



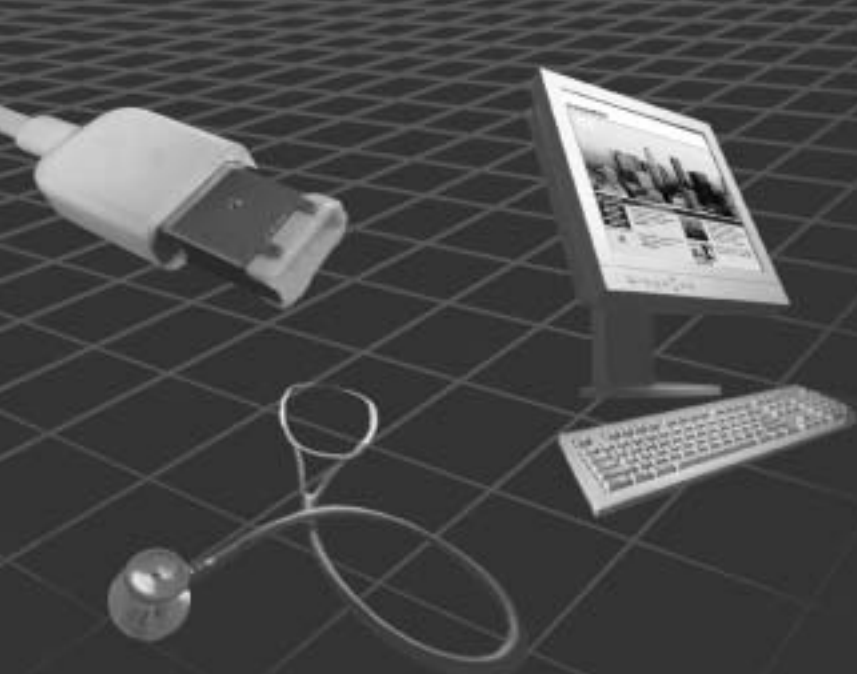
NOVA MSC BERHAD (591898-H)
Annual Report 2005



e-government products



healthcare products



c o n t e n t s

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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.



NOVA MSC BERHAD (591898-H)

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 that 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:

The financial year ended 31 March 2005 was a challenging and difficult one for Nova MSC Berhad and its subsidiaries (“Group”).

FINANCIAL HIGHLIGHTS

The delay and longer gestation period required to secure new orders from existing and new markets, coupled with cost overrun by certain existing projects, badly affected the performance of the Group. For the financial year ended 31 March 2005, the Group recorded revenue of RM10.2 million reflecting a fall of 68% as compared to RM31.9 million recorded for the last financial year. The Group also registered a net loss for the year of RM18.5 million as compared to a net earnings of RM3.0 million last year. This was mainly due to higher amortisation charge of RM8.6 million, provision for doubtful debt of RM2.1 million and provision for foreseeable loss of RM1.4 million. Loss per share was recorded at 7.23 sen as compared to earnings per share of 1.32 sen for the previous financial year. Shareholders’ funds stood at RM21.9 million, down from RM39.7 million last year. As at 31 March 2005, the Group has fully utilized the RM15.4 million proceeds raised from the Initial Public Offering in August 2003.

BUSINESS DIRECTION

Inevitably, the loss suffered by the Group during the financial year has resulted in a strain on the financial resources and cash flows of the Group. The Group re-examined the strategies, reviewed the fundamentals and formulated a series of plans to fix the weakness. These plans, inter alia, include costs reduction exercises to improve efficiencies and fund raising exercises to ensure that the Group has sufficient financial resources for its operations.

CHAIRMAN'S STATEMENT

(CONT'D.)

The Group has also re-aligned its businesses to focus on re-selling the Group's products and related services via partners regionally. The Group is actively seeking new partners and customers to widen our market reach beyond our traditional markets. The Group will continue to enhance our strong relations with our present customers, as they will provide the group with recurring revenue and serves as good references for our regionalisation effort.

In keeping with our strategy, the Group recognises the essential role of R&D in driving business growth and improving operational efficiency. For the financial year ended 31 March 2005, expenditure of approximately RM13.5 million was incurred to enhance the current suite of products namely, PAVO, OCTANS, FORNAX and VESALIUS. We have also extended our product coverage to include the social welfare and legal aid sector. The Group intends to continue the R&D efforts.

These plans, together with the better market sentiment in the e-Government and healthcare industry, augur well for the Group. The improvement in market sentiment is reflected in an increase in book orders and expressions of interest from potential customers. It should be noted however that the satisfactory outcome of these plans would also be dependent on market conditions, including but not limited to continued financial support from creditors and bankers, and the success of the Group's fund raising exercise.

APPRECIATION

On behalf of the Board of Directors, I would like to extend a sincere note of thanks to our customers, shareholders, business partners and staff who have given us their unwavering support and stood by us in both good and trying times. I am also taking this opportunity to thank fellow Board Members, including Mr Yap Yup Foh and Mr Lim Ee-Jin, who stepped down during the financial year under review, for their invaluable counsel and contributions. Together with continued commitment, we stand ready to embrace and overcome the challenges in the year ahead.



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

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

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (03) 2721 2222
Fax : (03) 2721 2530

AUDITORS

KPMG
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia

DIRECTORS' PROFILE



Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, age 45, was appointed Non-Executive Independent Director on 27 June 2003. He was then appointed Chairman of the Group on 1 July 2003.

He is currently an Executive Director of Hwang-DBS Securities Berhad. He also holds directorships for the following public listed companies – Box-Pak (Malaysia) Berhad, Kian-Joo Can Factory Berhad, Nova MSC Berhad, Hwang-DBS (Malaysia) Berhad, Hwang-DBS Unit Trust Bhd and Universal Trustee (Malaysia) Bhd

Tunku Nadzaruddin was President of the Persatuan Broker Niaga Hadapan Malaysia (Malaysia Futures Brokers Association) between 1997-1999, and is the current Patron. He was also Deputy President of the Financial Planning Association of Malaysia (FPAM) from 2003 to 2004. He was also a Director of the Malaysian Derivatives Exchange (MDEX) from 2001 to 2004.

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.

DIRECTORS' PROFILE

(CONT'D.)

