



Financial Solutions Specialist

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Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at Kelab Golf Negara Subang, SS 7/2 Kelana Jaya, 46710 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 1 June 2004 at 11.00 a.m. to transact the following business:-

Agenda

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect Mr. Yong Keong Tuck, a Director who retires pursuant to Article 127 of the Company's Articles of Association. **(Resolution 2)**
3. To elect the following Directors who retire pursuant to Article 132 of the Company's Articles of Association:-
 - (a) Encik Razman Hafidz Abu Zarim **(Resolution 3)**
 - (b) Mr. Yap Yuh Foh **(Resolution 4)**
 - (c) Mr. Lim Boon Kheng **(Resolution 5)**
 - (d) Mr. Ho Sin Kheong **(Resolution 6)**
 - (e) Ms. Tan Ming-li **(Resolution 7)**
4. To approve Directors' Fees for the financial year ended 31 December 2003. **(Resolution 8)**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

Special Business

6. As Special Business, to consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to allot and issue shares in the Company at any time and

upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Malaysia Securities Exchange Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting." **(Resolution 10)**

By Order of the Board

NG YEN HOONG (LS 008016)
LIM POH YEN (MAICSA 7009745)
Company Secretaries

Petaling Jaya
30 April 2004

Notes:-

1. Notes on Appointment of Proxy

(a) Member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may, but need not be a member of the Company.

(b) The instrument appointing a proxy shall be in writing, signed by the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

(c) Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

2. Explanatory Notes on Special Business

(d) The instrument appointing a proxy shall be deposited at the registered office at Level 14, Uptown 1, No. 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof. The Ordinary Resolution proposed under Resolution 10, if passed, will give the Directors the authority to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

Statement Accompanying Notice Of The Third Annual General Meeting

1. Venue, Date and Time of the Third AGM

The details of the Third Annual General Meeting of the Company:-

Place: Kelab Golf Negara Subang, SS 7/2 Kelana Jaya, 46710 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Date & Time: 1 June 2004 at 11.00 a.m.

2. Directors Standing for Election/Re-election

The name of Directors who are standing for election or re-election:-

Re-election pursuant to Article 127 of the Company's Articles of Association:
Mr. Yong Keong Tuck

Election pursuant to Article 132 of the Company's Articles of Association :

- (a) Encik Razman Hafidz Abu Zalim
- (b) Mr. Yap Yuh Foh
- (c) Mr. Lim Boon Kheng
- (d) Mr. Ho Sin Kheong
- (e) Ms. Tan Ming-li

3. Attendance of Directors at Board Meetings

The attendance record at Board Meetings and other details of the abovenamed Directors can be found in the Profile of Board of Directors in this Annual Report.

C o m p a n y *i n f o r m a t i o n*

BOARD OF DIRECTORS

Razman Hafidz Abu Zarim
Chairman,
Independent and Non-Executive
Director

Tan Suan Fong
Chief Executive Officer &
Chief Technology Officer

Ho Sin Kheong
Chief Operating Officer

Yong Keong Tuck, Alan
Sales & Marketing Director

Tan Mok Koon
Non-Independent and Non-
Executive Director

Lim Boon Kheng
Non-Independent and Non-
Executive Director

Yap Yuh Foh, Eddie
Non-Independent and Non-
Executive Director

Lim Ee-Jin
Alternate Director to Yap Yuh
Foh, Eddie

Tan Ming-li
Independent and Non-Executive
Director

AUDIT COMMITTEE

Razman Hafidz Abu Zarim
Chairman,
Independent and Non-Executive
Director

Tan Ming-li
Independent and Non-Executive
Director

Ho Sin Kheong
Chief Operating Officer

COMPANY SECRETARIES
Ng Yen Hoong (LS 008016)
Lim Poh Yen (MAICSA 7009745)

REGISTERED OFFICE

Level 14, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: (603) 7725 2888
Fax. No.: (603) 7725 7791

REGISTRAR

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

AUDITORS

Messrs Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel. No.: (603) 2087 7000
Fax. No.: (603) 2095 5332

PRINCIPAL BANKER

Malayan Banking Berhad
No. 58, 60, 62 & 64
Jalan SS2/67
47300 Petaling Jaya
Selangor Darul Ehsan

STOCK EXCHANGE LISTING

MESDAQ Market of the Malaysia
Securities Exchange Berhad

Company overview

eBworx Berhad was founded on 25 July 2000 with a vision to develop the company into a leading global financial solutions provider.

In line with this vision, eBworx has remained focused on helping financial institutions in three main areas - to gear towards electronic banking, to be more customer-centric in sales and operations, and to better manage lending practices and to move towards Basel II compliance.

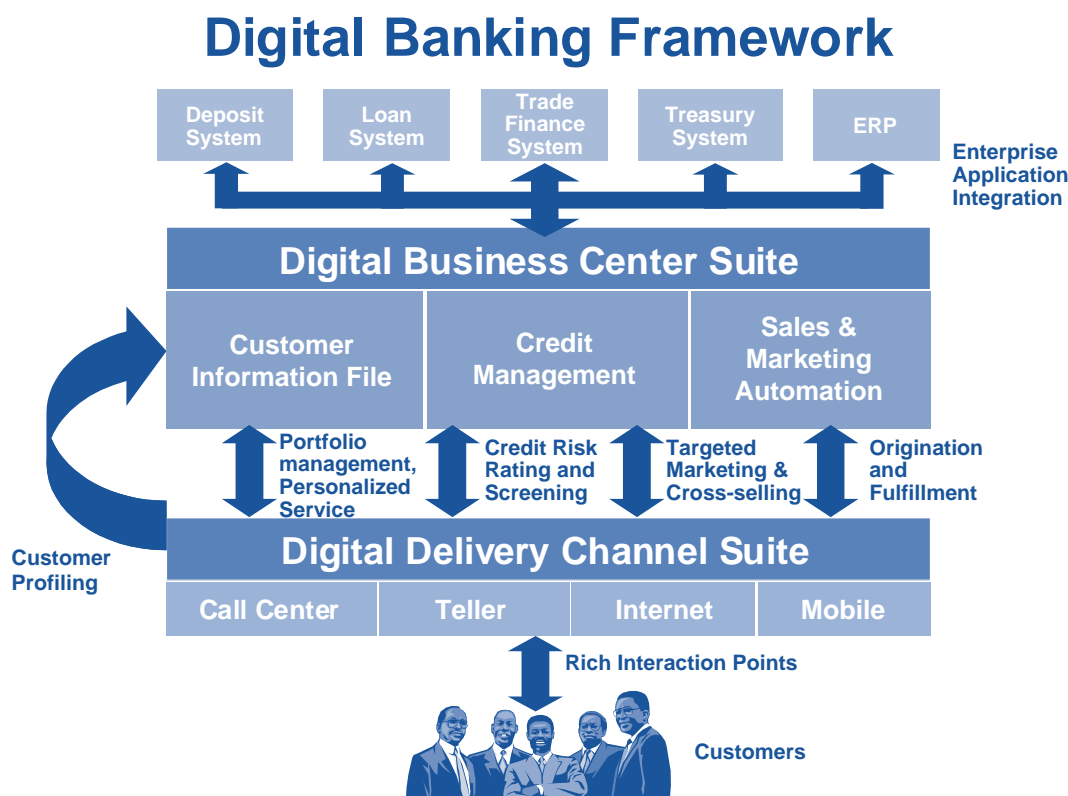
eBworx subsequently converted to a public company on 25 April 2003, and changed its name from eBworx Malaysia Berhad to eBworx Berhad in June the same year. eBworx Berhad was listed on the MESDAQ Market of the Malaysia Securities Exchange Berhad (MSEB) on 17 November 2003.

eBworx Group is a regional financial solutions specialist, providing a wide array of innovative digital commerce solutions to the financial services industry. eBworx was granted MSC status on 11

February 2002 by the Government of Malaysia. In 2001, eBworx Group was given due recognition by Microsoft (Malaysia) Sdn Bhd by being conferred the Microsoft Partners Award for "E-Commerce Solution of the Year" in Malaysia. The award is in recognition of the Group's efforts in developing the wireless banking application for OCBC Bank (Malaysia) Berhad.

By being more than a software vendor, eBworx's in-depth domain expertise and established reference sites with its banking clients help it gain access to crucial banking industry practices. Hence, eBworx has the competitive edge in innovative solutions and implementation processes. The Group offers a complete range of professional services which includes ready and tested software products, business process re-engineering, network design, software deployment and security implementation.

The Group's products are illustrated in the framework set out below:-



eBworx specializes in front office delivery channels (the touch points between the bank and the clients) and the back office workflow for credit application processing and credit risk analysis. All the products are designed in modular form and it is up to the bank to select the modules required by their business needs. Based on eBworx's prior experience, the bank generally implements the solutions module by module over a period of time.

