

## 11. DIRECTORS REPORT



**Registered office:**  
Unit A-3-1, Wisma HB  
Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
MALAYSIA

14 July 2003

To: The Shareholders

**Nova MSC Berhad ("NMSC" or "Company")**

Dear Sir/Madam

On behalf of the Directors of Nova MSC Berhad, I report that, having made due inquiry in relation to the period between 31 January 2003, the date of which the last audited consolidated Proforma accounts of the Company and its subsidiaries were made, and 14 July 2003 being a date not earlier than fourteen (14) days before the date of this Prospectus:-

- (a) the business of the Company and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, save as disclosed in Section 4.16 of this Prospectus, no circumstances have arisen which would have adversely affected the business or the value of the assets of the Company or any of its subsidiary companies;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realizable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Group;
- (e) the Group has no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and
- (f) save as disclosed in Section 12 of this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully

For and on behalf of the Board of Directors of  
**NOVA MSC BERHAD**

  
**Chan Wing Kong**  
Chief Executive Officer

**novaMSC Bhd (591898-H)**

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## 12. ACCOUNTANTS' REPORT



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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

15 July 2003

Dear Sirs

### Accountants' Report

This report has been prepared by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus to be dated 21 July 2003 in connection with:

- i) the public issue of 55,000,000 new ordinary shares of RM0.10 each of Nova MSC Berhad at an issue price of RM0.28 per share ("Public Issue") payable in full on application comprising:
    - a) 50,000,000 new ordinary shares of RM0.10 each by way of private placement; and
    - b) 5,000,000 new ordinary shares of RM0.10 each available for subscription by the Malaysian public;
- and,
- ii) in conjunction with the listing and quotation of the Company's entire issued and fully paid-up share capital on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("KLSE").

## 1 General Information

### 1.1 Background

Nova MSC Berhad ("NMSC" or the "Company") was incorporated in Malaysia under the Companies Act, 1965 on 9 September 2002 as E-Beyond Sdn. Bhd. On 14 October 2002, the Company changed its name to Nova MSC Sdn. Bhd. and converted its status to a public limited company on 26 November 2002 assuming its present name of Nova MSC Berhad.

At the date of this report, NMSC has two subsidiary companies for which both were acquired on 31 October 2002. The principal activities of the Company are 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 disclosed in paragraph 1.4 of this report.



KPMG is a permitted entity licensed under Malaysian law, is a member of KPMG Network and a Swiss associate.



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**1.2 Share Capital**

Up to the date of this report, the movements in the authorised share capital since the date of its incorporation are as follows:-

<i>Date created/split</i>	<i>Number of ordinary shares of</i>		<i>Cumulative balance (RM)</i>
	<i>RM1.00</i>	<i>RM0.10</i>	
9 September 2002 (Incorporation)	100,000	-	100,000
31 October 2002	49,900,000	-	50,000,000
27 June 2003 – Share split	-	500,000,000	50,000,000

Up to the date of this report, the movements in the issued and paid-up capital since the date of its incorporation are as follows:-

<i>Date allotted</i>	<i>Number of shares of</i>		<i>Cumulative balance (RM)</i>	<i>Purpose</i>
	<i>RM1.00</i>	<i>RM0.10</i>		
9 September 2002 (Incorporation)	2	-	2	Subscribers' shares
31 October 2002	14,372,690	-	14,372,692	Acquisition of new subsidiaries
25 November 2002	1,430,158	-	15,802,850	Equity investment by OSK Technology Ventures Sdn Bhd ("OSK Technology")
25 June 2003	1,755,000	-	17,557,850	Employees' Share Option
27 June 2003	2,532,150	-	20,090,000	Bonus issue
27 June 2003	-	200,900,000	20,090,000	Share split

**1.3 Scheme**

NMSC has undertaken the following exercises since its incorporation:

**1.3.1 Acquisition of novaHEALTH Pte Ltd ("novaHEALTH") by NMSC**

On 31 October 2002, NMSC entered into a Sale and Purchase Agreement with the vendors of novaHEALTH to acquire the entire issued and paid-up share capital of novaHEALTH comprising 3,190,000 ordinary shares of SGD1.00 each for a purchase consideration equivalent to RM6,692,235 which was satisfied via the issuance of 6,692,235 new NMSC ordinary shares at par of RM1.00 each.

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The purchase consideration of RM6,692,235 was determined based on the audited net assets value of novaHEALTH and foreign exchange rate of RM2.138 : SGD1 as at 30 September 2002.

The acquisition of novaHEALTH was completed on 31 October 2002.

**1.3.2 Acquisition of novaCITYNETS Pte Ltd (“novaCITYNETS”) by NMSC**

On 31 October 2002, NMSC entered into a Sale and Purchase Agreement with the vendors of novaCITYNETS to acquire the entire issued and paid-up share capital of novaCITYNETS comprising 2,700,000 ordinary shares of SGD1.00 each for a purchase consideration equivalent to RM7,680,455 which was satisfied via the issuance of 7,680,455 new NMSC ordinary shares at par of RM1.00 each.

The purchase consideration of RM7,680,455 was determined based on the audited net assets value of novaCITYNETS and foreign exchange rate RM2.138 : SGD1 as at 30 September 2002.

The acquisition of novaCITYNETS was completed on 31 October 2002.