Mr Chan Wing Kong, a Singapore citizen age 46, is the founder and Chief Executive Officer of Nova MSC 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-two (22) 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 62, 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.

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.

DIRECTORS' PROFILE

(CONT'D.)

Dr Kwa Lay Keng, a Malaysian citizen age 46, was appointed as a Non-Executive Non-Independent Director on 8 November 2002, as a nominee director for NSL Technology Investments Pte Ltd ("NSL"), a shareholder of the Company.

Dr Kwa is currently the Chief Operating Officer of NatSteel Ltd and a director of NSL, the latter of which is one of our major investors and joint venture partners. She oversees the Group Operations for the NATSTEEL Group of companies, with operations and joint ventures in Chemicals, Engineering, Construction Products and Investments in 10 countries. Dr Kwa has been with NatSteel Ltd since 1988. She has 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 Onn Kien Hoe, age 40, was appointed Non-Executive Independent Director on 5 June 2003, Mr Onn completed his professional qualification with the Chartered Association of Certified Accountants in 1988, 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 practices 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

Composition

The Board currently has five members, comprising two Executive Directors, one Non-Executive Non-Independent Director, and two Non-Executive Independent Directors (including the Chairman of the Company). The Board is of the opinion that the interests 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 Non Executive Independent Directors of the Company, which form two fifths (2/5) 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 judgment to many aspects of the Group’s strategy so as to safeguard the interests of minority shareholders and to ensure that higher standards of conduct and integrity are maintained by the Group.

The profiles of the Directors are provided in pages 7 to 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. The Non-Executive Director contributes her 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 roles of the Non-Executive Independent 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 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.

STATEMENT OF CORPORATE GOVERNANCE

(CONT'D.)

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 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 specialised 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 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, five (5) 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	5/5
Dr Victor John Stephen Price	5/5
Non-Executive Directors	
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	4/5
Onn Kien Hoe	5/5
Dr Kwa Lay Keng	5/5
Yap Yuh Foh (<i>resigned on 25.11.2004</i>)	2/4
Lim Ee-Jin (<i>Alternate Director of Yap Yuh Foh</i>) (<i>resigned on 25.11.2004</i>)	2/4

STATEMENT OF CORPORATE GOVERNANCE

(CONT'D.)

1.6 Meetings (cont'd.)

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

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 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 the Directors during the financial year ended 31 March 2005 can be categorized into the following components:

Category	Director's Fees (RM)	Salaries (RM)	EPF (RM)	Total (RM)
Executive Directors	-	617,325	22,077	639,402
Non-Executive Directors	120,876	-	-	120,876

Directors' remuneration is broadly categorized into the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non Executive
Below 50,000	-	5
RM50,001 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	-

STATEMENT OF CORPORATE GOVERNANCE

(CONT'D.)

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 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 the 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. In addition, the Directors are responsible for taking such steps as are reasonable to safeguard the assets of the Group for prevention and detection of fraud and other irregularities.

STATEMENT OF CORPORATE GOVERNANCE

(CONT'D.)

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 17 to 20.

An appropriate relationship is maintained with the Company's external and internal 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 15 to 16 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 17 to 20.

STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board is required to maintain a sound system of internal controls 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 controls in accordance with paragraph 2.14 (s), Guidance Note 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 the internal controls of the Group during the financial year.

The Group's system of internal controls includes 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 recognises that reviewing the adequacy of the Group's system of internal controls 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 organisational 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 is assisted by the Audit Committee in specific areas in order to enhance the system of internal controls and corporate governance.

STATEMENT OF INTERNAL CONTROL

(CONT'D.)

KEY PROCESSES OF INTERNAL CONTROL (cont'd.)

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

INTERNAL AUDIT

Presently the Group does not have an internal audit department. The Company had engaged a professional consulting firm in March 2004 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, the 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 an informal 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

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 three (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.

AUDIT COMMITTEE REPORT

(CONT'D.)

MEETINGS

The Audit 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.

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

The Company 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;
 - 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 letters sent by the external auditors to the Company and the management's response to such letters;
 - 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

(CONT'D.)

DUTIES AND RIGHTS OF THE AUDIT COMMITTEE (cont'd.)

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 and internal auditors;
 - 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 auditors 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 and the external auditors, including the status of previous audit recommendations.
7. To carry out any other functions that may be mutually agreed upon by the Audit Committee and the Board.

AUDIT COMMITTEE REPORT

(CONT'D.)

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Audit Committee met 4 times during the financial year ended 31 March 2005. The attendance record of each Director since the last financial year or the date of appointment is as follows:

	Number of Meetings Attended
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	4/4
Dr Victor John Stephen Price	4/4
Onn Kien Hoe	4/4

During the financial year ended 31 March 2005, 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.

INTERNAL AUDIT FUNCTION

The Board outsources its internal audit function to a professional consulting firm which provide support to 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 of Internal Control 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 enhance the internal control system;
- (iii) To perform a risk assessment of the Group to identify the business processes within the Group that the internal audit should focus on;
- (iv) To allocate resources to areas within the Group in order to provide management and the Audit Committee with efficient and effective levels of internal audit coverage.

All internal auditors' reports are deliberated by the Audit Committee and recommendations made to the Board and/or the management are acted upon.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2005

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, software research and development, provision of e-business solutions through the 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 loss for the year	(18,504,200)	(10,257,806)

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.

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 (resigned on 25.11.2004)

Lim Ee-Jin (resigned on 25.11.2004)

DIRECTORS' REPORT

(CONT'D.)

DIRECTORS' INTERESTS

The holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Par value RM	Number of ordinary shares			
		At 1.4.2004	Bought	Sold	At 31.3.2005
Direct interest					
Chan Wing Kong	0.10	35,673,430	85,500	-	35,758,930
Victor John Stephen Price	0.10	15,034,480	-	(2,594,798)	12,439,682

None of the other Directors holding office as at 31 March 2005 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, 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 or the fixed salary of a full time employee of the Company) 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, other than certain Directors who have or are deemed to have substantial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 19 to 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 apart from the Employees' Share Option Scheme below.

DIRECTORS' REPORT

(CONT'D.)

