- (i) Its subsidiaries as disclosed in Note 3.
- (ii) Chan Wing Kong, being a director and substantial shareholder.

Significant related party transactions during the year other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)
Related party transactions				
Ultimate holding company/affiliated corporation*				
Lease expenses	-	571,284	-	-
Management fee expense	-	1,365,193	-	-
Purchase of plant and equipment	-	643,408	-	-

NOTES TO THE FINANCIAL STATEMENTS

(continued)

19. RELATED PARTIES (continued)

Group	Group		Company	
	2004 (RM)	2003 (RM)	2004 (RM)	2003 (RM)
Subsidiaries				
Revenue from consultancy services rendered	-	-	1,862,552	-
Related corporations/affiliated corporations*				
Commission fee expense	-	151,096	-	-
Revenue from consultancy services rendered	-	1,198,107	-	-
With a company in which Mr. Lai Teik Kin, a key management personnel has substantial interest:				
IT Mega Teknologi Sdn. Bhd.				
Revenue from consultancy services rendered	1,392,313	3,976,639	1,392,313	1,422,602
Purchase of plant and equipment	89,004	-	89,004	-
With a company in which Mr. Chan Wing Kong, a director, has or deemed to have substantial interest:				
novaSPRINT Pte Ltd				
Rental income	74,486	200,738	-	-
novaC2R Pte Ltd				
Purchase of scanning services	1,214,132	177,025	-	-

* On 31 October 2002, novaSPRINT Pte. Ltd. ("novaSPRINT"), a company incorporated in the Republic of Singapore, became the ultimate holding company. However, on 10 March 2003, novaSPRINT distributed its entire shareholding in the Company to its shareholders in proportion to their existing shareholding in novaSPRINT, pursuant to a group restructuring exercise. As a result, novaSPRINT ceased to be the ultimate holding company and was considered as an affiliated corporation due to the common shareholders in both companies. Accordingly, the subsidiaries of novaSPRINT (previously considered related corporations) are also considered as affiliated corporations, as defined in Note 6.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal course of business and have been established based on negotiated terms.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

20. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarized below:

Credit risk

Credit risk is the risk that customers and other parties will not be able to meet their obligations to the Group and the Company resulting in financial loss to the Group and the Company. Management monitors credit exposure to customers on an on-going basis. Deposits are placed only with licensed financial institutions.

The Group and Company are potentially subject to credit risk arising from concentration of sales to a number of ongoing customers. The Group and Company are required to perform regular credit evaluation of its customers and maintain an allowance for potential losses when required. The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

Included in trade receivables of the Group are balances due from three customers that represent approximately 78% (2003 - 68%) of the total trade receivables as at balance sheet date.

Interest rate risk

Interest rate risk is the risk that changes in interest rate will have an adverse financial effect on the Group and the Company's financial position and/or results. The Group and the Company are not exposed to interest rate risk as they have no interest-bearing financial liability. The Group and Company are exposed to interest rate risk due to interest-bearing financial assets being fixed deposits placed with financial institutions. These are placed at varying maturities.

Foreign currency risk

The Group and Company is exposed to foreign currency risks as some of its contract revenue is denominated in a currency other than Ringgit Malaysia. The currency primarily giving rise to this exposure is Singapore Dollars. During and at the end of the year, the Group had not entered into any forward currency contracts.

Liquidity risk

The Group and Company monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Group's and Company's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

20. FINANCIAL INSTRUMENTS (continued)***Effective interest rates and re-pricing analysis***

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they re-price or mature, whichever is earlier.

	Group			Company		
	Effective interest rate (%)	Total (RM)	Within 1 year (RM)	Effective interest rate (%)	Total (RM)	Within 1 year (RM)
2004						
Financial assets						
Fixed deposits with licensed banks	1.9	4,589,899	4,589,899	2.7	3,000,000	3,000,000
2003						
Financial assets						
Fixed deposits with licensed banks	0.4	2,157,616	2,157,616	-	-	-
Financial liabilities						
Bank overdrafts	7.0	2,002,560	2,002,560	-	-	-

Fair values

In the opinion of the Directors, there is no significant difference between the carrying amounts and fair values of the financial assets and financial liabilities at the balance sheet date.

