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NOVA MSC BERHAD (591898-H)

ANNUAL REPORT 2006

NOVA MSC BERHAD

(591898-H)

annual report 2006

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 28 September 2006 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 2006, together with the Reports of Directors and Auditors thereon. (Resolution 1)

2. To re-elect YAM Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar who retires as Director pursuant to Article 96 of the Company's Articles of Association. (Resolution 2)

3. To approve the payment of Directors' fees for the year ended 31 March 2006. (Resolution 3)

4. To appoint Messrs Folks DFK & Co. to act as Auditors of the Company in place of the retiring auditors Messrs KPMG and to authorize the Directors to fix their remuneration. (Resolution 4)

   Notice of Nomination persuant to section 172(11) of the Companies Act, 1965 (a copy of which is annexed hereto) has been received by the Company of the intention to propose the following ordinary resolution :-

   "THAT Messrs Folks DFK & Co. be and are hereby appointed as Auditors of the Company in place the retiring auditors, Messrs KPMG, to hold office until conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

As Special Business

5. To consider and, if thought fit, pass with or without any modification, the following as ordinary resolution :- (Resolution 5)

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant regulatory authorities, the Directors be and are hereby authorized to issue shares in the Company, at any time and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution shall not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

6. To transact any other business for which due notice has been given.

BY ORDER OF THE BOARD

Loy Tuan Bee (BC/L/168)
Wong Wai Yin (MAICSA 7003000)
Kuala Lumpur
6 September 2006

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.

1. Directors who retire by rotation and standing for re-election pursuant to the Article of Association of the Company

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

2. The profiles of Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar is standing for re-election are set out in the Directors' Profiles appearing on page 7 of this Annual Report.

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

   There were 3 Board of Directors' Meetings held during the financial year ended 31 March 2006. The details of the attendance of the Directors are as follows:

	Number of Meetings Attended
Executive Directors	
Chan Wing Kong	3/3
Dr Victor John Stephen Price	3/3
Non-Executive Directors	
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	2/3
Onn Kien Hoe	3/3
Dr Kwa Lay Keng (resigned on 26th January 2006)	2/3

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

   The Fourth Annual General Meeting is scheduled to be held on Thursday, 28 September 2006 at Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur.

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

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

ESOS 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 No: (603) 2721 2222
Fax No: (603) 2721 2530

AUDITORS

KPMG
Wisma KPMG
Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia

CHAIRMAN’S STATEMENT

Dear Shareholders:

On behalf of the Board of Directors, I hereby present to you the Annual Report and Financial Statements of Nova MSC Berhad (“Company”) and its subsidiaries (“Group”) for the financial year ended 31 March 2006.

FINANCIAL HIGHLIGHTS

For the financial year ended 31 March 2006, the Group achieved a revenue of RM14.7 million as compared to RM10.2 million in the previously year. The Group recorded a lower loss before taxation of RM9.8 million from the previous year’s RM19.7million. The lower loss recorded was mainly as a result of higher revenue and lower amortisation charge, though partly offset by the higher allowance for foreseeable loss of RM3.8 million and allowance for impairment of intangible assets of RM2.4million. Loss per shares was recorded at 3.66 sen as compared to loss per shares of 7.23 sen for the previous financial year. Shareholders’ fund stood at RM14.4 million, down from RM21.9 million last year.

NEW SHARES ISSUED

In the financial year ended 31 March 2006, the Company had issued 25,000,000 new ordinary shares of RM0.10 each via private placements exercises. The proceeds of RM2.5 million had been fully utilized for the working capital of the Group during the financial year under review.

RESEARCH AND DEVELOPMENT

The Group continues to recognise the essential role of R&D in driving business growth and improving operational efficiency. For the financial year ended 31 March 2006, expenditure of approximately RM6.1 million was incurred to enhance the current suite of products namely, PAVO™, FORNAX™ and VESALIUS™. The Group intends to continue with the R&D efforts.

BUSINESS DIRECTION

The Group operates in a highly competitive environment. However, due to a more focused approach to the business and cost control measures implemented, the Group had reduced the loss suffered in FY05/06 compared to that in FY04/05. Plans implemented had started to show results; the group had achieved a significant breakthrough in Brunei by securing a substantial contract which is expected to contribute positively to current year’s result and the Group had managed to significantly lower the monthly operating cost of the Group as compared to that a year ago.

Hence, the Group is cautiously optimistic that it will perform better in the coming financial year. The Group will continue its effort to improve its financial performance and position. These plans include marketing efforts to seek customers outside the traditional markets to improve revenue, costs reduction exercises to improve efficiencies and fund raising exercises to ensure that the Group have sufficient financial resources for its operations. It should be noted however that the satisfactory outcome of these plans would, to a certain extent, be dependent on market forces and 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 express my sincere appreciation to the management and staff for their hard work and dedication. I would also like to thank our customers, bankers, suppliers and business partners who have given us their unwavering support. I am also taking this opportunity to thank fellow Board Members, including Dr Josephine Kwa, 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

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, a Malaysian, age 47, was appointed an Non-Executive Independent Director on 27 June 2003. He was then appointed Chairman of the Group on 1 July 2003. He is also Chairman of the Audit Committee and ESOS Committee. He graduated from Middlesex University (formerly known as Middlesex Polytechnic) with a degree in Bachelor of Science (Honours) in Mathematics in 1984.

He is currently an Executive Director of Hwang-DBS Securities Berhad. He also holds directorships in Box-Pak (Malaysia) Berhad, Kian-Joo Can Factory Berhad , Hwang-DBS (Malaysia) Berhad, Hwang-DBS Unit Trust Berhad , Hwang DBS Investment Management Berhad and Universal Trustee (Malaysia) Berhad.

Tunku Nadzaruddin was President of the Persatuan Broker Niaga Hadapan Malaysia (Malaysia Futures Brokers Association) between 1997-1999, and is the current Patron.

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

Mr Chan Wing Kong, a Singapore citizen age 47, is the founder and Chief Executive Officer of Nova MSC Berhad. 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 65, is a founder of the Company and was appointed Executive Director and Chief Technology Officer of the Company on 31 October 2002. He is also a member of the Audit Committee and ESOS Committee. 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.

Mr Onn Kien Hoe, a Malaysian, age 41, was appointed an Non-Executive Independent Director on 5 June 2003. He is also a member of the Audit Committee and ESOS Committee. 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.