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

At an extraordinary general meeting held on 28 September 2004, the Company's shareholders approved the establishment of a 10 year Employees' Share Option Scheme ("ESOS") of up to 30% of the issued and paid-up share capital of the Company, subject to a maximum entitlement of 15% for the first 5 years, to eligible Directors and employees of the Group.

At the end of the financial year, the options pursuant to the ESOS have not been issued to the eligible Directors and employees of the Group.

The salient features of the scheme are as follows:

- i) Eligible employees are Directors and confirmed employees of the Group (save and except for companies which are dormant) who meet the criteria of eligibility for participation as set out in the By-Laws, at the date of the offer.
- ii) The option is personal to the grantee and is non-assignable.
- iii) An option may, at the discretion of the ESOS Committee, be determined based on a discount of not more than 10% from the five (5)-day weighted average market price of the underlying shares as shown in the Daily Official List issued by the Bursa Malaysia for the five (5) market days immediately preceding the Date of Offer in writing to the grantee.

The option price per new share shall in no event be less than the par value of the share.

- iv) An option may be exercised by notice in writing to the Company in the prescribed form from time to time during the option period in respect of all or any part of the new shares comprised in the option, provided that where an option is exercised in respect of a part of the new shares comprised therein, the number of new shares of which such an option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).

DIRECTORS' REPORT

(CONT'D.)

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) all known bad debts have been written off and adequate provision 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 the amount of bad debts written off or the amount of the provision for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent, 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 and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT

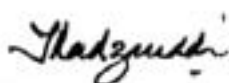
(CONT'D.)

In the opinion of the Directors, other than the allowance for doubtful receivables, amortisation of intangible assets and the impairment loss for investments in subsidiaries as disclosed in Note 12, the results of the operations of the Group and of the Company for the financial year ended 31 March 2005 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.

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

Kuala Lumpur,

Date: 20 July 2005

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 30 to 61 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 2005 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

Kuala Lumpur,

Date: 20 July 2005

STATUTORY DECLARATION



PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Chan Wing Kong**, the Director primarily responsible for the financial management of Nova MSC Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 61 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 2005.


.....
Chan Wing Kong

Before me:



Tingkat 10 Wisma UOA Damansara
50, Jalan Dangan,
Bukit Damansara,
50490 Kuala Lumpur

REPORT OF THE AUDITORS

TO THE MEMBERS OF NOVA MSC BERHAD

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

We have audited the financial statements set out on pages 30 to 61. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 2005 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.

REPORT OF THE AUDITORS

TO THE MEMBERS OF NOVA MSC BERHAD (CONT'D.)

(Company No. 591898-H) (Incorporated in Malaysia) (cont'd.)

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.

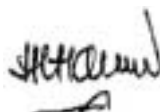
The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

Without qualifying our opinion, we draw attention to Note 1(a) of the financial statements. The Group and the Company had incurred net losses during the year of RM18,504,200 and RM10,257,806, respectively. The Directors have prepared the financial statements on a going concern basis in view of continuous financial support from the bankers of the Group and of the Company, the successful implementation of the fund raising exercise and attaining the projects cash flows. In the event that these are not forthcoming, there is substantial doubt that the Group and the Company will be able to continue as going concerns and, therefore, as appropriate realise their assets and discharge their liabilities in the normal course of business. Consequently, adjustments may be required to reduce the values of assets to their recoverable amounts, to provide for any further liabilities, which may arise, and to reclassify non-current assets as current assets.



KPMG

Firm Number: AF 0758
Chartered Accountants



Khaw Hock Hoe

Partner
Approval Number: 2229/04/06(J)

Kuala Lumpur,

Date: 20 July 2005

BALANCE SHEET

AT 31 MARCH 2005

		Group	
	Note	2005 RM	2004 RM
Property, plant and equipment	2	931,793	764,836
Intangible assets	4	24,210,636	19,059,692
Current assets			
Contract work-in-progress	5	6,895,654	15,839,254
Inventories		385,003	380,798
Trade and other receivables	6	6,441,611	10,380,620
Tax recoverable		18,568	-
Cash and cash equivalents	7	2,689,630	6,535,969
		16,430,466	33,136,641
Current liabilities			
Trade and other payables	8	13,623,286	12,134,601
Bank borrowings	9	6,057,716	-
Taxation		-	18,064
		19,681,002	12,152,665
Net current (liabilities)/assets		(3,250,536)	20,983,976
		21,891,893	40,808,504
Financed by:			
Capital and reserves			
Share capital	10	25,590,000	25,590,000
(Net accumulated losses)/Reserves		(3,698,107)	14,062,193
Shareholders' funds		21,891,893	39,652,193
Long term deferred liabilities			
Deferred tax liabilities	11	-	1,156,311
		21,891,893	40,808,504

The financial statements were approved and authorised for issue by the Board of Directors on 20 July 2005.

The notes set out on pages 40 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

		Group	
	Note	2005 RM	2004 RM
Revenue		10,171,136	31,868,319
Staff costs		(8,905,724)	(11,368,346)
Depreciation and amortisation		(9,143,955)	(3,871,795)
Hardware and material costs		(4,281,350)	(10,277,873)
Office rental		(945,568)	(1,291,184)
Other operating expenses		(6,253,900)	(1,765,877)
Operating (loss)/profit	12	(19,359,361)	3,293,244
Interest income		35,382	131,249
Interest expense		(344,543)	(145,863)
(Loss)/Profit before taxation		(19,668,522)	3,278,630
Tax expense	14	1,164,322	(260,724)
Net (loss)/profit for the year		(18,504,200)	3,017,906
Basic (loss)/earnings per share (sen)	15	(7.23)	1.32

The notes set out on pages 40 to 61 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 2005

Group	Share capital	---Non-distributable--- Translation reserve	Share premium	Distributable Retained profits/ (Accumulated losses)	Total
	RM	RM	RM	RM	RM
At 1 April 2003	15,802,850	69,714	1,569,842	1,726,250	19,168,656
Exchange differences on translation of the financial statements of foreign entities	-	1,103,170	-	-	1,103,170
Share issue expenses written off	-	-	(1,757,789)	-	(1,757,789)
Net gains/(losses) not recognised in the income statement	-	1,103,170	(1,757,789)	-	(654,619)
Issue of shares	7,255,000	-	10,865,250	-	18,120,250
Bonus issue	2,532,150	-	(2,532,150)	-	-
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
Exchange differences on translation of the financial statements of foreign entities	-	743,900	-	-	743,900
Net gains not recognised in the income statement	-	743,900	-	-	743,900
Net loss for the year	-	-	-	(18,504,200)	(18,504,200)
At 31 March 2005	25,590,000	1,916,784	8,145,153	(13,760,044)	21,891,893