21. SIGNIFICANT EVENTS

During the financial year, the Company undertook the following share issue exercises:

- Issue of 1,755,000 ordinary shares of RM1.00 each for cash at approximately RM1.55 per share to eligible employees of the Group on 25 June 2003.
- Bonus issue of 2,532,150 ordinary shares of RM1.00 each to the shareholders of the Company on the basis of approximately 0.14 bonus share for every one (1) share of RM1.00 held via capitalisation of the share premium account balance of RM2,532,150 on 27 June 2003.
- Share split of the Company 20,090,000 ordinary shares of RM1.00 each into 200,900,000 ordinary shares of RM0.10 each on 27 June 2003.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

21. SIGNIFICANT EVENTS (continued)

- A public issue of 55,000,000 new ordinary shares of RM0.10 each for cash at an issue price of RM0.28 per share in conjunction with the Company's approved listing on the MESDAQ Market of the Bursa Malaysia Securities Berhad on 19 August 2003.

22. ACQUISITION OF SUBSIDIARIES

On 30 September 2002, Nova MSC Berhad acquired all the shares in novaCITYNETS Pte. Ltd. and novaHEALTH Pte. Ltd. for a total consideration of RM14,372,690 that was satisfied via issuance of 14,372,690 new ordinary shares of RM1 each of the Company. The acquisition was accounted for using the acquisition method of accounting. For the four month period ended 31 January 2003, the subsidiaries contributed a net profit of RM443,177 to the consolidated net profit for the period.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities as at 31 January 2003

	2003
	RM
Non-currency assets	
Property, plant and equipment	196,777
Intangible assets	13,143,353
	13,340,130
Current assets	20,671,903
Current liabilities	(18,962,341)
Long term liabilities	(677,002)
Net assets acquired	14,372,690
Consideration paid, satisfied via issuance of shares	(14,372,690)
Cash acquired, net bank overdraft and deposits pledged	(367,114)
Net cash outflow	(367,114)

STATEMENT OF SHAREHOLDINGS

as at 5 August 2004

Authorized Capital	:RM 50,000,000
Issued and fully paid-up capital	:RM 25,590,000
Class of Shares	:Ordinary shares of RM0.10 each fully paid
Voting Rights	:One vote per RM 0.10 share

BREAKDOWN OF SHAREHOLDINGS as at 5 August 2004

Range of Shareholdings	No of Holders	Percentage of Holders	No of RM0.10 Shares	Percentage of Issued Capital
1 - 199	55	0.93	3,992	0.00
200 - 999	25	0.42	12,500	0.00
1,000 - 4,999	1,718	29.19	4,059,535	1.59
5,000 - 10,000	2,346	39.86	17,467,150	6.83
10,001 - 100,000	1,603	27.24	50,578,080	19.76
100,001 - 1,000,000	118	2.01	26,961,265	10.54
1,000,001 and above	20	0.34	156,817,478	61.28
Total	5,885	100.00	255,900,000	100.00

SUBSTANCIAL HOLDERS as at 5 August 2004

According to the register required to be kept under section 69L of the Companies Act, 1965, the following are the substantial holders of the Company:

Name of Substantial Shareholders	No of Shares held (direct)	% of Shareholding	No of Shares held (indirect)	% of Shareholding
1 Chan Wing Kong	32,882,139	12.85	2,876,791 *	1.12
2 NatSteel Technology Investments Pte Ltd	21,246,310	8.30	-	-
3 Tay Sen Kwan	16,771,315	6.55	267,205 *	0.10
4 Kim Eng Holdings Limited	15,000,000	5.86	-	-
5 Victor John Stephen Price	14,044,411	5.49	990,069 *	0.39

* shares are held through KE-ZAN Nominees (Asing) Sdn Bhd.