As all these modular solutions are built according to a single architecture, they are able to inter-operate and save the banks on integration cost. All these modular solutions are sold under the brand name of "eBworx Digital Solutions Suite".

The major modular solutions provided are set out below:-

(i) Digital Business Center Suite ("DBC")

DBC mainly comprises three major products, namely Digital Customer Information File, Digital Credit Management System and Digital Sales and Marketing Automation.

(a) Digital Customer Information File ("DCIF") - Unified Customer Information

DCIF is an application providing instant access to all individual customer details, to facilitate account overview, credit rating and sales planning. It is a CRM solution that allows the bank to gear towards the direction of customer-centric banking services.

(b) Digital Credit Management System ("DCMS") - End to End Loan Processing Management

DCMS provides a comprehensive loans application workflow and tracking system for banking organizations to streamline their loans origination process. The solution comes with a built-in intelligent workflow and a credit risk engine. DCMS helps banks to improve loan processing efficiency, control credit risk, reduce non-performing loans ("NPLs") and track loan portfolio performance.

With DCMS, the entire loan origination process - from the input and processing of customer data, customer data analysis, underwriting, to closing of a loan transaction - is fully automated through multiple customer touch points.

DCMS helps banks to track the collection and recovery of NPLs by allowing banks to detect accounts that may become delinquent and enable the collection agents to speed up the collection process. Automatic notification, credit evaluation and channel integration flexibility will also result in proactive servicing and collections in managing customer portfolios.

(c) Digital Sales and Marketing Automation ("DSMA") - Transforming Banks into Sales-Oriented Organizations

DSMA is a customer-oriented sales tool for marketing campaign management, sales and service tracking to record all customer contacts, enquiries, service requests, follow-ups, etc.

DSMA provides the management, marketing and sales team with the essential tools to secure business prospects. It covers the entire sales cycle from prospect capturing to after sales services tracking. DSMA also enables the client banks to react to customers request and needs and address the customers request at a faster speed.

DSMA provides a collaborative sales platform that enables the whole organization rather than sales team alone to work together in closing the deals.

(ii) Digital Delivery Channel Suite ("DDC")

DDC mainly comprises five major products, namely Digital Cash Management System, Digital Retail Internet Banking, Digital Teller, Digital Mobile Banker and Digital Call Center.

(a) Digital Cash Management ("DCM") - Corporate Online Access to Banking Services

DCM is a web-based Cash Management System for corporate customers. It is a solution for banks to reduce customer dependence on its branch network for routine banking transactions. It reduces service cost and increases banking efficiency so that these valued corporate customers are better served. With DCM, the bank's corporate customers will enjoy the convenience of liquidity management, account management, payments management, collection, trade finance initiation, payroll processing, etc., from their desktops, resulting in savings in terms of time and resources. These services also provide banks the opportunity to generate transaction fees.

(b) Digital Retail Internet Banking ("DRIB") - Individual Online Access to Banking Services

DRIB is the internet banking solution component of eBworx's Digital Banking System framework. It allows the banks' retail customers to transact via the Internet.

DRIB covers a comprehensive list of functionalities such as account information, fund transfer, bills payment, loans application and inquiry and cheque book request to meet both individual and small and medium enterprise customers' needs.

(c) Digital Teller ("DT") - Branch Counter Transaction Services

DT is a complete electronic teller solution that overcomes the weaknesses of traditional client server branch delivery system with the n-tier web-based system that is simple to maintain and easily accessible through a web browser. This solution covers a comprehensive range of daily branch operation activities and functions such as branch opening, posting of transactions, balance reconciliation, journaling, error correction, printing and the closing of the branch. DT also allows smart integration of external devices like pin pad, encoder and passbook printer.

(d) Digital Mobile Banker ("DMB") - Wireless Access to Banking Services

DMB is eBworx's mobile banking solution that connects banking services to the wireless world. The DMB is a solution built on open industry standards such as SMS, WAP and GPRS. It allows individual customers to perform simple transactions such as account balance enquiry and bill payments.

With the growing popularity of mobile or cellular phones, PDA and handheld PCs, consumers have embraced the emergence of WAP and other open industry standards for wireless communication. The DMB solution leverages on the industry proven encryption technologies, such as SSL, firewalls and certificate authority, which guarantee security when performing various financial transactions through wireless communications.

(e) Digital Call Center ("DCC") - Telephony Access to Banking Services

DCC is a call center application that assists the Phone Banking Executives ("PBEs") in responding to various enquiries and transactions. The application is able to display customer profile information, contact history and track customer service fulfillment.

The CTI provided by DCC allows PBEs to take advantage of its inbound screen pop, predictive dialing and call blending that will automatically retrieve customer information from its database.

Presently eBworx has two wholly-owned subsidiaries, Digital Nervous System Sdn Bhd and eBworx International Pte Ltd. Both subsidiaries are involved in the provision of computer software applications as well as dealings in computer hardware and software for the financial services industry. Digital Nervous System Sdn Bhd was incorporated in May 1998 in Malaysia, whereas the latter in May 2000 in Singapore.

C h a i r m a n ' s

s t a t e m e n t

The financial year under review is a significant milestone for the Group, as the Company was listed on 17 November 2003 on the MESDAQ Market of the MSEB.



Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of eBworx Berhad ("eBworx") for the financial year ended 31 December 2003.

The financial year under review marked a significant milestone for the Group, as the Company was listed on the MESDAQ Market of the Malaysia Securities Exchange Berhad (MSEB) on 17 November 2003.

In recent years, the financial industry has seen many changes. Consolidation, mergers and acquisitions, globalization, liberalisation, new guidelines and requirements under the Basel II Accord have all changed the face of the financial industry and the way banking is conducted. Only financial institutions that are able to keep up with these changes will continue to thrive.

Hence our goal is to empower financial institutions towards electronic banking, become more customer-centric in sales and operations, and to improve management of their lending practices. All this will assist the financial institutions move towards Basel II compliance, attain competitive advantage and enable them to retain their existing customers, whilst growing their market share.

Financial Highlights

For the financial year under review, the Group recorded a turnover of RM21.88 million and a profit before tax of RM5.18 million. Based on this remarkable results, earnings per share (EPS) of 3.50 sens were generated for the financial year under review. The shareholders' fund stood at RM36.04 million as at 31 December 2003.

Revenue and profits were mainly contributed from the several new overseas projects secured during the year. The new overseas projects included the following:

- 1) Digital Credit Management System for Kasikornbank Public Company Limited (Thailand);
- 2) Digital Credit Management System for Krung Thai Bank PCL implemented through Hewlett-Packard (Thailand) Limited;
- 3) Digital Credit Management System for PT Bank Central Asia Tbk (Indonesia);
- 4) Digital Retail Internet Banking System for Oversea-Chinese Banking Corporation Limited (Singapore); and
- 5) Digital Retail Internet Banking System implemented for Citic Ka Wah Bank Limited (Hong Kong).

Proportion of turnover from overseas projects increased from 15% last year to 50% this year which indicates the successful penetration and expansion into foreign markets by the Group.

Our objective is to continuously enhance shareholders' value by realising our vision of becoming a leading financial solutions provider. Through expansion and continuous enhancement of the Group's suite of banking products and geographical expansion via strategic alliances and acquisitions, we remain true to our vision.

Utilisation of Proceeds as at 31 December 2003

As at 31 December 2003, eBworx had utilised approximately 19% of the proceeds raised from its initial public offering ("IPO"). The details of the utilisation of proceeds as at 31 December 2003 were as follow:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Expansion of the core and related business of eBworx Group	5,000	-	5,000
Working capital	5,900	1,455	4,445
R&D expenditure	4,000	71	3,929
Listing expenses	1,600	1,679	(79)
Total	16,500	3,205	13,295

Note:

The remaining 81% of the proceeds will be utilised for the intended purposes as disclosed in the prospectus dated 20 October 2003 in due course.

Corporate and Operational Highlights

During the financial year under review, the Group concluded many deals with financial institutions in the region.

The year started with an enhancement contract with AmBank Group (formerly known as Arab-Malaysian Group) of Malaysia for their eLoan system. The eLoan system is a Digital Credit Management System (DCMS) which was implemented by the Group in 2001. This enhancement project is to help the bank to cater for its changing business needs in processing loan applications.

In January 2003, the Company was awarded a contract by Affin Bank Berhad to implement the Digital Customer Information File System and Master Collateral System respectively.

In June 2003, the Company was awarded a contract to implement the Digital Cash Management System for PT Bank Danamon Indonesia. This is a web-based cash management system for the bank's corporate clients, which brings significant benefits to both the bank and its customers.

July 2003 was a significant milestone for the Company, as it extended its footprint into the Thai banking market. Kasikornbank Public Company Ltd (formerly known as Thai Farmers Bank) contracted the Company to implement the Digital Credit Management System (DCMS). As it is the 3rd largest commercial bank in Thailand and also one of the most profitable, this was a valuable endorsement that the solution is viable and practical in the international financial arena.