Note 10

The notes set out on pages 40 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

	Group	
	2005 RM	2004 RM
Cash flows from operating activities		
(Loss)/Profit before taxation	(19,668,522)	3,278,630
Adjustments for:		
Amortisation of intangible assets	8,579,909	3,270,400
Depreciation	564,046	601,395
Loss on disposal of property, plant and equipment	24,939	-
Interest expense	344,543	145,863
Interest income	(35,382)	(131,249)
Operating (loss)/profit before working capital changes	(10,190,467)	7,165,039
Changes in working capital:		
Contract work-in-progress	8,943,600	(8,134,660)
Inventories	(4,205)	180,728
Trade and other receivables	3,939,009	(3,854,834)
Trade and other payables	1,488,685	1,403,577
Cash generated from/(used in) operations	4,176,622	(3,240,150)
Interest paid	(344,543)	(145,863)
Income tax paid	(28,621)	(17,500)
Net cash generated from/(used in) operating activities	3,803,458	(3,403,513)
Cash flows from investing activities		
Purchase of property, plant and equipment	(750,798)	(769,672)
Development expenditure incurred, net of grant	(13,520,388)	(7,507,802)
Interest received	35,382	131,249
Net cash used in investing activities	(14,235,804)	(8,146,225)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005 (CONT'D.)

	Group	
	2005 RM	2004 RM
Cash flows from financing activities		
(Increase)/Decrease in pledged deposits placed with licensed banks	(1,075,300)	570,200
Proceeds from issue of shares	-	18,120,250
Share issue expenses	-	(1,279,934)
Net cash (used in)/generated from financing activities	(1,075,300)	17,410,516
Exchange differences on translation of the financial statement of foreign entities	510,766	354,198
Net (decrease)/increase in cash and cash equivalents	(10,996,880)	6,214,976
Cash and cash equivalents at beginning of year	4,951,169	(1,316,521)
Foreign exchange difference on opening balances	17,525	52,714
Cash and cash equivalents at end of year	(6,028,186)	4,951,169

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

	Group	
	2005 RM	2004 RM
Cash and bank balances	17,346	1,946,070
Fixed deposits (excluding pledged deposit)	12,184	3,005,099
Bank overdrafts	(6,057,716)	-
	(6,028,186)	4,951,169

The notes set out on pages 40 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

BALANCE SHEET

AS AT 31 MARCH 2005

		Company	
	Note	2005 RM	2004 RM
Property, plant and equipment	2	189,816	299,109
Investments in subsidiaries	3	7,680,455	14,372,690
Current assets			
Contract work-in-progress	5	523,650	1,449,524
Trade and other receivables	6	20,584,674	18,691,479
Tax recoverable		18,568	-
Cash and cash equivalents	7	606,398	3,364,141
		21,733,290	23,505,144
Current liabilities			
Trade and other payables	8	1,160,781	236,737
Bank borrowings	9	778,444	-
Taxation		-	18,064
		1,939,225	254,801
Net current assets		19,794,065	23,250,343
		27,664,336	37,922,142
Financed by:			
Capital and reserves			
Share capital	10	25,590,000	25,590,000
Reserves		2,074,336	12,332,142
Shareholders' funds		27,664,336	37,922,142

The financial statements were approved and authorised for issue by the Board of Directors on 20 July 2005.

The notes set out on pages 40 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

		Company	
	Note	2005 RM	2004 RM
Revenue		1,307,961	4,881,045
Other operating income		3,167	44,674
Staff costs		(2,008,289)	(1,521,653)
Depreciation		(136,671)	(83,156)
Hardware and material costs		-	(2,161)
Office rental		(213,674)	(152,107)
Other operating expenses		(9,221,009)	(401,954)
Operating (loss)/profit	12	(10,268,515)	2,764,688
Interest income		17,001	127,015
Interest expense		(1,532)	-
(Loss)/Profit before taxation		(10,253,046)	2,891,703
Tax expense	14	(4,760)	(35,564)
Net (loss)/profit for the year		(10,257,806)	2,856,139

The notes set out on pages 40 to 61 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 2005

Company	Share capital RM	Non- distributable Share premium RM	Distributable Retained earnings/ (accumulated losses) RM	Total RM
At 1 April 2003	15,802,850	1,569,842	1,330,850	18,703,542
Share issue expenses written off not recognised in the income statement	-	(1,757,789)	-	(1,757,789)
Issue of shares	7,255,000	10,865,250	-	18,120,250
Bonus issue	2,532,150	(2,532,150)	-	-
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
Net loss for the year	-	-	(10,257,806)	(10,257,806)
At 31 March 2005	25,590,000	8,145,153	(6,070,817)	27,664,336

Note 10

The notes set out on pages 40 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

	Company	
	2005 RM	2004 RM
Cash flows from operating activities		
(Loss)/Profit before taxation	(10,253,046)	2,891,703
Adjustments for:		
Depreciation	136,671	83,156
Impairment loss on investment in subsidiary	6,692,235	-
Interest expense	1,532	-
Interest income	(17,001)	(127,015)
Operating (loss)/profit before working capital changes	(3,439,609)	2,847,844
Changes in working capital:		
Contract work-in-progress	925,874	(249,358)
Trade and other receivables	(1,893,195)	(15,927,702)
Trade and other payables	924,044	77,433
Cash used in operations	(3,482,886)	(13,251,783)
Income tax paid	(41,392)	(17,500)
Interest paid	(1,532)	-
Net cash used in operating activities	(3,525,810)	(13,269,283)
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,378)	(356,286)
Interest received	17,001	127,015
Net cash used in investing activities	(10,377)	(229,271)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

	Group	
	2005 RM	2004 RM
Cash flows from financing activities		
Increase in pledged deposits placed with licensed banks	(600,000)	-
Proceeds from issue of shares	-	18,120,250
Share issue expenses	-	(1,279,934)
Net cash (used in)/generated from financing activities	(600,000)	16,840,316
Net (decrease)/increase in cash and cash equivalents	(4,136,187)	3,341,762
Cash and cash equivalents at beginning of year	3,364,141	22,379
Cash and cash equivalents at end of year	(772,046)	3,364,141

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

	Company	
	2005 RM	2004 RM
Cash and bank balances	6,398	364,141
Fixed deposits (excluding pledged deposits)	-	3,000,000
Bank overdrafts	(778,444)	-
	(772,046)	3,364,141

The notes set out on pages 40 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in the previous financial year.