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 four members, comprising two Executive Directors, 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 half (2/4) 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 and 8 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 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.

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

	Number of Meetings Attended
Executive Directors	
Chan Wing Kong	3/3
Dr Victor John Stephen Price	3/3
Non-Executive Directors	
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	2/3
Onn Kien Hoe	3/3
Dr Kwa Lay Keng (resigned on 26th January 2006)	2/3

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 had attended a Mandatory Accreditation Programme organized by the Research Institute of Investment Analyst Malaysia. Except for Messrs Chan Wing Kong and Stephen Price, all the Directors have accumulated a minimum point of 48 CEP points as required under the provisions of Practice Note 15/2003 [repealed with effect from 1 January 2005]. Messrs Chan Wing Kong and Stephen Price were not able to accumulate the CEP points for CEP training due to their heavy work commitments during the last financial year to improve the operational and financial performance of the Group. However, all Directors are briefed on the latest developments of the Group's business and operations at every Board Meeting to enhance and ensure that they have a comprehensive understanding on the Group's operations to enable them to discharge their responsibilities effectively and to keep abreast with developments in the market place. The Directors will continue to undergo continuous training to equip themselves to effectively discharge their duties as a director from time to time.

2. DIRECTORS' REMUNERATION

2.1 Remuneration

Aggregate remuneration of the Directors during the financial year ended 31 March 2006 can be categorized into the following components:

Category	Director's Fees (RM)	Salaries and other emolument (RM)	Total (RM)
Executive Directors	–	534,412	534,412
Non-Executive Directors	83,780	–	83,780

Directors' remuneration is broadly categorized into the following bands:

Range of Remuneration	Number of Directors Executive	Non-Executive
Below 50,000	–	3
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	–	–
RM150,001 to RM200,000	1	–
RM200,001 to RM300,000	–	–
RM300,001 to RM400,000	1	–

The Board is of the view that the above disclosure, without divulging respective Director's individual remuneration, is sufficient.

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. The Directors also have responsibility for taking such steps as are reasonable to safeguard the assets of the Group for prevention and detection of fraud and other irregularities.

4.2 Audit Committee

The Board has set up an Audit Committee, which composition is in compliance with the relevant regulatory requirements. The report of the Audit Committee is found on pages 15 to 17.

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 ESOS Committee

The ESOS committee was established to administer the Company's Employee Share Option Scheme ("ESOS") ESOS. The Committee's principal function is to ensure that the Scheme is administered in accordance with the by-laws approved by the shareholders of the Company. The present ESOS was implemented on 31 October 2005 and is governed by the by-laws that were approved by the shareholders on 28 September 2004.

During the financial year, the Company had offered a total of 17,810,000 options over shares to its employees pursuant to the ESOS. None of the options were being exercised during the financial year.

4.4 Internal Control

The Group's Statement of Internal Control is set out on pages 13 to 14 of this Annual Report.

4.5 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 15 to 17.

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.
- 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 four 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.

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.

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.

NOTICE OF MEETINGS AND ATTENDANCE (cont'd)

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.
    l. The implementation and allocation of the Company's Employee Share Option Scheme ("ESOS"), as being in compliance with the criteria set out in the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the ESOS by-laws as approved by the Board of Directors and shareholders.

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.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

The Audit Committee met 2 times during the financial year ended 31 March 2006. 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	2/2
Dr Victor John Stephen Price	2/2
Onn Kien Hoe	2/2

During the financial year, due to unforeseen circumstances, some members of the Audit Committee could not meet physically. The Audit Committee had resolved and approved two quarterly results for period ended 30 June 2005 and 31 December 2005 via circular resolutions and recommended to the Board of directors for approval. The directors were provided sufficient detailed information on the said quarterly results with full access to senior management to clarify any matters arising. The circular resolutions were subsequently confirmed and ratified by the Board of Directors as an alternate means for convening of AC meeting, which could not be attended by the majority of AC members.

During the financial year ended 31 March 2006, 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 Controls in the Annual Report;

(ii) To support the Audit Committee in evaluating the effectiveness of the existing internal control system, identify future requirements and co-develop a prioritized action plan to further enhanced the internal control system;

(iii) To perform a risk assessment of the 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.

STATEMENT BY THE AUDIT COMMITTEE IN RELATION TO THE ESOS ALLOCATION

During the financial year, the Company had implemented its ESOS and shares options had been offered and granted to eligible employees of the Group pursuant to the criteria as set out in the by-laws of the Company's ESOS. The Audit Committee had reviewed the allocation of the share options granted and noted that they were made in compliance with the by-laws of the Company's ESOS.

ADDITIONAL COMPLIANCE INFORMATION

The following set out below is disclosed in compliance with the Listing Requirements of Bursa Securities:-

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

On 27 May 2005, the Company proposed to implement a private placement of up to 29,428,500 new ordinary shares of RM0.10 each in the Company, representing not more than ten percent (10%) of the issued and paid-up share capital of the Company, to investors to be identified ("Proposed Private Placement").

On 14 July 2005, the Board has fixed the issue price of the shares to be issued pursuant to the Proposed Private Placement at RM0.10 per share. The issue price represents a premium of approximately 42.45% from the weighted average market price of NMSC shares for the five (5) market days up to 8 July 2005 of RM0.0702.

On 15 August 2005 and 16 December 2005, 15,000,000 and 10,000,000 new ordinary shares of RM0.10 each were allotted respectively, marking the completion of the said Private Placement. The proceeds of RM2.5 million had been fully utilized in the working capital of the Group as at date of this report.

On 24 January 2006, the Company had proposed to implement another private placement of up to 32,303,500 new ordinary shares of RM0.10 each in the Company, representing not more than ten percent (10%) of the issued and paid-up share capital of the Company, to investors to be identified ("New Proposed Private Placement"). As at 31 March 2006, there is no issuance of new shares from this New Proposed Private Placement.

2. SHARE BUY-BACK

The Company does not have a scheme to buy back its own shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

At an extraordinary general meeting on 28 September 2004, the Company's shareholders approved the establishment of a ten (10) year ESOS of up to thirty percent (30%) of the issued and paid-up capital of the Company, subject to a maximum entitlement of fifteen percent (15%) for the first five (5) years to eligible Directors and employees of the Group

On 20 March 2006, a total of 17,810,000 options had been issued to eligible employees of the Group. As at 31 March 2006, none of the options had been exercised.