The Group was then awarded another contract by Oversea-Chinese Banking Corporation Limited of Singapore to implement a retail internet banking system in July 2003. The system, called "Digital Retail Banking System (DRIB)" is a comprehensive banking solution that allows individuals to transact via the Internet.

In the same month July, the Company was engaged to implement the Digital Credit Management System (DCMS) for Krung Thai Computer Services Co. Ltd. The project signalled another major breakthrough for the Company as it was the second successful venture into the banking sector of Thailand.

In November 2003, the Company entered another important market, North Asia. The Company was awarded a contract to implement its Digital Retail Internet Banking (DRIB) solution for CITIC Ka Wah Bank Limited, Hong Kong. The penetration into the Hong Kong market strengthens further our position as a global financial software solutions provider.

The contracts mentioned above clearly demonstrate eBworx's capabilities in overseas market penetration and generating repeat orders from existing clients through product advancement and excellent customer service.

Investment in Research and Development (R&D)

The Group recognizes the essential role of R&D in driving business growth and improving operational efficiency. During the financial year under review, a sum of approximately RM1.32 million was incurred in the R&D functions. A R&D centre was set up in Cyberjaya to undertake this important function. The R&D team which comprises 10 information technology professionals is entrusted with the responsibilities of enhancing the current products of the Group as well as developing new products to meet contemporary needs of customers and industry. By investing constantly in R&D, the Group is able to leverage on its results to create competitive edge which ultimately ensures the realization of the vision.

Corporate Governance and Investor Relations

The Company has a communications program encompassing formal announcements, interim results and participation in dialogues and meetings with shareholders, institutions and analysts with the goal of fostering and maintaining good relations and mutual understanding. The Company's latest developments and projects are updated in its website at www.ebworx.com which is accessible by all stakeholders including the investing community.

Appreciation

On behalf of the Board of Directors, I wish to take this opportunity to thank the Management Team and all our employees at all levels for their commitment, dedication and support during the year.

As always, we remain grateful to the regulatory authorities, our customers and business partners for their support and continued confidence in the Company. We also take this opportunity to thank our shareholders for their faith in us. Last but not least, I am grateful to my fellow Board members for their support, counsel and commitment.



Razman Hafidz Abu Zarim
Chairman

C E O ' s

s t a t e m e n t

Global Expansion

Since the inception of eBworx, we have been diligently pursuing our vision of being a global financial software solutions provider. In the previous financial years, in accordance to our goal of extending our reach globally, we had set up offices in Singapore and Taiwan.

In the coming 18 months, the Group will continue its expansion strategy in North Asia, particularly China, Taiwan, Hong Kong, Korea and Japan. The expansion plan is achieved through strategic alliance, new marketing office set up and potential business acquisition.

Product Advancement

We strongly believe that continued investment in R&D is crucial for enhancing our competitive advantage. We have established our R&D center in Cyberjaya, which is located at the Multimedia Super Corridor (MSC) of Malaysia. Our R&D team is dedicated to enhance existing products as well as developing new innovative products for future growth.

Keeping abreast with the latest advancements and innovations, we always ensure that our customers are equipped with our state-of-the-art solutions. A recent example would be the Basel II requirements, which encompasses changes required in financial institutions' capital adequacy framework, is targeted to be enforced by end 2006 in member countries. With the right understanding of challenges faced by financial institutions in this area, we continue to enhance our solutions to help banks to comply with Basel II requirements.

Service Excellence

In line with our culture of service excellence, we have set up a dedicated Project Management Office to spearhead, direct and manage all project implementation and quality assurance. We have also established Technical Services Group to provide technical architecture expertise and best practices.



Tan Suan Fong
Chief Executive Officer & Chief Technology Officer

Board of directors

Razman Hafidz Abu Zarim

Chairman, Independent and Non-Executive Director

Tan Suan Fong

Chief Executive Officer & Chief Technology Officer

Ho Sin Kheong

Chief Operating Officer

Yong Keong Tuck, Alan

Sales & Marketing Director

Tan Mok Koon

Non-Independent and Non-Executive Director

Lim Boon Kheng

Non-Independent and Non-Executive Director

Yap Yuh Foh, Eddie

Non-Independent and Non-Executive Director

Lim Ee-Jin

Alternate Director to Yap Yuh Foh, Eddie

Tan Ming-li

Independent and Non-Executive Director



From left to right:

Tan Ming-li | Ho Sin Kheong | Yap Yuh Foh, Eddie | Tan Mok Koon | Razman Hafidz Abu Zarim
Tan Suan Fong | Lim Boon Kheng | Lim Ee-Jin | Yong Keong Tuck, Alan

Directors'

profile

Razman Hafidz Abu Zarim

Encik Razman Hafidz Abu Zarim, aged 49, was appointed as a Non-Executive Director and Chairman of the Company on 15 September 2003.

Encik Razman also sits on the Boards of several other listed companies, including Malaysian Oxygen Berhad, MAA Holdings Berhad and Courts Mammoth Berhad.

He started his career in 1977 with Touche Ross & Co, Chartered Accountants, London and in 1984 joined Hacker Young, Chartered Accountants, London, where he was admitted as an Audit Partner in 1987.

He returned to Malaysia in 1989 as an Audit Partner of Price Waterhouse, an international firm of public accountants. In 1993, he was appointed the Partner-in-charge of Price Waterhouse's Management Consulting Practice and became an Executive Committee member.

In 1994, he established Norush Sdn Bhd, an investing and business advisory firm, where he remains as Chairman.

Encik Razman graduated with a Joint-Honours degree in Economics and Accounting, BS (Econ) from University College, Cardiff, University of Wales. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

Encik Razman 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.

Tan Suan Fong

Mr. Tan Suan Fong, a Malaysian citizen age 33, is the Executive Director of the Company and was appointed to the Board on 25 July 2000. He is currently the Chief Executive Officer and Chief Technology Officer of the Company.

Under his stewardship, the eBworx Group has grown into a successful international financial software solution provider. He is responsible for the planning and execution of eBworx's corporate strategy, business and product development.

Mr. Tan Suan Fong graduated with a Degree in Computer Science (First Class Honors) from the University of Malaya.

Mr. Tan Suan Fong has a direct shareholding of 24,579,620 ordinary shares of RM0.10 each in the Company representing 11.88% interest therein.

Mr. Tan Suan Fong 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.

Yong Keong Tuck, Alan

Mr. Yong Keong Tuck, Alan, a Malaysian citizen age 37, is the Executive Director of the Company and was appointed to the Board on 25 July 2000. He is currently the Sales and Marketing Director of the Company.

Mr. Alan Yong has over ten (10) years of computer-related experience. From 1995 to 1999, he was with Microsoft (Malaysia) Sdn Bhd as a Channel Manager/Technology Advisor focusing on strategic business development for the financial industry. Mr. Alan Yong is a Microsoft Certified Professional and Instructor, Master Certified Network Engineer and a Certified Network Administrator.

Mr. Alan Yong 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.

Ho Sin Kheong

Mr. Ho Sin Kheong, a Malaysian citizen age 50, was appointed as an Executive Director of the Company on 5 August 2003. He is currently the Chief Operating Officer of the Company.

Mr. Ho Sin Kheong has over 20 years of banking and IT experience. He started his career as a Computer Science lecturer at Universiti Sains Malaysia in 1982 till early 1983.

He then joined NCR Malaysia Sdn. Bhd. ("NCR") in 1983 as Senior Systems Engineer and was one of the pioneer UNIX and C specialists in Malaysia. Prior to leaving NCR in 1988, he was the Manager in charge of the financial systems application team.

Mr. Ho Sin Kheong joined Ban Hin Lee Bank Berhad as a Data Processing Manager in 1988, where he successfully implemented the first integrated Online Signature Verification System in Asia. He was then promoted to Assistant General Manager, IT Division in 1994, before leaving the company in 1997.

From 1997 till 2003, Mr. Ho Sin Kheong was the Chief Information Officer in United Overseas Bank (Malaysia) Berhad, where he spearheaded numerous strategic computerisation projects including data warehouse, call center, internet banking, online bill payment, loan origination, wealth management, SAP financials, Peoplesoft Human Resource and Bankwide Customer Information File.

Mr. Ho Sin Kheong graduated with a Master of Science from Universiti Sains Malaysia in 1983 and a Bachelor of Science with Education (Honours) degree from Universiti Pertanian Malaysia in 1979.

Mr. Ho Sin Kheong 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.

Tan Mok Koon

Mr. Tan Mok Koon, a Singaporean citizen age 46, was appointed as a Non-Executive Director of the Company on 17 February 2003.