**1.3.3 Equity investment by OSK Technology Ventures Sdn Bhd (“OSK Technology”) into NMSC**

Upon completion of the acquisitions, OSK Technology had invested RM3,000,000 into NMSC in return for 1,430,158 new ordinary shares of RM1.00 each in NMSC issued at approximately RM2.10 per share pursuant to Share Subscription Agreement dated 7 November 2002.

After 31 January 2003 (being the last financial period ended to which audited financial statements of the Company and its subsidiaries have been prepared), NMSC undertook the following exercises:

**1.3.4 Employees' Share Option Scheme**

Subsequent to the equity investment by OSK Technology, an Employees' Share Option Scheme of the Company (“Share Option”) was implemented whereby 1,755,000 new NMSC ordinary shares of RM1.00 each were issued to the eligible employees of NMSC Group representing approximately 10% of the enlarged share capital. The shares were issued at RM1.55 per share on 25 June 2003.

**1.3.5 Listing scheme**

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of NMSC on the MESDAQ Market of the KLSE, NMSC undertook the following listing exercises:

**1.3.5.1 Bonus issue**

Upon completion of share issuance under the Share Option, a bonus issue of 2,532,150 ordinary shares of RM1.00 each to the shareholders of NMSC via capitalisation of RM2,532,150 from the share premium account (that arose from the aforesaid equity investment by OSK Technology and the Share Option) was completed on 27 June 2003.

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**1.3.5.2 Share split**

Upon completion of the bonus issue, a share split of 20,090,000 NMSC ordinary shares of RM1.00 each into 200,900,000 ordinary shares of RM0.10 each was carried out on 27 June 2003.

**1.4 Subsidiaries**

Details of the subsidiary companies of NMSC as at the date of this report are as follows:

<i>Name</i>	<i>Date of and Place of incorporation</i>	<i>Equity Interest (%)</i>	<i>Issued &amp; paid up share capital</i>	<i>Principal activities</i>
novaCITYNETS Pte Ltd ("novaCITYNETS")	11 May 2000 Singapore	100	SGD2,700,000 (or RM5,859,000)	Provision of e-business solutions for the building and construction, city, town council and telecommunications industries.
novaHEALTH Pte Ltd ("novaHEALTH")	21 December 1999 Singapore	100	SGD 3,190,000 (or RM6,922,300)	Provision of e-business solutions for the health care industries.

*Note: The abovementioned issued and paid up capital balance have been translated from Singapore Dollars using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

**1.5 Financial statements and auditors**

The financial year end adopted by NMSC is 31 March. We have been appointed as auditors of NMSC on 16 September 2002. The financial year end of its subsidiaries is 31 March. There were no changes to the subsidiaries' existing year-ends since the dates of their incorporation.

KPMG Singapore (a member firm of KPMG International) has been the auditors for the subsidiaries since the dates of their incorporation. The auditors' reports on the financial statements of the subsidiary companies for the relevant financial periods under review were reported on by KPMG Singapore without any qualification.

As NMSC was only incorporated on 9 September 2002 and having its first financial period ending on 31 March 2003, no financial statements for statutory audit purposes are due.

**1.6 Dividends**

No dividends have been declared or paid by all the companies in the NMSC Group since the dates of their incorporation.

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**2 Financial Performance - NMSC Group****2.1 Summary of proforma consolidated results**

We set out below the proforma consolidated results of the NMSC Group for the past three financial periods/years ended 31 March 2000 to 2002 and for the ten months period ended 31 January 2003. The proforma consolidated results are prepared for illustrative and comparability purposes, based on the audited financial statements of all companies within the NMSC Group and is on the assumption that the acquisitions of novaHEALTH and novaCITYNETS as mentioned in Paragraph 1.3.1 and 1.3.2 had been in effect throughout the periods/years under review.

	4 months ended 31 March 2000 RM'000	Year ended 31 March 2001 RM'000	Year ended 31 March 2002 RM'000	10 months ended 31 January 2003 RM'000
Turnover:				
Consultancy contracts	-	7,934	17,301	16,362
Maintenance services	-	1,463	3,073	3,813
	-	9,397	20,374	20,175
(Loss)/Profit before interest, tax depreciation and amortisation	(54)	(2,166)	2,650	6,759
Less:				
Depreciation and amortisation	-	(334)	(737)	(1,916)
Interest expense	-	(89)	(68)	(82)
(Loss)/Profit before taxation	(54)	(2,589)	1,845	4,761
Taxation	-	550	(462)	(973)
(Loss)/Profit after taxation	(54)	(2,039)	1,383	3,788
Number of ordinary shares of RM1.00 each assumed in issue after acquisition of subsidiaries ('000)	14,373	14,373	14,373	14,373
(Loss)/Earnings per share (RM)				
Gross	(0.011)#	(0.18)	0.13	0.39#
Net	(0.011)#	(0.14)	0.10	0.32#
Ordinary dividends paid	-	-	-	-

*Note: The abovementioned figures incorporate results of subsidiaries which have been translated from Singapore Dollars using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

*# The results were annualised to enable comparability with the EPS calculated for years ended 31 March 2001 and 2002*

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**2.1.1 Notes to the proforma consolidated results**

## i) Basis of accounting

The proforma consolidated results of the NMSC Group for the relevant financial periods under review have been prepared in compliance with applicable approved accounting standards in Malaysia. For the financial year ended 31 March 2002, novaHEALTH and novaCITYNETS adopted Singapore Accounting Standards Nos. 12 *Income Taxes* and 17 *Employee Benefits*, requirements of which are not materially different from MASB 25 *Income Taxes* and 29 *Employee Benefits*, respectively.