The Company does not have any warrants or convertible securities in issue.

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme for the financial year ended 31 March 2006.

5. SANCTIONS AND/OR PENALTIES

On 1st March 2006, the Court had imposed a fine of RM50,000 against the Company for unauthorized use of certain copies of software at its premise on 12 January 2005, which is in breach of section 41(1) (d) of the Copyright Act 1987. The Company had paid the fine.

6. NON- AUDIT FEES

There was no non-audit fees paid by the Group to the external auditors for the financial year ended 31 March 2006.

7. VARIATION OF RESULTS

There was no variation between the audited result for the financial year ended 31 March 2006 and that of the unaudited results previously announced on 27th May 2006.

8. PROFIT GUARANTEE

During the financial year ended 31 March 2006, the Group and the Company did not issue any profit guarantee.

9. MATERIAL CONTRACTS

For the financial year ended 31st March 2006, no contracts of a material nature were entered into or were subsisting between the Group and its Directors or major shareholders.

FINANCIAL STATEMENTS

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2006.

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 customisation 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	9,816,040	13,443,224

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

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
Onn Kien Hoe
Kwa Lay Keng (resigned on 26.1.2006)

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:

		← Number of ordinary shares →			
	Par value RM	**At 1.4.2005**	**Bought**	**Sold**	**At 31.3.2006**
Direct interest					
Chan Wing Kong	0.10	35,758,930	–	(13,800,000)	21,958,930
Victor John Stephen Price	0.10	12,439,682	–	(2,340,735)	10,098,947

None of the other Directors holding office at the end of the financial year 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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up capital of the Company was increased from 255,900,000 ordinary shares of RM0.10 each to 280,900,000 ordinary shares by the issuance of 25,000,000 ordinary shares of RM0.10 each for cash pursuant to a private placement at the price of RM0.10 per ordinary share to finance working capital. There were no other changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

The Company's Employees' Share Option Scheme ("ESOS") for eligible employees and Directors of the Company and its subsidiaries was approved by the shareholders at the extraordinary general meeting held on 28 September 2004. The ESOS is valid for a period of ten (10) years.

The salient features of the scheme are as follows:

i) The total number of new ordinary shares of RM0.10 each may be made available under the ESOS shall not exceed thirty per cent (30%) of the issued and paid-up share capital of the Company, subject to a maximum entitlement of 15% for the first 5 years.

ii) 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.

iii) The option is personal to the grantee and is non-assignable.

iv) 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 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.

v) 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 that one hundred (100) and shall be in multiples of one hundred (100).

The terms of share options outstanding as at the end of the financial year are as follows:-

			←	Number of share options		→
Date of offer	**Expiry date**	**Option price RM**	**At 1.4.2005**	**Granted**	**Exercised**	**At 31.3.2006**
20.3.2006	30.10.2010	0.10	–	17,810,000	–	17,810,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who have been granted options in aggregate of less than 350,000 share options. The names of option holders and the number of options granted which in aggregate are 350,000 options or more are as follows:

Names of option holders	Number of share options
Lai Teik Kin	2,000,000
Tan Yew Soon	2,000,000
Ng Boon Swee	900,000
Wong Pek Wai	900,000
Tan Chee Ping	800,000
Kwang Chong Khoon	800,000
Ng Wee Kiat	800,000
Yap Swee Pek	800,000
Chua Mei Chen	750,000
Mehta Chiteshkumar Jagdishchandra	600,000

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.

In the opinion of the Directors, other than the allowance for doubtful debts, impairment loss on investment in subsidiaries, impairment loss on intangible assets and provision for foreseeable losses as disclosed in Note 12, the results of the operations of the Group and of the Company for the financial year ended 31 March 2006 have not been substantially affected by any 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: 24 July 2006

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 28 to 56 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 2006 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: 24 July 2006

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 28 to 56 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 24 July 2006

Chan Wing Kong

Before me:

REPORT OF THE AUDITORS
to the members of Nova MSC Berhad

We have audited the financial statements set out on pages 28 to 56. 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 2006 and the results of their operations and cash flows for the year ended on that date; and

  ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

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

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

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 except for the modification as disclosed in Note 3 to the financial statements.

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 RM9,816,040 and RM13,443,224, respectively, as at 31 March 2006. The Directors have prepared the financial statements on a going concern basis based on the factors disclosed in the said note. 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: 2229/04/08(J)

Kuala Lumpur,

Date: 24 July 2006

BALANCE SHEET
at 31 March 2006

	Note	Group 2006 RM	Group 2005 RM
Property, plant and equipment	2	497,492	931,793
Intangible assets	4	23,257,295	24,210,636
Current assets			
Contract work-in-progress	5	249,892	6,895,654
Inventories		385,508	385,003
Trade and other receivables	6	8,345,417	6,441,611
Tax recoverable		11,937	18,568
Cash and cash equivalents	7	2,817,443	2,689,630
		11,810,197	16,430,466
Current liabilities			
Trade and other payables	8	13,327,466	13,623,286
Borrowings	9	7,787,676	6,057,716
		21,115,142	19,681,002
Net current liabilities		(9,304,945)	(3,250,536)
		14,449,842	21,891,893
Financed by:			
Capital and reserves			
Share capital	10	28,090,000	25,590,000
Accumulated losses		(13,640,158)	(3,698,107)
		14,449,842	21,891,893

The financial statements were approved and authorised for issue by the Board of Directors on 24 July 2006.