Mr. Tan Mok Koon is the Group Managing Director of CSE Global Limited ("CSE"), a global systems integrator listed on the Singapore Stock Exchange. Operating in the Americas, Europe, the Middle East, Africa and Asia, with 700 employees spread over 17 offices in 13 countries. He joined CSE in 1986 as an engineer, when the company was the engineering projects division of Chartered Electronics Industries, the electronics arm of Singapore Technologies Pte. Ltd. Promoted to General Manager in 1992, he was subsequently appointed as a Managing Director, following the successful conclusion of a management buy-out in 1997.

Mr. Tan Mok Koon graduated with an honours degree in chemical engineering from the National University of Singapore in 1983.

Mr. Tan Mok Koon 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.

Lim Boon Kheng

Mr. Lim Boon Kheng, a Singaporean citizen age 38, was appointed as Alternate Director to Tan Mok Koon on 11 April 2003 and was subsequently appointed as a Non-Executive Director of the Company on 12 June 2003.

Mr. Lim Boon Kheng is the Group Chief Financial Officer of CSE. He began his career in 1990 as an accountant with ULC Systems (FE) Pte Ltd. He then joined Singapore Technologies Pte Ltd in 1991 as an accountant and was promoted to various positions in the organization. He left

the company in 1999 to join CSE as the Group Financial Controller. His current responsibilities include finance and accounting, merger and acquisition and also corporate restructuring.

Mr. Lim Boon Kheng graduated with a Bachelor of Accountancy degree from the National University of Singapore in 1990.

Mr. Lim Boon Kheng 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.

Yap Yuh Foh, Eddie

Mr. Yap Yuh Foh, Eddie, a Malaysian citizen age 35, was appointed as a Non-Executive Director on 11 April 2003. He is currently the Chief Operating Officer of the venture capital division of OSK Holdings Berhad and is responsible for managing venture capital investment covering a spectrum of industrial and high technology companies.

Mr. Yap Yuh Foh has over 11 years of experience in the venture capital and corporate finance arenas, and has originated and executed various debt and equity capital market transactions on the MSEB and MESDAQ Market.

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

Mr. Yap Yuh Foh 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.

Lim Ee-Jin

Mr. Lim Ee-Jin, a Malaysian citizen age 35, was appointed as an Alternate Director to Mr. Yap Yuh Foh, Eddie on 11 April 2003. He is currently the Manager of the venture capital division of OSK Holdings Berhad and is involved in the management of venture capital investment. He was an investment analyst with the OSK Investment Research division from 1996 to 2000.

Mr. Lim Ee-Jin began his career in 1995 as an assistant accountant with Sunmix Concrete Sdn Bhd, a subsidiary of Sunway Building Technology Berhad.

Mr. Lim Ee-Jin holds a Bachelor of Commerce (majoring in Accountancy) from the University of Birmingham, United Kingdom. He is also an affiliate member of the Association of Chartered Certified Accountants.

Mr. Lim Ee-Jin 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.

Tan Ming-li

Ms. Tan Ming-li, a Malaysian citizen age 35, was appointed as an Independent Non-Executive Director of the Company on 11 September 2003.

Ms. Tan Ming-li is currently a partner in the legal firm of Cheang & Ariff and has been in legal practice since 1994. She specializes in corporate and securities law and has extensive exposure to both international and local clientele which include multinational and public listed companies, merchant and commercial banks and securities houses.

Prior to joining Cheang & Ariff in 1997, she practiced law in the firm of Allen & Gledhill, Kuala Lumpur, where she was actively involved in corporate and commercial litigation.

Ms. Tan Ming-li is a graduate from the University of Melbourne, Australia with a double degree in Law (Hons) and Science.

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

Management team

eBworx Berhad**Tan Suan Fong**

Chief Executive Officer & Chief Technology Officer

Ho Sin Kheong

Chief Operating Officer

Yong Keong Tuck, Alan

Sales & Marketing Director

Ng Lee Kuan

Senior Vice President, Finance

Chan Saw Liew

Vice President, Professional Services

Loi Foong Eng

Vice President, Product Development

Liang Yong Soon

Senior Manager, Technical Services

Statement of corporate governance

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

The following statement describes the application of the principles and extent of compliance with the best practices.

1. THE BOARD OF DIRECTORS

1.1 Composition and Board Balance

The Board currently has nine members, comprising three Executive Directors, four Non-Executive Non-Independent Directors and two Non-Executive Independent Directors (including the Chairman of the Company).

The profiles of the Directors are provided in pages 13 to 18 of the Annual Report. All these skills and experience enable the Board to effectively lead and control the Company.

1.2 Duties and Responsibilities

The executive directors take on primary responsibilities for the day-to-day running of the business, implementation of Board policies and making operational decisions. Non-executive directors have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, performance and resources, including key appointments and standards of conduct. The role of the independent non-executive directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined and takes account of the long term interests of the public shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business.

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

1.3 Access to Information and Advice

The Directors are provided before each Board Meeting, with the agenda together with a full set of Board papers containing information relevant to the business of the meeting and 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 management representatives whether as a full board or in their individual capacity. Where considered necessary, the Board may also engage the services of professionals at the expense of the Group on specialized issues and furtherance of their duties.

Statement of corporate governance

1.4 Appointment Process

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

1.5 Re-election of Directors

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

1.6 Meetings

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

	Number of Meetings Attended
Executive Directors	
Tan Suan Fong	3/3
Yong Keong Tuck	3/3
Ho Sin Kheong (Appointed on 5 August 2003)	2/2
Non-Executive Directors	
Tan Mok Koon (Appointed on 17 February 2003)	3/3
Lim Boon Kheng (Appointed on 12 June 2003)	3/3
Yap Yuh Foh (Appointed on 11 April 2003)	3/3
Lim Ee-Jin (Alternate Director of Yap Yuh Foh) (Appointed on 11 April 2003)	1/3
Tan Ming-li (Appointed on 11 September 2003)	2/2
Razman Hafidz Abu Zarim (Appointed on 15 September 2003)	2/2

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.

2. DIRECTORS' REMUNERATION

2.1 Remuneration

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

Statement of corporate governance

Category	Director's Fees (RM)	Sign-On Fees (RM)	Salaries (RM)	Allowances (RM)	EPF (RM)	Total (RM)
Executive Director	-	100,000	630,428	101,343	94,547	926,318
Non-Executive Director	25,535	-	-	-	-	25,535

Directors' remuneration is broadly categorized into the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below 50,000	-	2
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM300,000	1	-
RM300,001 to RM400,000	2	-

2.2 Directors' Interest in Executive Share Options Scheme ("ESOS")

Options granted to Directors to subscribe to shares in the Company are set out in the table below:

	At 1.1.03	Granted During The Year	Exercised During The Year	Lapsed During The Year	At 31.12.03	Exercise Price (RM)	Earliest Date for Exercise	Latest Date for Exercise
Tan Suan Fong	-	500,000	-	-	500,000	0.4563	26.06.04	2.10.08
Yong Keong Tuck	-	150,000	-	-	150,000	0.4563	26.06.04	2.10.08
Ho Sin Kheong	-	2,000,000	-	-	2,000,000	0.3300	20.10.04	2.10.08
Ho Sin Kheong	-	200,000	-	-	200,000	0.4563	26.06.04	2.10.08

3. SHAREHOLDERS

The Group values dialogue with investors as a means of effective communication that enables the Board to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interests. The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. 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 at every AGM.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

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

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In preparing the financial statements, the Directors are required to select appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors are also 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 on pages 24 to 28.

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

Statement of internal control

Introduction

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

Board Responsibility

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing the adequacy and integrity of the internal control system. In this context, the responsibility for reviewing the adequacy and integrity of the internal control system has been delegated to the Audit Committee by the Board.

As there are limitations inherent in any system of internal control, the system of internal control put into effect by Management can only reduce but not eliminate all risks that may impede the achievement of the Group's business objectives. As such, the internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss.

On 2 March 2004, the Group's internal audit function was outsourced to external consultants who shall assist in the review of the adequacy and integrity of the Group's systems of internal control, development of the Group's key risk profile and establishment of a risk management framework.

Risk Management Framework

Key risks relating to the Group's strategic and business plans are reviewed and considered by the Board and Management. The day to day managing of risks relating to each department lies with the respective Heads of Department. During the monthly management meetings, significant risks identified and the corresponding internal controls implemented are communicated to Senior Management.

Management with the assistance of the external consultants will be establishing a more formalised risk management framework to serve as the on-going process used to identify, evaluate and managed significant risks.

Other key elements of internal controls

The other key elements of the Group's internal control systems are:

- (i) Established clear line of reporting and responsibilities;
- (ii) Policies, procedures and standards to regulate operations;
- (iii) Line management preparing monthly management accounts with key performance indicators, which are discussed during the monthly management meetings. The consolidated results are reviewed by the Board of Directors, at least four times a year, on a quarterly basis;
- (iv) Continuous compliance review to existing listing requirements;
- (v) Authorisation limits are set at the appropriate levels for the critical business cycles; and
- (vi) Established system of performance appraisal to constantly monitor and maintain good performance standards from employees.