## ii) Basis of consolidation

The proforma consolidated results of the NMSC Group for the relevant financial periods under review have been prepared for illustrative and comparability purposes, and are based on the audited financial statements of the NMSC Group companies after making such adjustments considered necessary and is on the assumption that the NMSC Group had been in existence throughout the relevant period under review.

## iii) Earnings per share (EPS)

Gross EPS has been calculated based on profit before taxation of the Group over the number of shares issued of 14,372,692 (being number of shares outstanding upon acquisition of the two subsidiaries) ordinary shares of RM1.00 each.

Net EPS has been calculated based on profit after taxation of the Group over the number of shares issued of 14,372,692 (being number of shares outstanding upon acquisition of the two subsidiaries) ordinary shares of RM1.00 each.

## iv) There were no exceptional nor extraordinary items in the financial years/periods under review.

**2.2 Summary of proforma consolidated balance sheets**

As the purchase consideration for the acquisitions was calculated based on net assets value using the audited financial statements of the subsidiaries as at 30 September 2002, it is therefore impracticable to present proforma balance sheets of NMSC Group throughout the periods/years under review except as at 31 January 2003. Accordingly, the proforma consolidated balance sheet of NMSC Group has only been presented in respect of 31 January 2003 based on the audited financial statements as at 31 January 2003 and this is shown in Section 3 of this Report.

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**2.3 NMSC - Company****2.3.1 Summary of results**

We set out below the audited results of NMSC for the period from 9 September 2002 (date incorporation) to 31 January 2003:-

	<b>5 months ended 31 January 2003 RM'000</b>
Turnover:	
Consultancy contracts	931
Maintenance services	59
	<u>990</u>
Profit before interest, taxation, depreciation and amortisation	826
Less:	
Depreciation and amortisation	<u>(2)</u>
(Loss)/Profit before taxation	824
Taxation	<u>-</u>
(Loss)/Profit after taxation	<u>824</u>
Weighted average number of ordinary shares in issue ('000)	9,790
(Loss)/Earnings per share (RM)	
Gross	0.08
Net	0.08
Ordinary dividends paid	-

**Note:**

- i) The Company had commenced operations during the financial period ended 31 January 2003 and secured several consultancy and maintenance services contracts from its subsidiary and related partner.
- ii) There were no exceptional or extraordinary items during the financial period under review.
- iii) There was no tax charge as the Company has tax exempt status by virtue of its certification as a MSC company.
- iv) The gross and net EPS have been calculated by dividing the profit before taxation and profit after taxation, respectively, by the weighted average number of ordinary shares in issue.



**12. ACCOUNTANTS' REPORT (cont'd)**

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**2.3.2 Summarised Balance Sheet**

	<b>5 months ended 31 January 2003 RM'000</b>
Property, plant and equipment	28
Investment in subsidiaries	14,373
Current assets	4,026
Less: Current liabilities	<u>(230)</u>
Net current assets	<u>3,796</u>
	<u>18,197</u>
Financed by:	
Share capital	15,803
Share premium	1,570
Retained profit	824
Shareholders' funds	<u>18,197</u>
Number of ordinary shares in issue ('000)	15,803
NTA per share (RM)	1.15

**12. ACCOUNTANTS' REPORT (cont'd)**

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**2.4 novaHEALTH Pte Ltd (“novaHEALTH”)**

We set out below the audited results of novaHEALTH for the past three financial period/years ended 31 March 2000 to 2002 and for ten months ended 31 January 2003 and after making the necessary adjustments as explained in note 2.4.1(i) below.

**2.4.1 Summary of results**

	4 months ended 31 March 2000 RM'000	Year ended 31 March 2001 RM'000	Year ended 31 March 2002 RM'000	10 months ended 31 January 2003 RM'000
Turnover:				
Consultancy contracts	-	1,831	6,757	3,646
Maintenance services	-	280	319	297
	-	2,111	7,076	3,943
(Loss)/Profit before interest, taxation, depreciation and amortisation	(54)	(1,001)	1,210	1,305
Less:				
Depreciation and amortisation	-	(83)	(286)	(1,207)
Interest expense	-	(51)	(38)	(39)
(Loss)/Profit before taxation	(54)	(1,135)	886	59
Taxation	-	253	(217)	(116)
(Loss)/Profit after taxation	(54)	(882)	669	(57)
Weighted average number of ordinary shares in issue	*	40,850	40,850	1,347,850
(Loss)/Earnings per share (RM)				
Gross	(81,000)#	(27.78)	21.69	0.05#
Net	(81,000)#	(21.59)	16.38	(0.05)#
Ordinary dividends paid	-	-	-	-

\* Denotes 2 ordinary shares

*Note: The abovementioned figures have been translated from Singapore Dollars using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

*# The results were annualised to enable comparability with the EPS calculated for years ended 31 March 2001 and 2002*

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**Notes:-**i) Prior year adjustments

Certain prior year adjustments ("PYA") were made in the financial statements for the year ended 31 March 2002. These PYAs were made as a result of the adoption of new accounting standards promulgated by the Singapore accounting body. The adoptions of SAS 12 *Income Taxes* and SAS 17 *Employee Benefits* have had an impact to the results of the accounting periods prior to financial year ended 31 March 2002.

The adoption of SAS 12 has resulted in the Company recognising the deferred tax assets for prior years.

The adoption of SAS 17 has resulted in the Company making provisions for the obligations in respect of short term employee benefits in the form of accumulating compensated balances. These obligations are provided when the employees render services that increase their entitlement to future compensated absences.