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

	Note	Group 2006 RM	2005 RM
Revenue		14,678,603	10,171,136
Staff costs	13	(8,799,259)	(8,905,724)
Depreciation and amortisation		(4,205,388)	(9,143,955)
Impairment loss on intangible assets		(2,402,016)	–
Hardware and material costs		(2,288,904)	(4,281,350)
Office rental		(814,852)	(945,568)
Other operating expenses		(5,536,429)	(6,253,900)
Operating loss	12	(9,368,245)	(19,359,361)
Interest income		35,173	35,382
Interest expense		(476,337)	(344,543)
Loss before taxation		(9,809,409)	(19,668,522)
Tax expense	14	(6,631)	1,164,322
Net loss for the year		(9,816,040)	(18,504,200)
Basic loss per share (sen)	15	(3.66)	(7.23)
Diluted loss per share (sen)	15	(3.66)	(7.23)

The notes set out on pages 38 to 56 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 2006

Group	Share capital RM	*Non-distributable* Translation reserve RM	Share premium RM	*Distributable* Retained profits/ (Accumulated losses) RM	Total RM
At 1 April 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
Exchange differences on translation of the financial statements of foreign entities	–	10,139	–	–	10,139
Net gains not recognised in the income statement	–	10,139	–	–	10,139
Issue of shares	2,500,000	–	–	–	2,500,000
Share issue expenses written off	–	–	(136,150)	–	(136,150)
Net loss for the year	–	–	–	(9,816,040)	(9,816,040)
At 31 March 2006	28,090,000	1,926,923	8,009,003	(23,576,084)	14,449,842
	Note 10				

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

	Group 2006 RM	Group 2005 RM
Cash flows from operating activities		
Loss before taxation	(9,809,409)	(19,668,522)
Adjustments for:		
Amortisation of intangible assets	3,665,612	8,579,909
Depreciation	539,777	564,046
(Gain)/Loss on disposal of property, plant and equipment	(1,164)	24,939
Impairment loss on intangible assets	2,402,016	–
Interest expense	476,337	344,543
Interest income	(35,173)	(35,382)
Operating loss before working capital changes	(2,762,004)	(10,190,467)
Changes in working capital:		
Contract work-in-progress	6,645,762	8,943,600
Inventories	(505)	(4,205)
Trade and other receivables	(1,903,806)	3,939,009
Trade and other payables	(295,820)	1,488,685
Cash generated from operations	1,683,627	4,176,622
Interest paid	(476,337)	(344,543)
Income tax paid	–	(28,621)
Net cash generated from operating activities	1,207,290	3,803,458
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,513	–
Purchase of property, plant and equipment	(104,851)	(750,798)
Development expenditure incurred, net of grant	(5,082,556)	(13,520,388)
Interest received	35,173	35,382
Net cash used in investing activities	(5,150,721)	(14,235,804)

	Group 2006 RM	Group 2005 RM
Cash flows from financing activities		
Decrease/(Increase) in pledged deposits placed with licensed banks	684,900	(1,075,300)
Proceeds from borrowings	3,451,920	–
Proceeds from issue of shares	2,500,000	–
Share issue expenses	(136,150)	–
Net cash generated from/(used in) financing activities	6,500,670	(1,075,300)
Exchange differences on translation of the financial statements of foreign entities	(15,677)	510,766
Net increase/(decrease) in cash and cash equivalents	2,541,562	(10,996,880)
Cash and cash equivalents at beginning of year	(6,028,186)	4,951,169
Foreign exchange difference on opening balances	(6,889)	17,525
Cash and cash equivalents at end of year	(3,493,513)	(6,028,186)

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

	Group 2006 RM	Group 2005 RM
Cash and bank balances	14,442	17,346
Deposits with licensed banks (excluding pledged deposit)	827,801	12,184
Bank overdrafts	(4,335,756)	(6,057,716)
	(3,493,513)	(6,028,186)

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

	Note	Company 2006 RM	Company 2005 RM
Property, plant and equipment	2	111,904	189,816
Investments in subsidiaries	3	–	7,680,455
Current assets			
Contract work-in-progress	5	–	523,650
Trade and other receivables	6	18,854,174	20,584,674
Tax recoverable		11,937	18,568
Cash and cash equivalents	7	621,544	606,398
		19,487,655	21,733,290
Current liabilities			
Trade and other payables	8	1,219,519	1,160,781
Borrowings	9	1,795,078	778,444
		3,014,597	1,939,225
Net current assets		16,473,058	19,794,065
		16,584,962	27,664,336
Financed by:			
Capital and reserves			
Share capital	10	28,090,000	25,590,000
Reserves		(11,505,038)	2,074,336
Shareholders' funds		16,584,962	27,664,336

The financial statements were approved and authorised for issue by the Board of Directors on 24 July 2006.

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT
for the year ended 31 March 2006

	Note	Company 2006 RM	2005 RM
Revenue		342,615	1,307,961
Other income		2,114	3,167
Staff costs		(1,126,310)	(2,008,289)
Depreciation		(142,974)	(136,671)
Office rental		(217,296)	(213,674)
Other operating expenses		(12,199,596)	(9,221,009)
Operating loss	12	(13,341,447)	(10,268,515)
Interest income		18,402	17,001
Interest expense		(113,548)	(1,532)
Loss before taxation		(13,436,593)	(10,253,046)
Tax expense	14	(6,631)	(4,760)
Net loss for the year		(13,443,224)	(10,257,806)

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

Company	Share capital RM	*Non-distributable* Share premium RM	*Distributable* Retained profits/ (Accumulated losses) RM	Total RM
At 1 April 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
Issue of shares	2,500,000	–	–	2,500,000
Share issue expenses written off	–	(136,150)	–	(136,150)
Net loss for the year	–	–	(13,443,224)	(13,443,224)
At 31 March 2006	28,090,000	8,009,003	(19,514,041)	16,584,962
	Note 10			

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT
for the year ended 31 March 2006

	Company 2006 RM	Company 2005 RM
Cash flows from operating activities		
Loss before taxation	(13,436,593)	(10,253,046)
Adjustments for:		
Depreciation	142,974	136,671
Impairment loss on investment in subsidiary	7,680,455	6,692,235
Interest expense	113,548	1,532
Interest income	(18,402)	(17,001)
Operating loss before working capital changes	(5,518,018)	(3,439,609)
Changes in working capital:		
Contract work-in-progress	523,650	925,874
Trade and other receivables	1,730,500	(1,893,195)
Trade and other payables	58,738	924,044
Cash used in operations	(3,205,130)	(3,482,886)
Income tax paid	–	(41,392)
Interest paid	(113,548)	(1,532)
Net cash used in operating activities	(3,318,678)	(3,525,810)
Cash flows from investing activities		
Purchase of property, plant and equipment	(65,062)	(27,378)
Interest received	18,402	17,001
Net cash used in investing activities	(46,660)	(10,377)

	Company 2006 RM	Company 2005 RM
Cash flows from financing activities		
Increase in pledged deposits placed with licensed banks	–	(600,000)
Proceeds from revolving credit	1,000,000	–
Proceeds from issue of shares	2,500,000	–
Share issue expenses	(136,150)	–
Net cash generated from/(used in) financing activities	3,363,850	(600,000)
Net decrease in cash and cash equivalents	(1,488)	(4,136,187)
Cash and cash equivalents at beginning of year	(772,046)	3,364,141
Cash and cash equivalents at end of year	(773,534)	(772,046)

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

	Company 2006 RM	Company 2005 RM
Cash and bank balances	3,142	6,398
Deposits with licensed bank (excluding pledged deposits)	18,402	–
Bank overdrafts	(795,078)	(778,444)
	(773,534)	(772,046)

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these 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) the Group will be able to generate sufficient cash flows from operations to meet their obligations as and when they fall due;

ii) the banks and other lenders will continue to provide financial support to the Group and the Company; and

iii) the proposed fund raising exercise through issuance of up to 13,000,000 new shares of RM0.10 each at RM0.107 each via private placement, which is expected to be completed by end of August 2006. The proposed exercise has been approved by Securities Commission on 15 March 2006.