STATEMENT OF SHAREHOLDINGS

as at 5 August 2004 (continued)

THIRTY LARGEST REGISTERED HOLDERS as at 5 August 2004

	Name of Substantial Shareholders	No of Shares held	% of Shareholding
1	Chan Wing Kong	32,882,139	12.85
2	NatSteel Technology Investments Pte Ltd	21,246,310	8.30
3	Tay Sen Kwan	16,771,315	6.55
4	Kim Eng Holdings Limited	15,000,000	5.86
5	Victor John Stephen Price	14,044,411	5.49
6	OSK Technology Ventures Sdn Bhd	12,364,120	4.83
7	Tan Yew Soon	5,636,470	2.20
8	Lai Teik Kin	5,507,970	2.15
9	Ang Chee Keong	5,070,275	1.98
10	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad for Hidden Treasures Fund (240218)</i>	4,500,000	1.76
11	Sebastian Yeo Boon Kiat	4,275,951	1.67
12	Infocomm Investments Pte Ltd	3,608,868	1.41
13	KE-ZAN Nominees (Asing) Sdn Bhd <i>Kim Eng Securities Pte Ltd for Chan Wing Kong</i>	2,876,791	1.12
14	Menteri Kewangan Malaysia <i>Section 14 (SICDA)</i>	2,678,789	1.05
15	Wang Wei	2,483,500	0.97
16	Daiwa (Malaya) Private Limited	2,220,877	0.87
17	Lee Wee Mien	1,809,700	0.71
18	OOX.com Pte Ltd	1,711,110	0.67
19	Quek Ser Kheng	1,078,882	0.42
20	Wong Siew Lang	1,050,000	0.41
21	KE-ZAN Nominees (Asing) Sdn Bhd <i>Kim Eng Securities Pte Ltd for Price Victor John Stephen</i>	990,069	0.39
22	Seet Peng Keong	780,000	0.30
23	Yong Swee Hong	700,000	0.27
24	Tan Eng Huat	670,000	0.26
25	KE-ZAN Nominees (Asing) Sdn Bhd <i>Kim Eng Securities Pte Ltd for Seah Cheng Kwee</i>	584,410	0.23
26	KE-ZAN Nominees (Asing) Sdn Bhd <i>Kim Eng Securities Pte Ltd for Wong Pek Wai</i>	552,200	0.22
27	Lee Tian Chye	500,000	0.20
28	Affin Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Hu Siew Yew (HUS0063M)</i>	500,000	0.20
29	Portcullis Nominees (Singapore) Pte Ltd	443,376	0.17
30	Tan Eng Huat	432,400	0.17

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at BUKIT JALIL GOLF & COUNTRY RESORT, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia, on Tuesday, 28 September 2004 at 11.00 am for following purposes:-

As Ordinary Business

- | | | |
|----|------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1 | To receive and adopt the Audited Accounts for the year ended 31 March 2004, together with the Reports of Directors and Auditors thereon. | Resolution 1 |
| 2. | To re-elect the following Directors who retire as Directors pursuant to Article 101 of the Company's Articles of Association: | |
| | a) Dr. Victor John Stephen Price | Resolution 2 |
| | b) Dr. Kwa Lay Keng | Resolution 3 |
| 3. | To re-appoint Messrs. KPMG as Auditors of the Company and to authorize the Directors to fix the Auditors' remuneration. | Resolution 4 |

As Special Business

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 4. | To consider and, if thought fit, pass with or without any modification, the following as ordinary resolution:- | |
| | "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant regulatory authorities, the Directors be and are hereby authorized to issue shares in the Company, at any time and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual general Meeting of the Company." | Resolution 5 |
| 5. | To consider and if thought fit, pass the following special resolution:- | |
| | That subject to the approval of Bursa Malaysia Securities Berhad, Article 3(2)(a) of the Articles of Association of the Company be and is hereby amended in the manner as follows :- | Resolution 6 |
| | "No director shall participate in an issue of shares or options to employees of the Company unless the shareholder in general meetings have approved of the specific allotment to be made to such director." | |
| 6. | To transact any other business for which due notice has been given. | Resolution 7 |