The effects of the PYA and accordingly the figures for year ended 31 March 2001 to be restated are as follows:-

	<b>4 months ended 31 March 2000</b>	<b>Year ended 31 March 2001</b>
	<b>RM'000</b>	<b>RM'000</b>
(Loss)/Profit before taxation		
Per audited accounts	(54)	(1,055)
Effect of adopting SAS 17	-	(80)
As restated	<u>(54)</u>	<u>(1,135)</u>
Taxation		
Per audited accounts	-	-
Effect of adopting SAS 12	-	253
As restated	<u>-</u>	<u>253</u>

ii) Turnover

The Company only commenced operations during the financial year ended 2001 and was awarded several major consultancy and maintenance services contracts.

For financial year ended 31 March 2002, fees from consultancy contracts have increased by approximately RM5 million. This is due to the Company's ability to secure additional new contracts during this financial year and higher recurring fees/progress billings from existing contracts.

iii) There were no exceptional or extraordinary items for the financial period/years under review.

iv) The gross and net EPS have been calculated by dividing the profit before taxation and profit after taxation, respectively, by the weighted average number of ordinary shares in issue.

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**2.4.2 Summarised Balance Sheets**

	4 months ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002	10 months ended 31 January 2003
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	169	84	26
Intangible assets	-	5,259	7,027	7,744
Deferred tax assets	-	254	35	-
Current assets	5	1,335	3,918	4,915
Less: Current liabilities	(59)	(6,021)	(9,399)	(6,007)
Net current assets	(54)	(4,686)	(5,481)	(1,092)
	(54)	996	1,665	6,678
Financed by:				
Share capital	*	89	89	6,922
Share premium	-	1,843	1,843	-
Accumulated losses	(54)	(936)	(267)	(324)
Shareholders' funds	(54)	996	1,665	6,598
Deferred taxation	-	-	-	80
	(54)	996	1,665	6,678

\* Denotes RM4.34, comprising  
 2 ordinary shares of SGD1 each

Number of ordinary shares in issue	2	40,850	40,850	3,190,000
NTA per share (RM)	(27,000)	(104)	(131)	(0.36)

*Note: The abovementioned figures have been translated from Singapore Dollars using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

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**2.5 novaCITYNETS Pte Ltd ("novaCITYNETS")**

We set out below the audited results of novaCITYNETS for the past two financial period/year ended 31 March 2001 to 2002 and for ten months ended 31 January 2003 and after making the necessary adjustments as explained in note 2.5.1(i) below.

**2.5.1 Summary of results**

	11 months ended 31 March 2001 RM'000	Year ended 31 March 2002 RM'000	10 months ended 31 January 2003 RM'000
Turnover:			
Consultancy contracts	6,103	10,544	11,785
Maintenance services	1,183	2,754	3,457
	7,286	13,298	15,242
(Loss)/Profit before interest, taxation, depreciation and amortisation	(1,166)	1,440	4,611
Less			
Depreciation and amortisation	(251)	(450)	(707)
Interest expense	(39)	(31)	(43)
(Loss)/Profit before taxation	(1,456)	959	3,861
Taxation	296	(246)	(856)
(Loss)/Profit after taxation	(1,160)	713	3,005
Weighted average number of ordinary shares in issue	*	1,000,000	1,705,556
(Loss)/Earnings per share (RM)			
Gross	(794,000)#	0.96	2.72#
Net	(633,000)#	0.71	2.11#
Ordinary dividends paid	-	-	-

\* Denotes 2 ordinary shares

*Note: The abovementioned figures have been translated from Singapore Dollars using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

*# The results were annualised to enable comparability with the EPS calculated for years ended 31 March 2002*

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**Notes:-**i) Prior year adjustments

Certain prior year adjustments ("PYA") were made in the financial statements for the year ended 31 March 2002. These PYAs were made as a result of the adoption of new accounting standards promulgated by the Singapore accounting body. The adoptions of SAS 12 *Income Taxes* and SAS 17 *Employee Benefits* have had an impact to the results of the accounting periods prior to financial year ended 31 March 2002.

The adoption of SAS 12 has resulted in the Company recognising the deferred tax assets for prior years.

The adoption of SAS 17 has resulted in the Company making provisions for the obligations in respect of short term employee benefits in the form of accumulating compensated balances. These obligations are provided when the employees render services that increase their entitlement to future compensated absences.

The effects of the PYA and accordingly the figures for period ended 31 March 2001 to be restated are as follows:-

	<b>11 months ended 31 March 2001 RM'000</b>
(Loss)/Profit before taxation	
Per audited accounts	(1,254)
Effect of adopting SAS 17	(202)
As restated	<u>(1,456)</u>
 Taxation	
Per audited accounts	-
Effect of adopting SAS 12	296
As restated	<u>296</u>

ii) Turnover

The Company commenced operations during the financial year ended 2001 and was awarded several major consultancy and maintenance services contracts.

For financial year ended 31 March 2002, fees from consultancy contracts have increased by approximately RM4.4 million. This is due to the Company's ability to secure additional new contracts during the financial year and higher recurring fees/progress billings from existing contracts.

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- iii) There were no exceptional or extraordinary items for the financial period/years under review.
- iv) The gross and net EPS have been calculated by dividing the profit before taxation and profit after taxation, respectively, by the weighted average number of ordinary shares in issue.