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.

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 and accumulated impairment loss, if any.

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 %

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

(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. The expenditure capitalised includes cost of materials, direct labour and an appropriate proportion of overheads. Development costs which do not satisfy the established criteria are recorded as an expense in the year in which they are incurred.

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, if any.

(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

During the financial year, the Group revised its estimates of the remaining useful lives of its capitalised development expenditure. As a result, the remaining carrying amount of development expenditure at the beginning of the financial year will be amortised, on the straight line basis, over their estimated revised remaining useful lives of 8 years from the current year under review. In the previous year, such development expenditure were amortised 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 previous estimated useful life of 5 to 6 years.

The revision in estimated useful lives was made to reflect the increase in the Group's average contract and maintenance periods for new and existing projects. The impact of the revision is a reduction in the current year amortisation of RM4,445,813.

(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.

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

(f) Government grants (cont'd)

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.

(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.

(iii) Equity compensation benefits

The employee share option programme allows Group employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

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

(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.

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.

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: RM2.292 (2005 - SGD1.00: RM2.289)

(p) Revenue

(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.

(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.

(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	Leasehold improvements RM	Computers and office equipment RM	Furniture and fittings RM	Total RM
Cost				
At 1 April 2005	285,622	1,984,074	363,948	2,633,644
Additions	–	104,851	–	104,851
Disposal	–	–	(6,592)	(6,592)
Exchange differences	242	2,216	453	2,911
At 31 March 2006	285,864	2,091,141	357,809	2,734,814
Accumulated depreciation				
At 1 April 2005	106,325	1,398,221	197,305	1,701,851
Charge for the year	95,288	363,989	80,500	539,777
Disposal	–	–	(6,243)	(6,243)
Exchange differences	60	1,632	245	1,937
At 31 March 2006	201,673	1,763,842	271,807	2,237,322
Net book value				
At 31 March 2006	84,191	327,299	86,002	497,492
At 31 March 2005	179,297	585,853	166,643	931,793
Depreciation charge for the year ended 31 March 2005	143,867	340,681	79,498	564,046

Company	Leasehold improvements RM	Computers and office equipment RM	Furniture and fittings RM	Total RM
Cost				
At 1 April 2005	100,994	294,131	17,885	413,010
Additions	–	65,062	–	65,062
At 31 March 2006	100,994	359,193	17,885	478,072
Accumulated depreciation				
At 1 April 2005	60,337	152,865	9,992	223,194
Charge for the year	33,665	103,597	5,712	142,974
At 31 March 2006	94,002	256,462	15,704	366,168
Net book value				
At 31 March 2006	6,992	102,731	2,181	111,904
At 31 March 2005	40,657	141,266	7,893	189,816
Depreciation charge for the year ended 31 March 2005	33,665	97,060	5,946	136,671

3. INVESTMENTS IN SUBSIDIARIES

	Company 2006 RM	2005 RM
Unquoted shares, at cost	14,372,690	14,372,690
Less : Impairment loss	(14,372,690)	(6,692,235)
	–	7,680,455

The principal activities of the subsidiaries, country of incorporation and the effective interest of the Company are as follows:

Name of company	Principal activities	Country of incorporation	Effective interest 2006	2005
novaHEALTH Pte. Ltd.	Provision of e-business solutions for the healthcare industry	Republic of Singapore	100%	100%
novaCITYNETS Pte. Ltd.	Provision of e-business solutions for the building and construction, city, town council and telecommunications industries	Republic of Singapore	100%	100%

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

As both the subsidiaries incurred operating losses for the current financial year and were in net current liabilities and shareholders' funds deficit at 31 March 2006, the auditors' report on the financial statements for financial year ended 31 March 2006 of both the subsidiaries were modified. Without qualifying the audit opinion, an emphasis of matter was raised on the going concern basis of preparation of the financial statements of both subsidiaries, that were prepared based on the following:

i) The subsidiaries will be able to generate sufficient cash flows from operations to meet their obligations as and when they fall due;

ii) The banks and other lenders of the subsidiaries will continue to provide financial support;

iii) The Company, affiliated corporations and subsidiaries' directors will not recall outstanding loans provided to the subsidiaries; and

iv) The Company will and is able to provide financial and other support as necessary to enable the subsidiaries to continue their operations as going concerns.

The auditors' emphasis of matter indicated that, in the event that these are not forthcoming, there is substantial doubt that the subsidiaries 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.

4. INTANGIBLE ASSETS

Group	Copyright acquired RM	Development expenditure RM	Total RM
Cost			
At 1 April 2005	3,494,689	36,810,288	40,304,977
Amount capitalised during the year	–	6,050,965	6,050,965
Exchange differences	4,580	48,244	52,824
At 31 March 2006 (a)	3,499,269	42,909,497	46,408,766
Government grant			
At 1 April 2005	–	1,436,501	1,436,501
Amount capitalised during the year	–	968,409	968,409
Exchange differences	–	1,883	1,883
At 31 March 2006 (b)	–	2,406,793	2,406,793
Accumulated amortisation and impairment losses			
Accumulated amortisation	1,737,595	12,920,245	14,657,840
Accumulated impairment losses	–	–	–
At 1 April 2005	1,737,595	12,920,245	14,657,840
Amortisation charge for the year	225,130	3,440,482	3,665,612
Impairment losses for the year	–	2,402,016	2,402,016
Exchange differences	2,277	16,933	19,210
Accumulated amortisation	1,965,002	16,377,660	18,342,662
Accumulated impairment losses	–	2,402,016	2,402,016
At 31 March 2006 (c)	1,965,002	18,779,676	20,744,678
Net book value			
At 31 March 2006 (a – b – c)	1,534,267	21,723,028	23,257,295
At 31 March 2005	1,757,094	22,453,542	24,210,636
Amortisation charge for the year ended 31 March 2005	680,137	7,899,772	8,579,909

The impairment loss of RM2,402,016 charged to the Group Income Statement relates to impairment of capitalised development costs where the carrying amount exceeds the recoverable amount of the capitalised development costs based on its value in use. The value in use of the capitalised development costs is calculated from the present value of estimated future cash flows arising from relevant e-business solutions, discounted at the current market rate of return for a similar asset. Capitalised development costs are reviewed at each balance sheet date to determine whether there is any indication of impairment in accordance with the accounting policy set out in Note 1 (m).