Audit committee report

Audit Committee Report

The Audit Committee was formed on 2 October 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 reporting practices of the Group and the Company.

Members of the Audit Committee

The Audit Committee consists of:

Name	Designation	Directorship
Razman Hafidz Abu Zarim	Chairman	Non-Executive & Independent
Tan Ming-li	Member	Non-Executive & Independent
Ho Sin Kheong	Member	Executive

Meetings and Attendance

As the Audit Committee was just formed on 2 October 2003, only one (1) Audit Committee meeting was held during the year. All the Audit Committee members attended the meeting.

Terms of Reference

1. Composition

- a. The members of the Audit Committee are appointed by the Board of Directors amongst them and shall consist of no fewer than three (3) members.
- b. A majority of the Audit Committee members including the Chairman shall be Independent Directors as defined in Chapter 1 of the Listing Requirements of the Malaysian Securities Exchange Berhad.
- c. The members of Audit Committee shall elect amongst them an independent director to act as the Chairman of the Audit Committee.
- d. At least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or possess at least three (3) years working experience and has passed the examinations set out in Part I of the First Schedule or a member of one of the associations of accountants set out in Part II of the First Schedule of the Accountants Act 1967 respectively.
- e. No alternate Director(s) shall be appointed to be member(s) of the Audit Committee.
- f. Any vacancy in the Audit Committee, which results in a non-compliance with the listing requirements, shall be filled within a period of three (3) months.

2. Authority

The Audit Committee has been granted authority by the Board of Directors appropriate for them to carry out their duties and responsibilities, including investigation into any matters within their terms of reference. Whenever requested, they have access to internal resources necessary to perform their duties. Where considered necessary, the Audit Committee has the authority to engage external resources, including independent professional and or any other advice, as may be deemed fit at the cost and expense of the Group.

In carrying out their duties and responsibilities, the Audit Committee is granted full and unrestricted access to any information pertaining to the Group and the Company. Direct communication channels are opened for the Audit Committee with the external auditors and or persons carrying out internal audit function or activity. Wherever considered necessary, the Audit Committee is also empowered to convene meetings with the external auditors, with or without the presence of executive directors, as they may consider fit.

3. Meetings

At least four (4) meetings are held in a year. However, meetings are also held as and when required or upon the request of the external auditors to consider any matters that the external auditors believes should be brought to the attention of the Directors and or shareholders.

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

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 meetings as it determines.

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

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

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

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

4. Functions and Responsibilities

The Audit Committee is required to review and report the following to the Board of Directors:

- (i) To review the following:
 - a. The nomination of external auditors;
 - b. The adequacy of existing external audit arrangement, 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 letter sent by the external auditors to the Company and the management's response to such letter;
 - h. Any letter of resignation from the Company's external auditors;
 - i. The assistance given by the Company's officers to the external auditors;
 - j. All areas of significant financial risk and the arrangements in place to contain those risks to acceptable level; and
 - k. All related-party transactions and potential conflict of interests situations.
- (ii) The Audit Committee shall:
 - a. Have explicit authority to investigate any matters within its term of reference;
 - b. Have the resources which it needs to perform its duties;
 - c. Have full access to any information which it requires in the course of performing its duties;
 - d. Have unrestricted access to the Chief Executive Officer and the Chief Financial Officer;
 - e. Have direct communication channels with the external auditors and internal auditors;
 - 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.
- (iii) When 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 MSEB Listing Requirements, the Audit Committee must promptly report such matters to the MSEB.
- (iv) To make recommendations to the Board of Directors to outsource certain of its internal audit function to an independent firm of consultants, if necessary.
- (v) To discuss problems and reservations arising from the interim and final audits, their evaluation of the system of internal controls, and any matters the external auditor may wish to discuss (in the absence of management where necessary).
- (vi) To consider the major findings of internal investigations and management's response during the year with management, external auditors, including the status of previous audit recommendations.
- (vii) To carry out any other function that may be mutually agreed upon by the Committee and the Board.

5. Summary of Activities of the Committee

Due to the short time span from its inception on 2 October 2003 the activities of the committee have been limited to:

- a. Reviewed and recommended to the Board for the approval of the unaudited quarterly reports on the consolidated results of the Group for the financial quarter ended 30 September 2003;
- b. Reviewed changes to the regulatory requirement during the period, in particular the listing requirements and recommendations to the Board, where appropriate, actions that are required towards compliance with the new regulatory requirements;
- c. Reviewed the audit plan which listed out the audit program undertaken by the external auditors.
- d. Reviewed the Audit Fee for the external auditors of the Company and the Group.
- e. Reviewed related party transactions to establish if terms and conditions are on arms length basis and normal commercial terms.
- f. Reviewed the operation of the Executive Share Options Scheme (ESOS) as stated in Section 7.

6. Internal Audit Function

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

Among the responsibilities of the Internal Auditors are:

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

The internal auditors will only commence their duties during the financial year ending 31 December 2004 as the Company was only listed on 17 November 2003 and the internal auditors were appointed on 3 March 2004.

7. Executive Share Options Scheme (ESOS)

Objective

The implementation of the ESOS is to reward and retain executives of the Group who are instrumental to the success and growth of the Group.

Basis of Allocation

Options are allocated to eligible executives, which include executive directors, based on the performance and contribution to the Group, seniority and length of service of the respective executives.

Statement by the Audit Committee

The Committee hereby confirms that the allocation of the options to eligible executives has been verified by the Committee.

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

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EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

CONVERSION TO PUBLIC COMPANY AND CHANGE OF NAME

The Company was converted to a public limited company on 25 April 2003 and was known as eBworx Malaysia Berhad. On 26 June 2003, the Company changed its name from eBworx Malaysia Berhad to its present name.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries are the provision of computer software applications and dealing in computer software and hardware for financial services industry.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year	<u>5,162,321</u>	<u>6,849,886</u>

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend any payment of final dividends in respect of the current financial year.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Suan Fong	
Yong Keong Tuck	
Tan Mok Koon	(Appointed: 17.02.2003)
Yap Yuh Foh	(Appointed: 11.04.2003)
Lim Boon Kheng	(Appointed: 12.06.2003)
Ho Sin Kheong	(Appointed: 05.08.2003)
Tan Ming-li	(Appointed: 11.09.2003)
Razman Hafidz Abu Zarim	(Appointed: 15.09.2003)
Lim Ee-Jin (alternate to Yap Yuh Foh)	(Appointed: 11.04.2003)
Lim Boon Kheng (alternate to Tan Mok Koon)	(Appointed: 11.04.2003; Resigned: 12.06.2003)
Tan Teck Koon	(Resigned: 11.04.2003)

In accordance with Article 127 of the Company's Articles of Association, Yong Keong Tuck retires by rotation and, being eligible, offer himself for re-election.

Yap Yuh Foh, Lim Boon Kheng, Ho Sin Kheong, Tan Ming-li and Razman Hafidz Abu Zarim were appointed to the Board since the last Annual General Meeting, retire under Article 132 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the Executive Share Options Scheme.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors shown in Note 5 to 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 any Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.10 each			At 31.12.03
	At 1.1.03	During the year Addition	Disposal	
Tan Suan Fong	-	24,579,620	-	24,579,620
Yong Keong Tuck	-	3,137,000	-	3,137,000
Ho Sin Kheong	-	1,000,000	-	1,000,000
Tan Mok Koon	-	50,000	-	50,000
Lim Boon Kheng	-	50,000	-	50,000

	Options over ordinary shares of RM0.10 each			At 31.12.03
	At 1.1.03	During the year Addition	Exercised	
Tan Suan Fong	-	500,000	-	500,000
Yong Keong Tuck	-	150,000	-	150,000
Ho Sin Kheong	-	2,200,000	-	2,200,000

By virtue of their interest in shares in the Company, Tan Suan Fong and Yong Keong Tuck are also deemed interested in shares in the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARE CAPITAL AND INITIAL PUBLIC OFFERING

Acquisition of a subsidiary

During the financial year, the Company acquired the entire issued and paid up share capital of Digital Nervous System Sdn. Bhd. ("DNS") for a total consideration of RM10million satisfied by way of issuance of 10million ordinary shares of RM1.00 each at par. Consequently, DNS became a wholly owned subsidiary of the Company.

Restructuring exercise

In conjunction with the listing of the Company's shares in the MESDAQ Market of the Malaysia Securities Exchange Berhad ("MSEB"), the Company implemented the following restructuring exercise:

(a) Authorised share capital

During the financial year, the Company increased its authorised share capital from RM1million to RM100million comprising 100million ordinary shares of RM1.00 each by way of creation of 99million new ordinary shares of RM1.00 each. During the financial year, the Company also sub-divided its authorised share capital of 100million ordinary shares of RM1.00 each into 1billion ordinary shares of RM0.10 each.