**2.5.2 Summarised Balance Sheets**

	11 months ended 31 March 2001	Year ended 31 March 2002	10 months ended 31 January 2003
	RM'000	RM'000	RM'000
Property, plant and equipment	365	226	686
Intangible assets	1,970	4,773	6,007
Deferred tax assets	296	50	-
Current assets	5,512	10,443	10,286
Less: Current liabilities	(9,303)	(13,769)	(7,756)
Net current assets/(liabilities)	(3,791)	(3,326)	2,530
	(1,160)	1,723	9,223
Financed by:			
Share capital	*	2,170	5,859
(Accumulated losses)/Retained profits	(1,160)	(447)	2,558
Shareholders' funds	(1,160)	1,723	8,417
Deferred taxation	-	-	806
	(1,160)	1,723	9,223

\* Denotes RM4.16, comprising 2 ordinary shares

Number of ordinary shares in issue	2	1,000,000	2,700,000
NTA per share (RM)	(1,565,000)	(3.05)	0.89

*Note: The abovementioned figures have been translated from Singapore Dollars using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

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**3 Statement of assets and liabilities**

The following statement of assets and liabilities of the Company and the Proforma Group are prepared for illustrative purposes only and are based on the audited financial statements of NMSC and its subsidiaries as at 31 January 2003, on the assumption that the exercises as detailed in paragraphs 1.3.1 to 1.3.5 and the Public Issue have been effected on that date. These statements should be read in conjunction with the accompanying notes thereto:

←-----31 January 2003-----→				
		Before	After	
	Note	Company	Public Issue	Public Issue
		RM'000	Group	Group
		RM'000	RM'000	RM'000
Plant and equipment	5	28	740	740
Investments in subsidiaries	5.1	14,373	-	-
Intangible assets	5.2	-	13,752	13,752
<b>Current assets</b>				
Inventories		-	565	565
Contract work-in-progress	5.3	663	7,272	7,272
Trade and other receivables	5.4	3,324	5,950	5,472
Cash and cash equivalents	5.5	39	6,082	20,060
		4,026	19,869	33,369
<b>Current liabilities</b>				
Bank overdraft	5.6	-	(910)	(910)
Trade and other payables	5.7	(230)	(11,004)	(11,004)
		(230)	(11,914)	(11,914)
<b>Net current assets</b>		3,796	7,955	21,455
		18,197	22,447	35,947
<b>Financed by:</b>				
Share capital	5.8	15,803	20,090	25,590
Share premium	5.9	1,570	3	8,003
Retained profits		824	1,268	1,268
Translation reserve		-	200	200
Shareholders' funds		18,197	21,561	35,061
Deferred tax		-	886	886
		18,197	22,447	35,947
<b>Number of ordinary shares in issue ('000)</b>				
- at RM1.00 each		15,803	-	-
- at RM0.10 each		-	200,900	255,900
<b>NTA per share (RM)</b>		1.15	0.04	0.08



**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**4 Notes to the statement of assets and liabilities****4.1 Significant accounting policies****(a) Basis of accounting**

The statement of assets and liabilities have been prepared for illustrative purposes only and are in accordance with applicable approved accounting standards in Malaysia.

**(b) Basis of consolidation**

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

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year 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 cost cannot be recovered.

**(c) Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis so as to write-off the costs of the property, plant and equipment over their estimated useful lives of three years.

**(d) Intangible assets****(i) Research Costs and Development Expenditure**

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

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

**(ii) Other intangible assets**

Other intangible assets which are acquired by the Group are stated at cost less accumulated amortisation.

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**(iii) Subsequent Costs**

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

**(iv) Amortisation**

Capitalised development expenditure is charged to the profit and loss account 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 asset over their estimated useful lives. Development expenditure is amortised at approximately 16% to 66% of licensing revenue recognised on the basis described above.

**(e) Investments**

Investment in subsidiaries, which is eliminated on consolidation, is stated at cost in the Company's financial statements less impairment loss, where applicable.

**(f) Government Grants**

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

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

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

**(g) Contract Work-in-Progress**

Contract work-in-progress is stated at costs incurred to-date 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.

**(h) Trade and Other Receivables**

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

**(i) Cash and cash equivalents**

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

**(j) Liabilities**

Borrowings and trade and other payables are stated at cost.

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**(k) Impairment**

The carrying amounts of the Group's assets, other than inventories, contract work-in-progress and financial assets (other than investment 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 in the income statement whenever the carrying amount of an asset or its cash-generating unit to which it belongs exceeds its recoverable amount.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the 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 cash inflows largely independent of those from other assets, 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. An impairment loss 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. Reversal of impairment losses are recognised in the income statement.

**(l) Employee Benefits**

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

**(m) Taxation**

Tax on the profit or loss for the period 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 period, 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 amounts 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.

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad*  
*Accountants' Report*  
*31 January 2003*

**(n) Foreign Currency Translation****(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.

**(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 rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised directly in equity as translation reserve.

The closing rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations at 31 January 2003 is RM2.17 to SGD1.