5. CONTRACT WORK-IN-PROGRESS

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Aggregate costs incurred to date and attributable profit	8,119,769	28,390,961	1,389,836	1,244,602
Less: Progress billings	(4,245,949)	(21,424,621)	(359,475)	(217,702)
Less: Provision for foreseeable losses	(3,979,694)	(975,465)	(1,075,650)	(552,000)
	(105,874)	5,990,875	(45,289)	474,900
Amount due to contract customers (Note 8)	355,766	904,779	45,289	48,750
	249,892	6,895,654	–	523,650

6. TRADE AND OTHER RECEIVABLES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Trade receivables	4,752,176	6,477,595	1,269,195	1,994,195
Less: Allowance for doubtful debts	(2,183,687)	(2,100,887)	(1,049,195)	(967,880)
Net trade receivables	2,568,489	4,376,708	220,000	1,026,315
Other receivables, deposits and prepayments	4,876,898	2,064,903	65,537	134,706
Grant receivable	778,955	–	–	–
Subsidiaries - trade	–	–	1,323,060	2,293,960
Subsidiaries - non-trade	–	–	17,124,502	17,129,693
Affiliated corporations	121,075	–	121,075	–
	8,345,417	6,441,611	18,854,174	20,584,674

Amounts due from subsidiaries are stated after allowances for doubtful debts of RM269,661 (2005 - Nil) and RM2,730,217 (2005 - Nil), for trade and non-trade receivables, respectively. 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 made to subsidiaries.

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

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits with licensed banks	2,803,001	2,672,284	618,402	600,000
Cash and bank balances	14,442	17,346	3,142	6,398
	2,817,443	2,689,630	621,544	606,398

Included in deposits with licensed banks are amounts of RM1,975,200 (2005 - RM2,660,100) and RM600,000 (2005 - RM600,000) pledged for bank borrowing facilities granted to the Group and the Company, respectively.

8. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	1,413,595	4,216,136	61,943	97,593
Other payables and accrued expenses	7,181,767	5,153,899	1,112,287	1,014,438
Amount due to contract customers (Note 5)	355,766	904,779	45,289	48,750
Affiliated corporations	3,223,462	2,844,892	–	–
Amount owing to Directors	1,152,876	503,580	–	–
	13,327,466	13,623,286	1,219,519	1,160,781

The amounts due to affiliated corporations and owing to 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. BORROWINGS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Bank overdrafts - secured	4,335,756	6,057,716	795,078	778,444
Revolving credit - secured	1,000,000	–	1,000,000	–
Short term borrowings	2,451,920	–	–	–
	7,787,676	6,057,716	1,795,078	778,444

9. BORROWINGS (cont'd)

The bank overdraft facilities of the Group and Company are subject to interest rates varying between 0.5% and 2.0% (2005 - 1.5% and 2.0%) per annum above the lenders' base lending rates.

The revolving credit facility of the Company are subject to interest rate of 1.75% (2005 - Nil) per annum above the lender's cost of funds.

The short term borrowings of the subsidiary represent proceeds from factoring of accounts receivable (with recourse) and is subject to interest rate of 8.00% (2005 - Nil) per annum.

Deposits with licensed banks amounting to RM1,975,200 (2005 - RM2,660,100) and RM600,000 (2005 - RM600,000) are pledged as security for the borrowing facilities of the Group and of the Company, respectively.

10. SHARE CAPITAL

	Group and Company			
	← 2006 →		← 2005 →	
	No. of shares	RM	No. of shares	RM
Ordinary shares of RM0.10 each:				
Authorised	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	255,900,000	25,590,000
Issued during the year	25,000,000	2,500,000	–	–
At 31 March	280,900,000	28,090,000	255,900,000	25,590,000

11. EMPLOYEE BENEFITS

Equity compensation benefits

The Company offers share options over its ordinary shares to eligible employees and Directors of the companies within the Group. Movements in the number of share options held by the eligible employees and Directors are as follows:

	Company 2006 Number of share options
Outstanding at 1 April 2005	–
Issued	17,810,000
Exercised	–
Outstanding at 31 March 2006	17,810,000

11. EMPLOYEE BENEFITS (cont'd)

Equity compensation benefits (cont'd)

Details of share options granted during the year are as follows:

Grant date	20.3.2006
Expiry date	30.10.2010
Exercise price per ordinary share	RM0.10
Aggregate proceeds if options were exercised	RM1,781,000

There were no share options exercised during the financial year.

12. OPERATING LOSS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Operating loss is arrived at after charging/(crediting):				
Allowance for doubtful debts				
- subsidiaries	–	–	2,999,878	–
- others	81,315	2,084,983	81,315	967,880
Amortisation of intangible assets	3,665,612	8,579,909	–	–
Auditors' remuneration	81,174	65,949	28,000	22,000
Directors' fees	83,780	95,500	83,780	95,500
Directors' remuneration	1,114,012	1,254,617	39,000	156,000
Depreciation	539,777	564,046	142,974	136,671
(Gain)/Loss on disposal of property, plant and equipment	(1,164)	24,939	–	–
Impairment loss on investments in subsidiaries	–	–	7,680,455	6,692,235
Impairment loss on intangible assets	2,402,016	–	–	–
Net realised exchange (gain)/loss	(26,364)	414,908	106	7,624
Office rental	814,852	945,568	217,296	213,674
Provision for foreseeable losses	3,003,674	1,354,031	523,650	552,000
Provision for sales return	790,039	–	–	–

13. EMPLOYEE INFORMATION

The number of employees of the Group and of the Company (including 2 Directors) at the end of the year was 103 (2005 - 184) and 17 (2005 - 24), respectively. Total staff costs of the Group and of the Company include contributions to defined contribution schemes of RM1,152,108 (2005 - RM1,679,539) and RM104,057 (2005 - RM162,857), respectively.