(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, in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and on a going concern basis.

The Directors have continued to prepare the financial statements on a going concern basis in view of the following:

- i) continued financial support from the bankers of the Group and of the Company;
- ii) the proposed fund raising exercise through issuance of up to 29,428,500 new shares of RM0.10 each at par via private placement, which is expected to be completed by end of 2005. The proposed exercise has been approved by Securities Commission on 24 June 2005; and
- iii) attaining the cash flows from the projects in progress and in respect of those being tendered for.

In the event that these are not forthcoming, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Consequently, adjustments may be required to reduce the values of assets to their recoverable amounts, to provide for any further liabilities, which may arise, and to reclassify non-current assets as current assets.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(b) Basis of consolidation (cont'd.)

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.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation

The straight-line method is used to write off the cost of the property, plant and equipment over the term of their estimated useful lives at the following principal annual rates:

Leasehold improvements	33 1/3 %
Computers and office equipment	33 1/3 %
Furniture and fittings	33 1/3 %

(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 recognised 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 capitalised includes cost of materials, direct labour and an appropriate proportion of overheads.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(e) Intangible assets (cont'd.)

(i) *Research costs and development expenditure* (cont'd.)

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

(ii) *Copyright acquired*

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

(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) *Amortisation*

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 over the periods necessary to match them with the costs they are intended to compensate.

All government grants are accounted for at fair value 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 realisable value. Cost is determined on a specific identification basis.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(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.

(i) Trade and other receivables

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

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Employee benefits

(i) *Short term employee benefits*

Wages, salaries, bonuses and social security contributions are recognised as expenses 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 recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) *Defined contribution plans*

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

(m) Impairment

The carrying amount of the Group's 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 recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(m) Impairment (cont'd.)

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 amortisation, if no impairment loss had been recognised. The reversal, if any, is recognised 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 recognised directly in equity, in which case it is recognised 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 recognised 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 realisation 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 recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(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 that date. Foreign exchange differences arising on translation are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(o) Foreign currency (cont'd.)

(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 recognised directly in equity.

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

SGD1.00	RM2.289	(2004 : RM2.264)
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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 recognised 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 recognised on a straight line basis over the life of the contract period.

(iii) *Licensing revenue*

Licensing revenue is recognised 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

(CONT'D.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

(q) Expenses

(i) *Operating lease payments*

Rental payable under operating leases are recognised 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. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Leasehold improvements RM	Computers and office equipment RM	Furniture and fittings RM	Total RM
At 1 April 2004	551,215	1,592,611	172,889	2,316,715
Additions	184,628	376,825	189,345	750,798
Disposal	(455,193)	-	-	(455,193)
Exchange differences	4,972	14,638	1,714	21,324
At 31 March 2005	285,622	1,984,074	363,948	2,633,644
<i>Accumulated depreciation</i>				
At 1 April 2004	388,715	1,046,599	116,565	1,551,879
Charge for the year	143,867	340,681	79,498	564,046
Disposal	(430,254)	-	-	(430,254)
Exchange differences	3,997	10,941	1,242	16,180
At 31 March 2005	106,325	1,398,221	197,305	1,701,851
<i>Net book value</i>				
At 31 March 2005	179,297	585,853	166,643	931,793
At 31 March 2004	162,500	546,012	56,324	764,836
Depreciation charge for the year ended 31 March 2004	237,776	309,040	54,579	601,395

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

2. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

Company <i>Cost</i>	Leasehold improvements RM	Computers and office equipment RM	Furniture and fittings RM	Total RM
At 1 April 2004	100,994	266,951	17,687	385,632
Additions	-	27,180	198	27,378
At 31 March 2005	100,994	294,131	17,885	413,010
<i>Accumulated depreciation</i>				
At 1 April 2004	26,672	55,805	4,046	86,523
Charge for the year	33,665	97,060	5,946	136,671
At 31 March 2005	60,337	152,865	9,992	223,194
<i>Net book value</i>				
At 31 March 2005	40,657	141,266	7,893	189,816
At 31 March 2004	74,322	211,146	13,641	299,109
Depreciation charge for the year ended 31 March 2004	26,672	52,671	3,813	83,156

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

3. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	14,372,690	14,372,690
Less: Impairment loss	(6,692,235)	-
	7,680,455	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	
			2005	2004
Subsidiaries				
novaCITYNETS Pte. Ltd.	Provision of e-business solutions for the building and construction, city, town council and telecommunications industries	Republic of Singapore	100%	100%
novaHEALTH Pte. Ltd.	Provision of e-business solutions for the healthcare industry	Republic of Singapore	100%	100%

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

4. INTANGIBLE ASSETS

Group <i>Cost</i>	Copyright acquired RM	Development expenditure RM	Total RM
At 1 April 2004	3,456,521	23,035,532	26,492,053
Amount capitalised during the year	-	13,520,388	13,520,388
Exchange differences	38,168	254,368	292,536
At 31 March 2005 (a)	3,494,689	36,810,288	40,304,977
<i>Government grant</i>			
At 1 April 2004	-	1,420,812	1,420,812
Exchange differences	-	15,689	15,689
At 31 March 2005 (b)	-	1,436,501	1,436,501
<i>Accumulated amortisation</i>			
At 1 April 2004	1,045,909	4,965,640	6,011,549
Amortisation charge for the year	680,137	7,899,772	8,579,909
Exchange differences	11,549	54,833	66,382
At 31 March 2005 (c)	1,737,595	12,920,245	14,657,840
<i>Net book value</i>			
At 31 March 2005 (a – b – c)	1,757,094	22,453,542	24,210,636
At 31 March 2004	2,410,612	16,649,080	19,059,692
Amortisation charge for the year ended 31 March 2004	482,205	2,788,195	3,270,400