**(o) Revenue Recognition****(i) Design Services**

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

**(ii) Maintenance Services**

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

**(iii) Licensing revenue**

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

**(p) Finance Costs**

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

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**(q) Operating Leases**

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

**5 Plant and equipment**

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	<b>31.01.2003</b>	<b>31.01.2003</b>	<b>31.01.2003</b>
<b>Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Computer	879	(624)	255
Office equipment	54	(15)	39
Furniture and fittings	138	(47)	91
Leasehold improvements	413	(58)	355
	<u>1,484</u>	<u>(744)</u>	<u>740</u>
<b>Company</b>			
Computer	28	(2)	26
Furniture and fittings	2	-	2
	<u>30</u>	<u>(2)</u>	<u>28</u>

**5.1 Investments in subsidiaries**

	<b>Company RM'000 31.01.2003</b>
Unquoted shares, at cost	<u>14,373</u>

Details of the subsidiaries, which both are incorporated in Singapore, are as follows:

<b>Name of Companies</b>	<b>Principal activities</b>	<b>Effective Ownership Interest 31.01.2003</b>
novaCITYNETS Pte. Ltd.	Provision of e-business solutions for the building and construction, city, town council and telecommunication industries.	100%
novaHEALTH Pte. Ltd.	Provision of e-business solutions for the healthcare industry.	100%

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**5.2 Intangible assets**

	Cost	Accumulated Amortisation	Net Book Value
	31.01.2003	31.01.2003	31.01.2003
Group	RM'000	RM'000	RM'000
Development expenditure	12,682	(1,793)	10,889
Other intangible asset	3,313	(450)	2,863
	15,995	(2,243)	13,752

**5.3 Contract work-in-progress ("CWIP")**

	Group 31.01.2003	Company 31.01.2003
	RM'000	RM'000
Cost incurred and attributable profit	18,052	861
Less: Progress billings	(10,824)	(198)
	7,228	663
Amount due to contract customers (Section 5.7)	44	-
	7,272	663

**5.4 Trade and other receivables**

	Group 31.01.2003	Company 31.01.2003
	RM'000	RM'000
Trade receivables	3,124	327
Other receivables, deposits and prepayments #	3,783	1,478
Amounts due from related corporations	43	-
Amounts due from a subsidiary	-	1,519
Balance per audited financial statements	6,950	3,324
Remainder proceeds received from OSK Technology	(1,000)	(1,000)
Before Public Issue	5,950	2,324
Listing expenses written off	(478)	(478)
After Public Issue	5,472	1,846

# There is remainder proceeds of RM1 million to be received from OSK Technology for the equity investment. As at 31 January 2003, the said amount is included under Other Receivables, deposits and prepayments of the Group and Company. This amount has been received on 18 February 2003.

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

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**5.5 Cash and cash equivalents**

	<b>Group</b>	<b>Company</b>
	<b>31.01.2003</b>	<b>31.01.2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits with a licensed bank	2,171	-
Cash at bank and in hand	191	39
	<u>2,362</u>	<u>39</u>
Proceeds from Share Option issue and OSK Technology	3,720	3,720
Before Public Issue	6,082	3,759
Proceeds from Public Issue	15,400	15,400
Estimated listing expenses	(1,422)	(1,422)
After public issue	<u>20,060</u>	<u>17,737</u>

Included in the fixed deposits balance is an amount of RM2,170,000 pledged for bank overdraft facilities granted to the Group.

**5.6 Bank overdraft**

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

The bank overdrafts are secured by way of a corporate guarantee from the holding company and a pledge of fixed deposits amounting to RM2,170,000.

**5.7 Trade and other payables**

	<b>Group</b>	<b>Company</b>
	<b>31.01.2003</b>	<b>31.01.2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payables	2,982	-
Other payables and accruals	1,373	162
Amount due to related corporations	210	30
Amount due to contract customers (Section 5.3)	44	-
Amounts due to holding company (Section 8)	6,395	38
	<u>11,004</u>	<u>230</u>

The amounts due to the related company and holding company are interest free, unsecured and have no fixed terms of repayment.

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**5.8 Share capital**

	<b>Company/Group 31.01.2003 RM'000</b>
<b>Issued and fully paid</b>	
On incorporation	*
Acquisition of novaHEALTH and novaCITYNETS	14,373
Equity investment by OSK Technology	1,430
	<hr/> 15,803
Share Option	1,755
Bonus issue	2,532
Before Public Issue	<hr/> 20,090
Public Issue	5,500
After Public Issue	<hr/> <hr/> 25,590

*\* Comprising two (2) ordinary shares of RM1.00 each. On 27 June 2003, the nominal value of the ordinary share capital was changed from RM1.00 each to RM0.10 each arising from a share split exercise.*

**5.9 Share premium**

	<b>Company/Group 31.01.2003 RM'000</b>
Arising from on capital injection by OSK Technology	1,570
Arising from Share Option	965
	<hr/> 2,535
Less: Bonus issue	<hr/> (2,532)
Balance before Public Issue	3
Public issue	9,900
Estimated listing expenses	<hr/> (1,900)
Balance after Public Issue	<hr/> <hr/> 8,003



**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad*  
*Accountants' Report*  
*31 January 2003*

**5.10 Segmental information**

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

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

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

During the period, the Group operates mainly in Malaysia and Singapore.

The reconciliation between the segment liabilities and the aggregate liabilities in the Group's proforma balance sheet (before Public Issue) is set out below:

	<b>Group 31.01.2003 RM'000</b>
Current liabilities	11,914
Deferred liability	886
	<hr/>
Total liabilities in Balance Sheet	12,800
Less: Deferred taxation	(886)
	<hr/>
Total liabilities shown in segmental information	<u>11,914</u>

**Geographical segments**

	<b>Malaysia RM'000</b>	<b>Singapore RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Segment assets</b>	6,773	29,666	(2,078)	34,361
Investment in subsidiary	14,373	-	(14,373)	-
	<hr/>			<hr/>
<b>Segment liabilities</b>	230	13,762	(2,078)	11,914
	<hr/>			<hr/>
Capital expenditure	29	648	-	677
Depreciation and amortisation	2	1,248	-	1,250

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**5.11 Operating lease**

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

	<b>Group 31.01.2003 RM'000</b>
Less than one year	1,117
Between one to five years	651
	<hr style="width: 100%; border: 0.5px solid black;"/>
	1,768
	<hr style="width: 100%; border: 0.5px solid black;"/>

The Group leases office premises under operating leases. The lease will expire in August 2004. None of the leases include contingent rentals.