BY ORDER OF THE BOARD

Loy Tuan Bee (BC/L/168)

Wong Wai Yin (MAICSA 7003000)

Kuala Lumpur

3 September 2004

NOTICE OF ANNUAL GENERAL MEETING

(continued)

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. Where a member appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hands of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation, either under its Common Seal, or the hand of its attorney duly authorized.
4. The Proxy Form must be deposited at the Registered Office of the Company at Unit B-10-3, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
5. Explanatory note on item 4 of the Agenda
 - Resolution 5 proposed under item 4 of the Agenda, if passed, will empower the Directors to allot and issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for such purpose as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting.
6. Explanatory note on item 5 of the Agenda
 - Resolution 6 proposed under item 5 of the agenda, if passed, will allow the Company to extend the ESOS options to its non-executive directors.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who retire by rotation and standing for re-election pursuant to the Article of Association of the Company
 - (i) Dr Victor John Stephen Price
 - (ii) Dr Kwa Lay Keng

2. The profiles of Dr Stephen Price and Dr Kwa Lay Keng who are standing for re-election are set out in the Directors' Profiles appearing on page 8 and 9 of this Annual Report.

3. Details of attendance of Directors at Board of Directors' Meetings

There were 3 Board of Directors' Meetings held during the financial year ended 31 March 2004. The details of the attendance of the Directors are as follows:

	Attendance
Executive Directors	
Chan Wing Kong	3/3
Dr Stephen Price	3/3
Non-Executive Directors	
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	3/3
Onn Kien Hoe	3/3
Yap Yuh Foh	3/3
Lim Ee-Jin (Alternate Director of Yap Yuh Foh)	1/3
Dr Kwa Lay Keng	3/3
Hwang Wei-Cherng (resigned on 25 Feb 2004)	2/2
Khoo Chee Keng (Alternate Director of Hwang Wei-Cherng) (resigned on 25 Feb 2004)	2/2

4. Place, date and time of the Second Annual General Meeting

The Second Annual General Meeting is scheduled to be held on Tuesday, 28 September 2004 at BUKIT JALIL GOLF & COUNTRY RESORT, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur, Malaysia, at 11.00 am.



Proxy Form

No. of shares held	
--------------------	--

I/We, _____ NRIC No _____
of _____
being a member/members of **NOVA MSC BERHAD**, hereby appoint _____
_____ NRIC No _____
of _____
or failing him, **THE CHAIRMAN OF THE MEETING** as my/our proxy, to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company held on Tuesday, 28^h September 2004 and at any adjournment thereof.

Please indicate with an "X" in the spaces below as to how you wish your votes to be cast. (If you do not do so, the Proxy will vote or abstain from voting at his discretion).

RESOLUTION	RESOLUTIONS	FOR	AGAINST
1	Adoption of Accounts & Reports		
2	Re-election of Directors :-		
	a) Dr. Victor John Stephen Price		
	b) Dr. Kwa Lay Keng		
3	Appointment of Messrs. KPMG as Auditors and to authorize the Director to fix their remuneration.		
	Special Business :		
4	To approve the Issuance of Shares Pursuant to Section 132D		
5	To approve the amendment on Article 3(2)(a) of the Company's Articles of Association.		

Dated

Signature/Seal

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. Where a member appoints two or more proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hands of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation, either under its Common Seal, or the hand of its attorney duly authorized.
4. The Proxy Form must be deposited at the Registered Office of the Company at Unit B-10-3, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Please Affix
Postage
Stamp Here

The Company Secretary
novaMSC Berhad
Unit B-10-3, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia



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