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

5. CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Aggregate costs incurred to date and attributable profit	28,390,961	33,482,798	1,244,602	1,554,524
Less: Progress billings	(21,424,621)	(17,917,554)	(217,702)	(105,000)
Less: Provision for foreseeable losses	(975,465)	-	(552,000)	-
	5,990,875	15,565,244	474,900	1,449,524
Amount due to contract customers (Note 8)	904,779	274,010	48,750	-
	6,895,654	15,839,254	523,650	1,449,524

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	6,477,595	7,781,196	1,994,195	2,831,680
Less: Allowance for doubtful debts	(2,100,887)	(15,904)	(967,880)	-
Net trade receivables	4,376,708	7,765,292	1,026,315	2,831,680
Other receivables, deposits and prepayments	2,064,903	2,615,328	134,706	70,860
Subsidiaries - trade	-	-	2,293,960	1,543,147
- non-trade	-	-	17,129,693	14,245,792
	6,441,611	10,380,620	20,584,674	18,691,479

The amounts due from subsidiaries are interest free, unsecured and have no fixed terms of repayment. Non-trade balances with subsidiaries are in respect of advances owing from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposits with licensed banks	2,672,284	4,589,899	600,000	3,000,000
Cash and bank balances	17,346	1,946,070	6,398	364,141
	2,689,630	6,535,969	606,398	3,364,141

Included in the fixed deposits balance are amounts of RM2,660,100 (2004 - RM1,584,800) and RM600,000 (2004 - Nil), respectively, pledged for bank overdraft facilities granted to the Group and the Company.

8. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	4,216,136	6,399,196	97,593	-
Other payables and accrued expenses	5,153,899	1,506,135	1,014,438	236,737
Amount due to contract customers (Note 5)	904,779	274,010	48,750	-
Affiliated corporations	2,844,892	3,955,260	-	-
Amount owing to directors	503,580	-	-	-
	13,623,286	12,134,601	1,160,781	236,737

The amounts due to affiliated corporations and directors are non-trade in nature, interest free, unsecured and have no fixed terms of repayment.

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

9. BANK BORROWINGS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Bank overdrafts	6,057,716	-	778,444	-

The bank overdraft facilities of the Group and Company are subject to interest rates varying between 1.5% and 2.0% (2004 - Nil) per annum above the lenders' base lending rates.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

9. BANK BORROWINGS (cont'd.)

Fixed deposits amounting to RM2,660,100 (2004 - RM1,584,800) and RM600,000 (2004 - Nil) are pledged as security for overdrafts of the Group and of the Company, respectively.

10. SHARE CAPITAL

Group and Company

	2005		2004	
	No of shares	RM	No of shares	RM
Ordinary shares of RM0.10 each:				
Authorised				
At 1 April	500,000,000	50,000,000	50,000,000	50,000,000
Arising from share split	-	-	450,000,000	-
At 31 March	500,000,000	50,000,000	500,000,000	50,000,000
Issued and fully paid				
At 1 April	255,900,000	25,590,000	15,802,850	15,802,850
Issued during the year	-	-	1,755,000	1,755,000
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	255,900,000	25,590,000

11. DEFERRED TAXATION

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 recognised net deferred tax liability after appropriate offsetting comprise:-

	Group	
	2005 RM	2004 RM
Development expenditure capitalised	-	1,852,795
Property, plant and equipment	-	(265,739)
Unutilised tax losses	-	(430,745)
	-	1,156,311

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

11. DEFERRED TAXATION (cont'd.)

The movements in the deferred taxation account are as follows:

	Group	
	2005	2004
	RM	RM
At 1 April	1,156,311	886,323
Transferred (to)/from income statement	(1,169,082)	225,160
Exchange differences	12,771	44,828
At 31 March	-	1,156,311

No deferred tax assets have been recognised for the following temporary differences:

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Development expenditure capitalised	4,313	7,226	-	-
Property, plant and equipment	(362)	(347)	(3)	16
Others	(652)	(144)	(426)	(16)
Unutilised tax losses	(5,691)	(7,002)	(527)	-
	(2,392)	(267)	(956)	-

The unutilised 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 Company and its subsidiaries can utilise the benefits.

The total unutilised tax losses of the Group and of the Company amount to RM30.1 million and RM1.9 million, respectively, which gives rise to the recognised and unrecognised deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

12. OPERATING (LOSS)/PROFIT

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Operating (loss)/profit is arrived at after charging:				
Allowance for doubtful debts	2,084,983	-	967,880	-
Amortisation of intangible assets	8,579,909	3,270,400	-	-
Auditors' remuneration	65,949	65,470	22,000	22,000
Directors' fees	95,500	120,876	117,500	120,876
Directors' remuneration	1,254,617	1,242,256	156,000	156,000
Depreciation	564,046	601,395	136,671	83,156
Loss on disposal of property, plant and equipment	24,939	-	-	-
Impairment loss on investment in subsidiaries	-	-	6,692,235	-
Office rental	945,568	1,291,184	213,674	152,107
Provision for foreseeable losses	1,354,031	-	552,000	-
Realised exchange loss	414,908	-	7,624	-
and after crediting:				
Rental income	-	74,486	-	-

13. EMPLOYEE INFORMATION

Employee information

The number of employees of the Group and of the Company (including 2 Directors) at the end of the year was 184 (2004 - 117) and 24 (2004 - 31), respectively. Staff costs of the Group and of the Company include contributions to defined contribution schemes of RM1,679,539 (2004 - RM1,621,561) and RM162,857 (2004 - RM128,091), respectively.