One of the leased premises has been sublet by the Group. The sublease is cancellable and will expire in August 2004. Sublease payments of RM225,068 are expected to be received within the next twelve months.

**5.12 Financial instruments****Financial risk management objectives and policies**

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

**Credit risk**

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

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rate will have an adverse financial effect on the Group and the Company's financial position and/or results. The Group is exposed to interest rate risk as it obtains financing from licensed financial institutions at variable rates. It is the Group's policy to minimise exposure to interest rate risk by obtaining the most favourable interest rate available.

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**5.12 Financial instruments (continued)****Foreign currency risk**

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

***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----- > 31.01.2003		
	Effective interest rate %	Total RM'000	Within 1 year RM'000
<b>Financial assets</b>			
Fixed deposits with licensed banks	0.5	2,171	2,171
<b>Financial liabilities</b>			
Bank overdrafts	6.0	910	910

**Fair values**

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

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

**6 Proforma net tangible assets cover**

Based on the proforma statement of assets and liabilities of the Proforma NMSC Group as at 31 January 2003, the proforma consolidated net tangible assets ("NTA") cover per ordinary share is calculated as follows:

	<b>RM'000</b>
Net assets as at 31 January 2003	21,561
Less: Intangible assets	<u>(13,752)</u>
Net tangible assets ("NTA") before Public Issue	7,809
Public Issue	15,400
Less: Estimated listing expenses	<u>(1,900)</u>
NTA after Public Issue	<u><u>21,309</u></u>
Number of ordinary shares of RM0.10 each in issue ('000)	<u><u>255,900</u></u>
Net tangible assets per ordinary share of RM0.10 each (RM)	<u><u>0.08</u></u>

**12. ACCOUNTANTS' REPORT (cont'd)**

*Nova MSC Berhad*  
*Accountants' Report*  
 31 January 2003

**7 Proforma consolidated cash flow statement**

The consolidated cash flows of the NMSC Group set out below is for the ten months financial period ended 31 January 2003 prepared on a proforma basis and based on the audited financial statements of all companies within the Group and on the assumption that the NMSC Group exercises as detailed in Paragraphs 1.3.1 to 1.3.5 and the Public Issue, had been in effect throughout the ten months ended 31 January 2003.

	<b>10 months ended 31 January 2003 RM'000</b>
<b>Cash flows from operating activities</b>	
<b>Profit before taxation</b>	4,761
Adjustments for:	
Amortisation of intangible assets	1,663
Depreciation of plant and equipment	253
Interest expense	82
Interest income	(2)
<b>Operating profit before changes in working capital</b>	<u>6,757</u>
Changes in working capital	
Inventories	(566)
Contract work-in-progress	(4,223)
Trade and other receivables	328
Trade and other payables	825
<b>Cash generated from operations</b>	3,121
Interest paid	(82)
Interest received	2
<b>Net cash generated from operating activities</b>	<u>3,041</u>
<b>Cash flows from investing activities</b>	
Purchase of plant and equipment	(653)
Development expenditure paid	(3,613)
<b>Net cash outflow from investing activities</b>	<u>(4,266)</u>
<b>Cash flows from financing activities</b>	
Proceeds from OSK Technology	3,000
Proceeds from Employee's Share Option	2,720
Proceeds from Public Issue (net of listing expenses)	13,978
<b>Net cash generated from financing activities</b>	<u>19,698</u>
<b>Net increase in cash and cash equivalents</b>	18,473
<b>Cash and cash equivalents at beginning of the period</b>	677
<b>Cash and cash equivalents at end of the period</b>	<u>19,150</u>

Cash and cash equivalents at the end of period after the Public Issue shown above comprise the following:

	<b>RM'000</b>
Cash and cash equivalents	20,060
Bank overdraft	(910)
	<u>19,150</u>

*Note: The abovementioned figures incorporate cash flows of subsidiaries which have been translated from Singapore Dollars using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

## 12. ACCOUNTANTS' REPORT (cont'd)



*Nova MSC Berhad  
Accountants' Report  
31 January 2003*

### 8 Holding company

As at 31 January 2003, the holding company of NMSC is novaSPRINT Pte Ltd, incorporated in the Republic of Singapore. However, on 10 March 2003, novaSPRINT Pte Ltd distributed its entire shareholding in NMSC to its shareholders, in proportion to their existing shareholdings in novaSPRINT Pte Ltd, pursuant to its capital distribution exercise. novaSPRINT Pte Ltd had then ceased to be the holding company.

### 9 Events subsequent to balance sheet date

Based on the audited financial statements for the period ended 31 January 2003 and the events which had been disclosed in this report, no other events have arisen subsequent to the balance sheet date, which requires disclosure in this Report.

### 10 Audited financial statements

No audited financial statements of NMSC and its subsidiaries have been prepared in respect of any period subsequent to 31 January 2003.