ISSUE OF SHARE CAPITAL AND INITIAL PUBLIC OFFERING (CONTD.)

Restructuring exercise (Contd.)

(b) Bonus issue

On 2 October 2003, the Company implemented a bonus issue of 4,685,000 new ordinary shares of RM1.00 each on the basis of 0.43 new ordinary shares of RM1.00 each for every one (1) existing ordinary share held via the capitalisation of RM4,685,000 from the retained profit of the Company.

(c) Share split

On 2 October 2003, the Company sub-divided every existing one (1) ordinary share of RM1.00 par value each into ten (10) new ordinary shares of RM0.10 par value each.

(d) Public Issue

The Initial Public Offering by the Company involved a public issue of 50million new ordinary shares of RM0.10 each at an issue price of RM0.33 per share and was allocated in the following manner:

- (a) 5million new ordinary shares of RM0.10 each for eligible directors and employees of the Group;
- (b) 43million new ordinary shares of RM0.10 each for application by private placement to prospective institutional and individual investors; and
- (c) 2million new ordinary shares of RM0.10 each for application by the Malaysian public, companies, societies, co-operatives and institutions.

All additional new ordinary shares issued during the financial year rank pari-passu with the existing shares of the Company. The entire issued and paid-up share capital of the Company comprising 206,850,000 ordinary shares of RM0.10 each were admitted to the Official List of the MSEC on 17 November 2003. The shares were granted quotation on the MESDAQ Market of MSEC on the same date.

EXECUTIVE SHARE OPTIONS SCHEME

The Executive Share Option Scheme ("ESOS") of the Company is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 2 October 2003.

The salient features of the ESOS are as follows:

- (a) The ESOS shall be in force for a period of five years commencing 2 October 2003 and expiring on 2 October 2008;
- (b) The total number of new ordinary shares to be offered under the ESOS shall not exceed ten (10) per centum of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS;

EXECUTIVE SHARE OPTIONS SCHEME (CONTD.)

- (c) Eligible persons are confirmed executives of the Group (including Executive Directors) and have attained the age of eighteen (18) years;
- (d) The criterion of allotment of new shares is by reference to the category of the eligible executives in consideration with due regard to the performance and contribution to the Group, seniority and length of service of the eligible executives;
- (e) The price at which the grantee is entitled to subscribe for each ordinary share under the ESOS shall be:
- (i) in respect of any offer which is made in conjunction with the listing of the Company on the MESDAQ Market, the issue price; and
- (ii) in respect of any offer which is made subsequent to the listing of the Company on the MESDAQ Market, set at a discount of not more than ten per centum (10%) of the weighted average market price of the ordinary shares of the Company for the five (5) market days immediately preceding the date of the offer, or the par value of such share of the Company, whichever is higher;
- (f) The options granted may be exercised on any working day during the option period as follow:
- (i) in respect of the initial grant, save for the options granted to the Chief Operating Officer of the Company, whose options can only be exercised after the period of two (2) years from the date of the initial grant, an option can only be exercised after the period of one (1) year from the date of the initial grant; and
- (ii) in respect of all other grants of the options, the option can only be exercised after the period of six (6) months from the date of the respective grant;
- (g) The ESOS Committee is appointed by the Board of Directors of the Company to administer the scheme.

The movements in the share options during the financial year are as follows:

Date of Offer	Exercise price per ordinary share RM	Balance At 1.1.03	Granted	During the year Exercised	Lapsed	Balance At 31.12.03
20.10.2003	0.3300	-	4,137,000	-	70,000	4,067,000
26.12.2003	0.4563	-	4,600,000	-	50,000	4,550,000
		-	8,737,000	-	120,000	8,617,000

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) it necessary to write off for any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors

Tan Suan Fong

Ho Sin Kheong

Petaling Jaya, Selangor Darul Ehsan
19 March 2004

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

		Group		Company	
		2003	2002	2003	2002
	Note	RM	RM	RM	RM
Revenue	3	21,880,266	16,448,219	18,886,663	15,977,323
Direct expenses		(11,098,281)	(8,929,387)	(7,945,295)	(8,929,387)
Gross profit		10,781,985	7,518,832	10,941,368	7,047,936
General and administrative expenses		(2,534,636)	(1,439,406)	(2,368,184)	(1,446,606)
Selling and distribution expenses		(1,566,491)	(662,450)	(1,090,576)	(642,644)
Other operating expenses		(1,649,560)	(321,877)	(745,281)	(306,228)
Other operating income		153,921	56,780	135,457	56,780
Profit before taxation	4	5,185,219	5,151,879	6,872,784	4,709,238
Taxation	6	(22,898)	(92,303)	(22,898)	(16,000)
Profit for the year		5,162,321	5,059,576	6,849,886	4,693,238
Earnings per share	7				
- Basic		3.50 sens	97.35 sens		
- Diluted		3.43 sens	-		

The accompanying notes form an integral part of the financial statements.

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2003

	Note	Group		Company	
		2003	2002	2003	2002
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Plant and equipment	8	1,295,859	347,769	1,181,687	347,769
Goodwill on consolidation	9	8,225,222	-	-	-
Investment in subsidiaries	10	-	-	10,000,004	4
		<hr/>	<hr/>	<hr/>	<hr/>
		9,521,081	347,769	11,181,691	347,773
CURRENT ASSETS					
Due from contract customers	11	2,614,379	378,316	1,927,504	378,316
Trade receivables	12	7,453,451	4,845,277	6,713,914	3,961,458
Other receivables	13	#REF!	161,280	467,255	161,280
Due from					
- a related party	14	24,944	10,564	24,944	10,564
- subsidiaries	15	-	-	2,737,924	631,074
- former holding company	16	-	493,440	-	-
Tax recoverable		164,742	-	-	-
Cash and cash equivalents	17	18,510,551	3,230,392	16,862,873	3,230,388
		<hr/>	<hr/>	<hr/>	<hr/>
		29,281,594	9,119,269	28,734,414	8,373,080
CURRENT LIABILITIES					
Due to contract customers	11	521,601	1,435,143	446,918	1,165,791
Trade payables	18	951,345	823,729	951,345	823,729
Other payables	19	1,251,727	1,054,434	1,144,136	1,020,242
Due to a related party	14	18,518	6,690	-	6,690
Tax payable		19,358	92,303	14,000	16,000
		<hr/>	<hr/>	<hr/>	<hr/>
		2,762,549	3,412,299	2,556,399	3,032,452
NET CURRENT ASSETS					
		<hr/>	<hr/>	<hr/>	<hr/>
		26,519,045	5,706,970	26,178,015	5,340,628
		<hr/>	<hr/>	<hr/>	<hr/>
		36,040,126	6,054,739	37,359,706	5,688,401

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2003 (CONTD.)

	Note	Group 2003 RM	2002 RM	Company 2003 RM	2002 RM
Financed by:					
SHARE CAPITAL AND RESERVES					
Share capital	20	20,685,000	1,000,000	20,685,000	1,000,000
Share premium		9,821,419	-	9,821,419	-
Retained profits	22	5,532,060	5,054,739	6,853,287	4,688,401
Exchange reserve	23	1,647	-	-	-
		<u>36,040,126</u>	<u>6,054,739</u>	<u>37,359,706</u>	<u>5,688,401</u>

The accompanying notes form an integral part of the financial statements.

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Share capital RM	Non-distributable Share premium RM	Exchange reserve RM	Distributable Retained profits RM	Total RM
Group:						
At 1 January 2002		2	-	-	(4,837)	(4,835)
Profit for the year		-	-	-	5,059,576	5,059,576
Issuance of shares		999,998	-	-	-	999,998
At 31 December 2002		1,000,000	-	-	5,054,739	6,054,739
Profit for the year		-	-	-	5,162,321	5,162,321
Issuance of shares	20	10,000,000	-	-	-	10,000,000
Bonus issues	20	4,685,000	-	-	(4,685,000)	-
Public issue	20	5,000,000	11,500,000	-	-	16,500,000
Share issue and listing expenses		-	(1,678,581)	-	-	(1,678,581)
Foreign exchange arising from translation of foreign subsidiary	23	-	-	1,647	-	1,647
At 31 December 2003		20,685,000	9,821,419	1,647	5,532,060	36,040,126
Company:						
At 1 January 2002		2	-	-	(4,837)	(4,835)
Profit for the year		-	-	-	4,693,238	4,693,238
Issuance of shares		999,998	-	-	-	999,998
At 31 December 2002		1,000,000	-	-	4,688,401	5,688,401
Profit for the year		-	-	-	6,849,886	6,849,886
Issuance of shares	20	10,000,000	-	-	-	10,000,000
Bonus issues	20	4,685,000	-	-	(4,685,000)	-
Public issue	20	5,000,000	11,500,000	-	-	16,500,000
Share issue and listing expenses		-	(1,678,581)	-	-	(1,678,581)
At 31 December 2003		20,685,000	9,821,419	-	6,853,287	37,359,706

The accompanying notes form an integral part of the financial statements.