13. EMPLOYEE INFORMATION (cont'd)

The total staff costs and Directors' remuneration incurred during the financial year are as follows:

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Charged to the Income Statement:				
- staff costs	7,685,247	7,651,107	1,087,310	1,852,289
- Directors' remuneration	1,114,012	1,254,617	39,000	156,000
	8,799,259	8,905,724	1,126,310	2,008,289
Capitalised as development expenditure:				
- staff costs	5,139,086	11,258,897	–	–
- Directors' remuneration	344,219	457,086	–	–
	14,282,564	20,621,707	1,126,310	2,008,289

14. TAX EXPENSE

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Current tax expense	6,631	4,760	6,631	4,760
Deferred tax expense				
Origination and reversal of temporary differences	–	(1,169,082)	–	–
	6,631	(1,164,322)	6,631	4,760

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		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
Loss before taxation	(9,809,409)	(19,668,522)	(13,436,593)	(10,253,046)
Income tax using Malaysian tax rate	(2,746,635)	(5,507,186)	(3,762,246)	(2,870,853)
Effect of different tax rates in foreign jurisdictions	563,641	1,243,330	–	–
Non-deductible expenses	90,702	2,111,904	2,241,229	1,888,484
Deferred tax benefit not recognised	2,070,074	2,125,061	1,498,799	955,478
Effect of deferred tax benefit recognised	–	(1,169,082)	–	–
Others	28,849	31,651	28,849	31,651
	6,631	(1,164,322)	6,631	4,760

14. TAX EXPENSE (cont'd)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Development expenditure capitalised	17,987	21,567	–	–
Property, plant and equipment	(2,336)	(1,805)	(142)	(10)
Others	(3,259)	(2,653)	(5,125)	(1,520)
Unutilised tax losses	(33,175)	(29,581)	(3,499)	(1,882)
	(20,783)	(12,472)	(8,766)	(3,412)

The unutilised tax losses do not expire under current tax legislation. Net deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits 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 amounted to RM33.2 million and RM3.5 million, respectively, which gives rise to the unrecognised deferred tax assets.

15. LOSS PER ORDINARY SHARE - GROUP

Basic loss per share

The calculation of basic loss per ordinary share is based on the net loss attributable to shareholders of RM9,816,040 (2005 - RM18,504,200) and the weighted average number of ordinary shares outstanding during the financial year of 268,015,385 (2005 - 255,900,000) calculated as follows:

Weighted average number of ordinary shares

	2006	2005
Issued ordinary shares at beginning of the year	255,900,000	255,900,000
Effect of shares issued in August 2005	9,395,605	–
Effect of shares issued in December 2005	2,719,780	–
Weighted average number of ordinary shares	268,015,385	255,900,000

Diluted loss per share

The calculation of diluted loss per ordinary share is based on the net loss attributable to shareholders of RM9,816,040 (2005 - RM18,504,200) and the weighted average number of ordinary shares outstanding during the financial year of 268,239,767 (2005 - 255,900,000) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2006	2005
Weighted average number of ordinary shares as above	268,015,385	255,900,000
Effect of share options	224,382	–
Weighted average number of ordinary shares (diluted)	268,239,767	255,900,000

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 integrated 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.

	Malaysia		Singapore		Eliminations		Consolidated	
Geographic segments	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Revenue from external customers	342,615	164,221	14,335,988	10,006,915	–	–	14,678,603	10,171,136
Revenue from inter-segment	–	1,143,740	–	–	–	(1,143,740)	–	–
Total revenue	342,615	1,307,961	14,335,988	10,006,915	–	(1,143,740)	14,678,603	10,171,136
Segment result	(13,341,447)	(10,268,515)	(6,699,493)	(15,216,993)	10,672,695	6,126,147	(9,368,245)	(19,359,361)
Interest income							35,173	35,382
Interest expense							(476,337)	(344,543)
Loss before taxation							(9,809,409)	(19,668,522)
Taxation							(6,631)	1,164,322
Net loss for the year							(9,816,040)	(18,504,200)
Segment assets	19,599,559	21,923,106	43,339,335	46,357,207	(27,373,910)	(26,707,418)	35,564,984	41,572,895
Investment in subsidiaries	–	7,680,455	–	–	–	(7,680,455)	–	–
Total assets							35,564,984	41,572,895
Segment liabilities	3,014,597	1,939,225	48,474,333	44,449,195	(30,373,788)	(26,707,418)	21,115,142	19,681,002

16. SEGMENTAL INFORMATION (cont'd)

	Malaysia		Singapore		Eliminations		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Other segments items								
Capital expenditure	65,062	27,378	39,789	723,420	–	–	104,851	750,798
Depreciation and amortisation	142,974	136,671	4,062,414	9,007,284	–	–	4,205,388	9,143,955
Impairment loss on investments in subsidiaries	7,680,455	6,692,235	–	–	(7,680,455)	(6,692,235)	–	–
Impairment loss on intangible assets	–	–	2,402,016	–	–	–	2,402,016	–
Provision for foreseeable losses	523,650	552,000	2,480,024	802,031	–	–	3,003,674	1,354,031
Provision for sales return	–	–	790,039	–	–	–	790,039	–

17. CONTINGENT LIABILITIES

	Company	
	2006 RM	2005 RM
Guarantees given by the Company to financial institutions for credit facilities granted to the subsidiaries	7,563,600	4,806,900

18. OPERATING LEASES

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

	Group	
	2006 RM	2005 RM
Less than one year	686,778	824,021
Between one to five years	343,158	909,346
	1,029,936	1,733,367

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.

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	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Related party transactions				
Subsidiaries				
Revenue from consultancy services rendered	–	–	–	11,143,740
With a company in which Mr. Chan Wing Kong, a Director, has or deemed to have a substantial interest:				
PT novaSPRINT.com (Indonesia)				
Revenue from consultancy services rendered	248,569	–	248,569	–
novaC2R Pte. Ltd.				
Purchase of scanning services	252,569	360,174	–	–

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.

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's 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 74% (2005 - 77%) of the total trade receivables as at balance sheet date.

20. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

Interest rate risk is the risk that changes in interest rate will have an adverse financial effect on the Group's 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 liabilities.

Foreign currency risk

The Group and Company is exposed to foreign currency risks 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.

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		
2006	**Effective interest rate %**	**Total RM**	**Within 1 year RM**	**Effective interest rate %**	**Total RM**	**Within 1 year RM**
Financial assets						
Deposits with licensed banks	2.1	2,803,001	2,803,001	3.0	618,402	618,402
Financial liabilities						
Bank overdrafts	6.3	4,335,756	4,335,756	8.5	795,078	795,078
Revolving credit	5.6	1,000,000	1,000,000	5.6	1,000,000	1,000,000
Short term borrowings	8.0	2,451,920	2,451,920	–	–	–

20. FINANCIAL INSTRUMENTS (cont'd)

Effective interest rates and repricing analysis (cont'd)

	Group			Company		
2005	**Effective interest rate %**	**Total RM**	**Within 1 year RM**	**Effective interest rate %**	**Total RM**	**Within 1 year RM**
Financial assets						
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

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. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, a total of 5,115,000 share options were exercised at an issue price of RM0.10 per share resulting in the issuance of additional 5,115,000 ordinary shares of par value RM0.10 each in the Company.

Authorized Capital	: RM 50,000,000
Issued and fully paid-up capital	: RM 29,901,500
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 16 AUGUST 2006

Range of Shareholdings	No of Holders	Percentage of Holders	No of RM0.10 Shares	Percentage of Issued Capital
1 - 99	44	0.59	2,402	0.00
100 - 999	75	1.01	22,056	0.01
1,000 - 4,999	1,444	19.52	3,366,295	1.13
5,000 - 10,000	2,551	34.49	20,110,330	6.72
10,001 - 100,000	2,925	39.54	105,015,770	35.12
100,001 - 1,000,000	331	4.48	73,537,440	24.59
1,000,001 and above	27	0.37	96,960,707	32.43
Total	7,397	100.00	299,015,000	100.00

SUBSTANCIAL HOLDERS AS AT 16 AUGUST 2005

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

Name of Substantial Shareholders	No of Shares held (direct)	% of Shareholding	No of Shares held (indirect)	% of Shareholding
Chan Wing Kong	10,960,713	3.67	6,309,517*	2.11

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

THIRTY LARGEST REGISTERED HOLDERS AS AT 16 AUGUST 2006

	Name of Substantial Shareholders	No of Shares held	% of Shareholding
1.	Chan Wing Kong	10,960,713	3.67
2.	CIMSEC Nominees (Asing) Sdn Bhd *UOB Kay Hian Pte Ltd for Teo Eng Huat (67)*	8,000,000	2.68
3.	NSL Technology Investments Pte Ltd	7,082,104	2.37
4.	KE-ZAN Nominees (Asing) Sdn Bhd *Kim Eng Securities Pte Ltd for Chan Wing Kong*	6,309,517	2.11
5.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd *Kim Eng Securities Pte Ltd for Tay Sen Kwan*	6,048,081	2.02
6.	Tay Sen Kwan	5,590,439	1.87
7.	A.A. Anthony Nominees (Asing) Sdn Bhd *Fraser Securities Pte Ltd for Lee Ah Gee (92846)*	5,000,000	1.67
8.	Kim Eng Holdings Limited	5,000,000	1.67
9.	Victor John Stephen Price	4,681,471	1.57
10.	HDM Nominees (Tempatan) Sdn Bhd *HDM Capital Sdn Bhd for Tan Koo Ching*	4,000,000	1.34
11.	KE-ZAN Nominees (Asing) Sdn Bhd *Kim Eng Securities Pte Ltd for Brenda Margaret Price*	3,840,736	1.28
12.	Lai Teik Kin	3,781,970	1.26
13.	KE-ZAN Nominees (Asing) Sdn Bhd *Kim Eng Securities Pte Ltd for Victor John Stephen Price*	3,076,740	1.03
14.	Menteri Kewangan Malaysia *Section 14 (SICDA)*	2,678,789	0.90
15.	Cheah Lay See	2,575,700	0.86
16.	Infocomm Investments Pte Ltd	2,405,912	0.80
17.	Tan Yew Soon	2,190,170	0.73
18.	Raden Corporation Sdn Bhd	2,000,000	0.67
19.	HDM Nominees (Tempatan) Sdn Bhd *Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar*	2,000,000	0.67
20.	Ang Chee Keong	1,690,092	0.57
21.	Sebastian Yeo Boon Kiat	1,425,317	0.48
22.	CIMSEC Nominees (Asing) Sdn Bhd *Exempt An for CIMB-GK Securities Pte Ltd (Retail Clients)*	1,202,956	0.40
23.	M & A Nominee (Tempatan) Sdn Bhd *Pledged Securities Account for Elias Bin Yusoff (M & A)*	1,150,000	0.38
24.	Bo Saw Wing @ Ho Saw Wing	1,100,000	0.37
25.	Wong Cheong Hoong	1,085,000	0.36
26.	Wong Siew Lang	1,050,000	0.35
27.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Phoa Boon Ting (CEB)*	1,035,000	0.35
28.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tiong Thai King*	1,000,000	0.33
29.	Tan Kin Lee	1,000,000	0.33
30.	Yap Nam Huat	900,000	0.30

NOTICE OF NOMINATION

Tan Yew Soon
18 Simel Street 1 #02-06
Singapore 529943

4th September 2006

The Board of Directors
Nova MSC Berhad
Lot L3-E-3A Enterprise 4
Technology Park Malaysia (TPM)
Lebuhraya Puchong-Sg Besi
Bukit Jalil
57000 Kuala Lumpur

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965. I, being a registered shareholder of Nova MSC Berhad, hereby give notice of my intention to nominate Messrs. Folks DFK & Co. as Auditors of the Company in replace of the retiring Auditors, Messrs. KPMG and to propose the following resolution as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company.

"That Messrs. Folks DFK & Co. be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs. KPMG to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully,

Tan Yew Soon

Nova MSC Berhad
591898-H

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 Fourth Annual General Meeting of the Company held on Thursday, 28th September 2006 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) YAM Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	2		
3. To approve the payment of Directors' fees for the year ended 31 March 2006.	3		
4. To appoint Messrs. Folks DFK & Co. 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.

PLEASE FOLD HERE

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

PLEASE FOLD HERE