Employee benefits

At the end of the financial year, the options pursuant to the ESOS have not been issued to the eligible Directors and employees of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

14. TAX EXPENSE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax expense	4,760	35,564	4,760	35,564
Deferred tax expense				
Origination and reversal of temporary differences	(1,169,082)	225,160	-	-
	(1,164,322)	260,724	4,760	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:

Group	2005 RM	2004 RM
(Loss)/Profit before taxation	(19,668,522)	3,278,630
Income tax using Malaysian tax rate (28%)	(5,507,186)	918,016
Effect of different tax rates in foreign jurisdictions	1,243,330	(133,167)
Non-deductible expenses	2,111,904	117,886
Income exempted from tax	-	(761,899)
Deferred tax benefit not recognised	2,125,061	160,010
Effect of deferred tax benefit recognised	(1,169,082)	-
Others	31,651	(40,122)
	(1,164,322)	260,724
Company		
(Loss)/Profit before taxation	(10,253,046)	2,891,703
Income tax using Malaysian tax rate (28%)	(2,870,853)	809,677
Non deductible expenses	1,888,484	9,497
Income exempted from tax	-	(761,899)
Deferred tax benefit not recognised	955,478	-
Others	31,651	(21,711)
	4,760	35,564

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

15. (LOSS)/EARNINGS PER ORDINARY SHARE - GROUP

Basic (loss)/ earnings per share

The calculation of basic (loss)/earnings per ordinary share is based on the net loss attributable to shareholders of RM18,504,200 (2004 - net profit of RM3,017,906) and the weighted average number of ordinary shares outstanding during the financial year of 255,900,000 (2004 - 229,380,241) calculated as follows:

Weighted average number of ordinary shares

	2005	2004
Issued ordinary shares at beginning of the year	255,900,000	15,802,850
Effect of shares issued in June 2004	-	1,346,301
Effect of bonus issue in June 2004	-	2,308,051
Effect of share split in June 2004	-	175,114,820
Effect of public issue in August 2004	-	34,808,219
Weighted average number of ordinary shares	255,900,000	229,380,241

16. 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.

Intersegment 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

(CONT'D.)

16. SEGMENTAL INFORMATION (CONT'D.)

	Malaysia		Singapore		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM	RM	RM
<i>Geographic segments</i>								
Revenue from external customers	164,221	3,018,493	10,006,915	28,849,826	-	-	10,171,136	31,868,319
Revenue from inter-segment	1,143,740	1,862,552	-	-	(1,143,740)	(1,862,552)	-	-
Total revenue	1,307,961	4,881,045	10,006,915	28,849,826	(1,143,740)	(1,862,552)	10,171,136	31,868,319
Segment result	(10,268,515)	2,637,673	(15,216,993)	655,571	6,126,147	-	(19,359,361)	3,293,244
Interest income							35,382	131,249
Interest expense							(344,543)	(145,863)
(Loss)/profit before taxation							(19,668,522)	3,278,630
Taxation							1,164,322	(260,724)
Net (loss)/profit for the year							(18,504,200)	3,017,906
Segment assets	21,923,106	23,804,253	46,357,207	52,599,008	(26,707,418)	(23,442,092)	41,572,895	52,961,169
Investment in subsidiaries	7,680,455	14,372,690	-	-	(7,680,455)	(14,372,690)	-	-
Total assets							41,572,895	52,961,169
Segment liabilities	1,939,225	254,801	44,449,195	36,496,267	(26,707,418)	(23,442,092)	19,681,002	13,308,976
<i>Other segments items</i>								
Capital expenditure	27,378	356,286	723,420	413,386	-	-	750,798	769,672
Depreciation and amortisation	136,671	83,156	9,007,284	3,788,639	-	-	9,143,955	3,871,795

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

17. CONTINGENT LIABILITIES

	Company	
	2005	2004
	RM	RM
Guarantees given by the Company to financial institutions for credit facilities granted to its subsidiary	4,806,900	-

18. OPERATING LEASES

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

	Group	
	2005	2004
	RM	RM
Less than one year	824,021	485,438
Between one to five years	909,346	-
	1,733,367	485,438

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

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

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	
	2005 RM	2004 RM	2005 RM	2004 RM
<i>Related party transactions</i>				
Subsidiaries				
Revenue from consultancy services rendered	-	-	1,143,740	1,862,552
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	-	1,392,313
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 a substantial interest:				
novaSPRINT Pte. Ltd.				
Rental income	-	74,486	-	-
novaC2R Pte. Ltd.				
Purchase of scanning services	360,174	1,214,132	-	-

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

(CONT'D.)

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 summarised 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 77% (2004 - 78%) 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 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. The Group and Company are also exposed to interest rate risk arising from interest-bearing financial liability.

Foreign currency risk

The Group and the Company are exposed to foreign currency risk in respect of their investments in foreign subsidiaries and some contract revenue. The currency primarily giving rise to this exposure is Singapore Dollars. During and at the end of the year, the Group and the Company had not entered into any forward currency contracts. However, management will keep this policy under review and will take necessary action to minimise the exposure of this risk.

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. The exposure to liquidity risk is dependent on the continued financial support from the bankers of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(CONT'D.)

20. FINANCIAL INSTRUMENTS (cont'd.)

Effective interest rates and repricing 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 reprice or mature, whichever is earlier.

	Group			Company		
	Effective interest rate %	Total RM	Within 1year RM	Effective interest rate %	Total RM	Within 1 year RM
2005						
Financial assets						
Fixed deposits with licensed banks	1.7	2,672,284	2,672,284	2.7	600,000	600,000
Financial liabilities						
Bank overdrafts	6.4	6,057,716	6,057,716	8.0	778,444	778,444

2004

Financial assets

Fixed deposits with licensed banks	1.9	4,589,899	4,589,899	2.7	3,000,000	3,000,000
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Fair values

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term bank borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

21. COMPARATIVES

Certain comparative figures have been restated to comply with current year presentation.

	Group	
	As restated RM	As previously stated RM
Income statement		
Office rental	(1,291,184)	(1,562,511)
Other operating expenses	(1,765,877)	(1,494,550)

STATEMENT OF SHAREHOLDINGS

AS AT 8 AUGUST 2005

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 8 August 2005

Range of Shareholdings	No of Holders	Percentage of Holders	No of RM0.10 Shares	Percentage of Issued Capital
1 – 99	38	0.65	2,069	0.00
100 – 999	51	0.87	15,351	0.01
1,000 - 4,999	1,503	25.71	3,527,635	1.38
5,000 - 10,000	2,160	36.95	16,234,550	6.34
10,001 - 100,000	1,898	32.47	64,598,030	25.24
100,001 - 1,000,000	173	2.96	37,001,409	14.46
1,000,001 and above	23	0.39	134,520,956	52.57
Total	5,846	100.00	255,900,000	100.00

SUBSTANTIAL SHAREHOLDERS as at 8 August 2005

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

Name of Substantial Shareholders	No of Shares held (direct)	% of Shareholding	No of Shares held (indirect)	% of Shareholding
Chan Wing Kong	21,921,426	8.57	13,837,504*	5.41
NatSteel Technology Investments Pte Ltd	20,427,910	7.98	-	-
Tay Sen Kwan	11,180,877	4.37	5,857,643*	2.29
Kim Eng Holding Ltd	10,000,000	3.91	5,000,000^	1.95

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

^ shares are held through Amsec Nominees (Asing) Sdn Bhd.