Yours faithfully

**KPMG**

Firm Number: AF 0758

Chartered Accountants

**Khaw Hock Hoe**

Partner

Approval Number: 2229/04/04 (J)

**13. PROFORMA CONSOLIDATED BALANCE SHEETS OF NMSC AS AT 31 JANUARY 2003 TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON**



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The Board of Directors  
Nova MSC Berhad  
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Enterprise 4  
Technology Park Malaysia (TPM)  
Lebuhraya Puchong – Sg. Besi  
Bukit Jalil  
57000 Kuala Lumpur

15 July 2003

Dear Sirs

**Reporting accountants' letter on the proforma consolidated balance sheets as at 31 January 2003**

We have reviewed the presentation of the proforma consolidated balance sheets of Nova MSC Berhad ("NMSC") and its subsidiaries (hereinafter referred to as the "NMSC Group"), for which the Directors are solely responsible, at 31 January 2003 together with the notes thereon, as set out in the Prospectus dated 21 July 2003 in connection with the listing and quotation of the entire issued and fully paid-up share capital of NMSC on the MESDAQ Market and should not be relied on for any other purposes.

In our opinion,

- the proforma consolidated balance sheets have been properly compiled on the basis of preparation stated;
- such basis is consistent with the accounting policies of NMSC Group; and
- the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Khaw Hock Hoe**  
Partner  
Approval Number: 2229/04/04(J)



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.



### 13. PROFORMA CONSOLIDATED BALANCE SHEETS OF NMSC AS AT 31 JANUARY 2003 TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)

Nova MSC Berhad and its subsidiaries  
Proforma consolidated balance sheets as at 31 January 2003

The proforma consolidated balance sheets of Nova MSC Berhad ("NMSC") and its subsidiaries ("NMSC Group") as at 31 January 2003 as set out below are prepared for illustrative purposes only and incorporates the transactions referred to in the notes as if they were effected on 31 January 2003:

	Group Audited	31 January 2003			
		Group Proforma I	Group Proforma II	Group Proforma III	Group Proforma IV
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	740	740	740	740	740
Intangible assets	13,752	13,752	13,752	13,752	13,752
Current assets	17,149	19,869	19,869	19,869	33,369
Less: Current liabilities	(11,914)	(11,914)	(11,914)	(11,914)	(11,914)
Net current assets	5,235	7,955	7,955	7,955	21,455
	19,727	22,447	22,447	22,447	35,947
Financed by:					
Share capital	15,803	17,558	20,090	20,090	25,590
Share premium	1,570	2,535	3	3	8,003
Retained profits	1,268	1,268	1,268	1,268	1,268
Exchange equalisation reserve	200	200	200	200	200
Shareholders' funds	18,841	21,561	21,561	21,561	35,061
Deferred taxation	886	886	886	886	886
	19,727	22,447	22,447	22,447	35,947
Net assets value per share (RM)	1.19	1.23	1.07	0.11	0.14
NTA per share (RM)	0.32	0.44	0.39	0.04	0.08
Number of ordinary shares of RM1 each in issue	15,802,850	17,557,850	20,090,000	-	-
Number of ordinary shares of RM0.10 each in issue	-	-	-	200,900,000	255,900,000



**13. PROFORMA CONSOLIDATED BALANCE SHEETS OF NMSC AS AT 31 JANUARY 2003 TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

**Nova MSC Berhad  
And Its Subsidiaries**

**Notes To The Proforma Consolidated Balance Sheets  
as at 31 January 2003**

1. The proforma consolidated balance sheets have been prepared for illustrative purposes only and are based on the audited financial statements of Nova MSC Berhad ("NMSC") and the audited financial statements of its subsidiaries, as at 31 January 2003 ("NMSC Group") and based on accounting policies consistent with applicable approved accounting standards in Malaysia.

2. The proforma consolidated balance sheets incorporate, on a proforma basis the following transactions as though they have been effected and completed on 31 January 2003:

2.1 Proforma I

The share option scheme of Nova MSC Sdn Bhd ("Share Option") where 1,755,000 new NMSC ordinary shares of RM1.00 each were issued to eligible employees of NMSC Group on 25 June 2003 representing not more than 10% of the share capital as at 31 January 2003.

2.2 Proforma II

Proforma II incorporates the effects of Proforma I and the bonus issue of 2,532,150 ordinary shares of RM1.00 each to the shareholders of NMSC via capitalisation of the share premium account balance of RM2,532,150 which was carried out on 27 June 2003.

2.3 Proforma III

Proforma III incorporates the effects of Proforma I to II and the share split of NMSC 20,090,000 ordinary shares of RM1.00 each into 200,900,000 ordinary shares of RM0.10 each.

2.4 Proforma IV

Proforma IV incorporates the effects of Proforma I to III and the public issue of 55,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.28 per share to facilitate the listing of and quotation for NMSC shares on the MESDAQ Market.

**13. PROFORMA CONSOLIDATED BALANCE SHEETS OF NMSC AS AT 31 JANUARY 2003 TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANTS' LETTER THEREON (cont'd)**

3. Movements in the issued and paid up capital and share premium accounts as a result of the above transactions are as follows:-

	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>
Audited balance at 31 January 2003	15,803	1,570
Share Option issue	1,755	965
Balance for Proforma I	17,558	2,535
Bonus issue	2,532	(2,532)
Balance for Proforma II & III	20,090	3
Public Issue	5,500	9,900
Listing expenses	-	(1,900)
Balance for Proforma IV	25,590	8,003