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		5,185,219	5,151,879	6,872,784	4,709,238
Adjustments for:					
Amortisation of goodwill		483,837	-	-	-
Depreciation of plant and equipment		433,251	44,803	284,451	44,803
Goodwill written off		-	3,464	-	-
Loss on disposal of plant and equipment		3,033	-	2,290	-
Provision for doubtful debts		274,609	-	-	-
Interest income		(100,033)	(56,780)	(81,569)	(56,780)
Operating profit before working capital changes		6,279,916	5,143,366	7,077,956	4,697,261
Working capital changes:					
Contract customers		(3,149,605)	1,056,828	(2,268,061)	787,475
Receivables		(2,930,593)	(5,005,601)	(3,058,431)	(4,122,738)
Payables		287,506	1,872,192	251,510	1,842,422
Related parties		136,745	(500,605)	(21,070)	(500,602)
Subsidiaries		-	-	(2,106,850)	(137,634)
Net cash generated from / (used in) operations		623,969	2,566,180	(124,946)	2,566,184
Interest income received		100,033	56,780	81,569	56,780
Taxes paid		(95,843)	-	(24,898)	-
Net cash generated from / (used in) operating activities		628,159	2,622,960	(68,275)	2,622,964

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTD.)

	Note	Group 2003 RM	2002 RM	Company 2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries	10	958,789	4	-	(4)
Purchase of plant and equipment		(1,135,958)	(392,572)	(1,128,209)	(392,572)
Proceeds from disposal of plant and equipment		7,750	-	7,550	-
Net cash used in investing activities		(169,419)	(392,568)	(1,120,659)	(392,576)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares	20	16,500,000	999,998	16,500,000	999,998
Listing expenses		(1,678,581)	-	(1,678,581)	-
Net cash generated from financing activities		14,821,419	999,998	14,821,419	999,998
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,280,159	3,230,390	13,632,485	3,230,386
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,230,392	2	3,230,388	2
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	18,510,551	3,230,392	16,862,873	3,230,388

The accompanying notes form an integral part of the financial statements.

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003

1. CORPORATE INFORMATION

The principal activities of the Company and its subsidiaries are the provision of computer software applications and dealing in computer software and hardware for financial services industry. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of the Malaysia Securities Exchange Berhad. The registered office is located at Level 14, Uptown 1, No. 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at 7th Floor, Menara Merais, No.1, Jalan 19/3, 46300 Petaling Jaya, Selangor Darul Ehsan.

The Group and the Company have 188 (2002: 82) and 186 (2002: 82) employees respectively at the end of the financial year.

These financial statements, which are expressed in Ringgit Malaysia, were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 March 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25	Income Taxes
MASB 29	Employee Benefits

The adoption of these standards have not given rise to any adjustments to the opening balances of retained profit of the prior and current year or to changes in comparatives.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

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 in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is amortised on a straight-line basis over its estimated useful life of 15 years.

(d) Investment in Subsidiaries

The Company's investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the expected useful life as follows:

Air-conditioners	20%
Computer equipment and software	33%
Furniture and fittings	20%
Office equipment	20%
Renovation	20%

Upon the disposal of an item of asset, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(f) Construction Contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

(g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(j) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are 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 the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). The Group’s foreign subsidiary make contributions to its respective country’s statutory pension scheme. Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Employee Benefits (Contd.)

(iii) Equity compensation benefits

The Company's Executive Share Options Scheme ("ESOS") allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

Prior to the adoption of MASB 29 Employee Benefits on 1 January 2003, no liability was recognised for the obligations in respect of short-term employee benefits in the form of accumulating compensated absences.

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and services

Revenue from goods sold or services rendered is recognised upon the delivery of goods or performance of services, net of discounts.

Interest income

Interest is recognised on a time proportioned basis that reflects the effective yield on the asset.

Contract Revenue

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2 (f).

(l) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange differences are taken to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Foreign Currencies (Contd.)

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date used are as follows:

Foreign currency	2003 RM	2002 RM
1 United States dollar	3.80	3.80
1 Singapore dollar	2.23	2.18
100 New Taiwan dollars	11.18	-
100 Thai Bahts	9.50	-

(m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(n) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Financial Instruments (Contd.)

(i) Receivables

Receivables are carried at anticipated realisable value. All known bad debts are written off and specific provisions are made for debts that are considered to be doubtful of collection.

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. REVENUE

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Software development	19,213,259	11,462,708	16,219,656	10,991,812
Software and hardware sales	1,298,007	4,684,411	1,298,007	4,684,411
Maintenance and support	1,369,000	301,100	1,369,000	301,100
	<hr/>	<hr/>	<hr/>	<hr/>
	21,880,266	16,448,219	18,886,663	15,977,323
	<hr/>	<hr/>	<hr/>	<hr/>

4. PROFIT BEFORE TAXATION

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
(a) This is arrived at after charging/(crediting):				
Auditors' remuneration				
- statutory audit	27,128	9,860	13,000	5,500
- underprovision in prior year	1,350	-	1,350	-
Amortisation of goodwill	483,837	-	-	-
Depreciation of plant and equipment	433,251	44,803	284,451	44,803
Goodwill written off	-	3,464	-	-
Office rent	279,660	73,853	279,660	73,853
Provision for doubtful debts	274,609	-	-	-
Directors' remunerations				
- fees	25,535	-	25,535	-
- salaries and other emoluments	926,318	563,175	926,318	563,175
Loss on disposal of plant and equipment	3,033	-	2,290	-
(Gain)/loss on foreign exchange				
- realised	(3,488)	6,415	(3,488)	6,415
- unrealised	(50,400)	(226)	(50,400)	(226)
Interest income	(100,033)	(56,780)	(81,569)	(56,780)
	9,483,278	4,482,652	9,198,426	4,482,652
(b) Employee information (including directors' remuneration)				
Staff costs				
- Salaries and wages	7,804,935	3,060,693	7,592,525	3,060,693
- Employees Provident Fund	804,700	347,227	782,324	347,227
- Social security contribution	40,673	20,733	40,673	20,733
- Other staff related expenses	832,970	1,053,999	782,904	1,053,999
	9,483,278	4,482,652	9,198,426	4,482,652

5. DIRECTORS' REMUNERATION

Directors of the Company

Executive:

- Salaries and other emoluments	926,318	405,175	926,318	405,175
- Bonus	-	158,000	-	158,000
	926,318	563,175	926,318	563,175

Non-executive:

- Fees	25,535	-	25,535	-
	951,853	563,175	951,853	563,175

5. DIRECTORS' REMUNERATION (CONTD.)

The number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2003	2002
Executive directors:		
RM100,001 to RM200,000	-	1
RM200,001 to RM300,000	1	1
RM300,001 to RM400,000	2	-
Non-executive directors:		
Below RM50,000	2	-
	<hr/>	<hr/>

6. TAXATION

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Tax expense for the year:				
Malaysian income tax:				
Current year	23,000	92,303	23,000	16,000
Underprovision in prior years	(102)	-	(102)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	22,898	92,303	22,898	16,000

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2002: 28%) of the estimated assessable profit for the period. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdictions.

6. TAXATION (CONTD.)

The Company was awarded pioneer status, which among others, exempts the Company from tax for a period of 5 years, commencing on 18 March 2002, under Section 14A of the Promotion of Investment Act, 1980. The taxation for the current financial year is in respect of interest income.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Profit before taxation	5,185,219	5,151,879	6,872,784	4,709,238
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	1,451,861	1,442,526	1,924,379	1,318,587
Effect of different tax rate in foreign countries	40,269	(27,497)	-	-
Income not subject to tax	(1,796,302)	(1,313,142)	(1,796,302)	(1,287,962)
Expenses not deductible for tax purposes	455,903	39,702	22,842	34,661
Effects of temporary differences originating and reversing during the pioneer period	(127,919)	(49,286)	(127,919)	(49,286)
Effect of pre-acquisition losses	(290,453)	-	-	-
Deferred tax assets not recognised	324,056	-	-	-
Utilisation of previously unrecognised deferred tax assets	(34,415)	-	-	-
Overprovision of income tax expense in prior years	(102)	-	(102)	-
Tax expense for the year	22,898	92,303	22,898	16,000
Tax savings arising from utilisation of:				
- brought forward unabsorbed capital allowances	34,415	-	-	-
Components of deferred tax not recognised:				
- Unutilised tax losses	1,941,781	-	-	-
- Unabsorbed capital allowances	262,368	-	-	-
- Accelerated capital allowances claimed	(632,875)	(176,022)	(632,875)	(176,022)
	1,571,274	(176,022)	(632,875)	(176,022)
Potential deferred tax assets / (liabilities)	439,957	(49,286)	(177,205)	(49,286)

7. EARNINGS PER SHARE

	Group	
	2003	2002
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RM)	<u>5,162,321</u>	<u>5,059,576</u>
Number of shares		
Weighted average number of ordinary shares in issue for basic earnings per share	147,397,945	5,197,330
Effect of dilutive potential ordinary shares on conversion of options under ESOS	2,890,637	-
Weighted average number of ordinary shares in issue for diluted earnings per share	<u>150,288,582</u>	<u>5,197,330</u>
Earnings per share		
- Basic (sens)	3.50	97.35
- Diluted (sens)	<u>3.43</u>	<u>-</u>

The comparative basic earnings per share has been restated to take into account the effect of the enlarged share capital after the issuance of bonus shares as disclosed in Note 20 to the financial statements.