STATEMENT OF SHAREHOLDINGS

AS AT 8 AUGUST 2005

THIRTY LARGEST REGISTERED SHAREHOLDERS as at 8 August 2005

Name of Substantial Shareholders	No of Shares held	% of Shareholding
1. Chan Wing Kong	21,921,426	8.57
2. NatSteel Technology Investments Pte Ltd	20,427,910	7.98
3. KE-ZAN Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Chan Wing Kong	13,837,504	5.41
4. Tay Sen Kwan	11,180,877	4.37
5. Kim Eng Holdings Limited	10,000,000	3.91
6. Victor John Stephen Price	9,362,941	3.66
7. KE-ZAN Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Tay Sen Kwan	5,857,643	2.29
8. Tan Yew Soon	5,616,470	2.19
9. Lai Teik Kin	5,129,970	2.00
10. Amsec Nominees (Asing) Sdn Bhd Kim Eng Holding Ltd	5,000,000	1.95
11. Ang Chee Keong	3,380,184	1.32
12. KE-ZAN Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Price Victor John Stephen	3,076,741	1.20
13. Sebastian Yeo Boon Kiat	2,850,634	1.11
14. Menteri Kewangan Malaysia Section 14 (SICDA)	2,678,789	1.05
15. KE-ZAN Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Brenda Margaret Price	2,594,798	1.01
16. Infocomm Investments Pte Ltd	2,405,912	0.94
17. Cheng Lee Kui	1,500,000	0.59
18. Daiwa (Malaya) Private Limited	1,480,585	0.58
19. OSK Technology Venures Sdn Bhd	1,454,620	0.57
20. KE-ZAN Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Ang Chee Keong	1,370,186	0.54
21. Amsec Nominees (Asing) Sdn Bhd G K Goh Stockbrokers Pte Ltd for Infocomm Investments Pte Ltd (4B/36245)	1,202,956	0.47
22. OOX.com Pte Ltd	1,140,810	0.45
23. Wang Siew Lang	1,050,000	0.41
24. Quek Ser Kheng	719,255	0.28
25. Yong Swee Hong	700,000	0.27
26. Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Chee Kwong(REH 825)	700,000	0.27
27. Tan Eng Huat	670,000	0.26
28. KE-ZAN Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Seah Cheng Kwee	634,410	0.25
29. Rudy Sim	618,100	0.24
30. Ong Boey Hwa	600,000	0.23

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Wednesday, 28 September 2005 at 3.00 p.m. for following purposes:-

As Ordinary Business

1. To receive and adopt the Audited Accounts for the year ended 31 March 2005, **(Resolution 1)** together with the Reports of Directors and Auditors thereon.
2. To re-elect Mr. Onn Kien Hoe who retires as Director pursuant to Article 96 **(Resolution 2)** of the Company's Articles of Association.
3. To approve the payment of Directors' fees for the year ended 31 March 2005. **(Resolution 3)**
4. To re-appoint Messrs. KPMG as Auditors of the Company and to authorize the **(Resolution 4)** Directors to fix the Auditors' remuneration.

As Special Business

5. 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 **(Resolution 5)** 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.”

6. To transact any other business for which due notice has been given. **(Resolution 6)**

BY ORDER OF THE BOARD

Loy Tuan Bee (BC/L/168)
Wong Wai Yin (MAICSA 7003000)
Kuala Lumpur
6 September 2005

NOTICE OF ANNUAL GENERAL MEETING

(CONT'D.)

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 authorised in writing, or if the appointer is a corporation, either under its Common Seal, or the hand of its attorney duly authorised.
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 5 of the Agenda.
The resolution 5 proposed under item 5 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.

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) Mr Onn Kien Hoe

2. The profiles of Mr Onn Kien Hoe who is standing for re-election are set out in the Directors' Profiles appearing on page 9 of this Annual Report.
3. Details of attendance of Directors at Board of Directors' Meetings

There were 5 Board of Directors' Meetings held during the financial year ended 31 March 2005. The details of the attendance of the Directors are as follows:

	Number of Meetings Attended
Executive Directors	
Chan Wing Kong	5/5
Dr Victor John Stephen Price	5/5
Non-Executive Directors	
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	4/5
Onn Kien Hoe	5/5
Dr Kwa Lay Keng	5/5
Yap Yuh Foh (<i>resigned on 25.11.2004</i>)	2/4
Lim Ee-Jin (Alternate Director of Yap Yuh Foh) (<i>resigned on 25.11.2004</i>)	2/4

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

The Third Annual General Meeting is scheduled to be held on Wednesday, 28 September 2005 at 3.00pm at Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur.

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 Third Annual General Meeting of the Company held on Wednesday, 28th September 2005 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).

RESOLUTIONS	RESOLUTION	FOR	AGAINST
1. Adoption of Accounts & Reports	1		
2. Re-election of Director:- a) Mr. Onn Kien Hoe	2		
3. To approve the payment of Directors' fees for the year ended 31 March 2005.	3		
4. Appointment of Messrs. KPMG as Auditors and to authorize the Directors to fix their remuneration.	4		
5. Special Business: To approve the Issuance of Shares Pursuant to Section 132D	5		

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 authorised in writing, or if the appointer is a corporation, either under its Common Seal, or the hand of its attorney duly authorised.
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.

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AFFIX
STAMP

The Company Secretary
NOVA MSC BERHAD (591898-H)
Unit B-10-3, Megan Avenue II
No. 12, Jalan Yap Kwan Seng
50450 Kuala Lumpur

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