8. PLANT AND EQUIPMENT

Group	Air- conditioners RM	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Total RM
Cost						
At 1 January 2003	16,560	262,440	76,563	12,903	24,106	392,572
Arising from acquisition of subsidiary	23,530	765,335	25,134	42,203	-	856,202
Additions	-	994,493	31,846	42,701	66,918	1,135,958
Disposal	-	(22,580)	(3,000)	(1,595)	-	(27,175)
At 31 December 2003	40,090	1,999,688	130,543	96,212	91,024	2,357,557
Accumulated Depreciation						
At 1 January 2003	1,011	37,747	3,837	1,003	1,205	44,803
Arising from acquisition of subsidiary	14,814	547,446	16,726	21,050	-	600,036
Charge for the year	6,419	380,789	19,533	15,412	11,098	433,251
Disposal	-	(14,122)	(2,057)	(213)	-	(16,392)
At 31 December 2003	22,244	951,860	38,039	37,252	12,303	1,061,698
Net Book Value						
At 31 December 2003	17,846	1,047,828	92,504	58,960	78,721	1,295,859
At 31 December 2002	15,549	224,693	72,726	11,900	22,901	347,769
Depreciation charge for 2002	1,011	37,747	3,837	1,003	1,205	44,803

8. PLANT AND EQUIPMENT (CONTD.)

Company	Air- conditioners RM	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Total RM
Cost						
At 1 January 2003	16,560	262,440	76,563	12,903	24,106	392,572
Additions	-	989,179	31,846	40,266	66,918	1,128,209
Disposal	-	(14,500)	-	(1,595)	-	(16,095)
At 31 December 2003	16,560	1,237,119	108,409	51,574	91,024	1,504,686
Accumulated Depreciation						
At 1 January 2003	1,011	37,747	3,837	1,003	1,205	44,803
Charge for the period	3,312	245,607	16,300	8,134	11,098	284,451
Disposal	-	(6,042)	-	(213)	-	(6,255)
At 31 December 2003	4,323	277,312	20,137	8,924	12,303	322,999
Net Book Value						
At 31 December 2003	12,237	959,807	88,272	42,650	78,721	1,181,687
At 31 December 2002	15,549	224,693	72,726	11,900	22,901	347,769
Depreciation charge for 2002	1,011	37,747	3,837	1,003	1,205	44,803

9. GOODWILL ON CONSOLIDATION

	Group	
	2003	2002
	RM	RM
At cost:		
Arising from acquisition of subsidiary	8,709,059	3,464
Less: Written off during the year	-	(3,464)
Less: Amortisation for the year	(483,837)	-
	8,225,222	-

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2003	2002
	RM	RM
At cost:		
Unquoted shares	10,000,004	4

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Percentage of Equity Held	
			2003	2002
eBworx International Pte. Ltd.*	Singapore	Provision of computer software applications and dealing in computer software and hardware for financial services industry	100%	100%
Digital Nervous System Sdn. Bhd.	Malaysia	Provision of computer software applications and dealing in computer software and hardware for financial services industry	100%	-

* Audited by member firm of Ernst & Young Global

10. INVESTMENT IN SUBSIDIARIES (CONTD.)

During the year, the Company acquired the entire equity interest in Digital Nervous System Sdn. Bhd. for a total consideration of RM10,000,000 by way of issuance of 10,000,000 new ordinary shares of RM1 each of the Company at par.

The effect of the acquisition on the financial results of the Group from the date of acquisition to 31 December 2003 is as follows:

	RM
Revenue	-
Operating costs	<u>(528,941)</u>
Loss for the year	<u>(528,941)</u>

The effect of the acquisition on the financial position of the Group as at 31 December 2003 is as follows:

	RM
Plant and equipment	107,645
Other receivables	4,200
Tax recoverable	164,742
Cash and bank balances	504,462
Trade and other payables	<u>19,050</u>
	<u>800,099</u>

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary is as follows:

	RM
Net assets acquired:	
Property, plant and equipment	256,166
Other receivables	29,828
Amount due from related party	413,906
Tax recoverable	164,742
Cash and bank balances	958,789
Trade and other payables	(39,050)
Amount due to holding company	<u>(493,440)</u>
Fair value of total net assets	1,290,941
Goodwill on acquisition	<u>8,709,059</u>
Total consideration	<u>10,000,000</u>
Satisfied by:	
Shares issued	<u>10,000,000</u>
Net cash inflow arising from acquisition:	
Cash and cash equivalents of a subsidiary acquired	<u>958,789</u>

11. DUE FROM/(TO) CONTRACT CUSTOMERS

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Project expenditure incurred	11,716,464	5,087,885	7,901,753	4,970,056
Add: Proportion of profit accrued on work-in-progress	16,981,113	7,914,287	16,671,112	7,443,391
	28,697,577	13,002,172	24,572,865	12,413,447
Less: Provision for foreseeable losses	-	(11,340)	-	(11,340)
Progress billings received and receivable	(26,604,799)	(14,047,659)	(23,092,279)	(13,189,582)
	2,092,778	(1,056,827)	1,480,586	(787,475)
Represented by:				
Due from contract customers	2,614,379	378,316	1,927,504	378,316
Due to contract customers	(521,601)	(1,435,143)	(446,918)	(1,165,791)
	2,092,778	(1,056,827)	1,480,586	(787,475)

12. TRADE RECEIVABLES

The Group's normal trade credit term ranges from 30 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

As at the balance sheet date, the Group and the Company have no significant concentration of credit risk except for trade debts due from four customers which represent approximately 72% and 80% of the Group's and of the Company's trade debts respectively. Subsequent to balance sheet date, the Group and the Company collected approximately 11% of the debts due from the said debtors.

13. OTHER RECEIVABLES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Deposits	229,699	71,533	208,651	71,533
Prepayments	32,966	88,724	7,742	88,724
Other debtors	250,862	1,023	250,862	1,023
	513,527	161,280	467,255	161,280

The Group and the Company have no significant concentration of credit risk that may arise from the exposures to a single debtor or to group of debtors.

14. DUE FROM / (TO) RELATED PARTIES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Due from a substantial corporate shareholder	24,944	10,564	24,944	10,564
Due from a related party	274,609	-	-	-
Less: Provision for doubtful debts	(274,609)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	24,944	10,564	24,944	10,564
	<hr/>	<hr/>	<hr/>	<hr/>
Due to a related party	18,518	6,690	-	6,690

The substantial corporate shareholder is CSE-Infotech Limited (formerly known as eBworx Limited) whose holding company is CSE Global Limited (formerly known as CSE Systems & Engineering Ltd.), both of which are incorporated in the Republic of Singapore.

Related parties in the financial statements refer to CSE Global Limited (formerly known as CSE Systems & Engineering Ltd.) and its related corporations.

The amounts due from / (to) related parties are unsecured, interest-free and have no fixed terms of repayment. These balances arose mainly from trade transactions.

15. DUE FROM SUBSIDIARIES

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

16. DUE FROM FORMER HOLDING COMPANY

In the previous financial year, the Company was a wholly-owned subsidiary of Digital Nervous System Sdn. Bhd. ("DNS"). During the current financial year, DNS had disposed off all its equity interests in the Company resulting in the Company ceasing to become a subsidiary of DNS.

Subsequent to the aforementioned event, the Company acquired the entire issued and paid up share capital of DNS for a total consideration of RM10million satisfied by way of issuance of 10million ordinary shares of RM1.00 each at par. Consequently, DNS became a wholly-owned subsidiary of the Company.

The amount due from DNS in the previous financial year was unsecured, interest-free and had no fixed term of repayment.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Cash on hand and at banks	1,813,051	450,965	642,873	450,961
Deposits with licensed banks	16,697,500	2,779,427	16,220,000	2,779,427
	<hr/>			
	18,510,551	3,230,392	16,862,873	3,230,388

The weighted average effective interest rates of deposits at the balance sheet date are as follows:

	Group		Company	
	2003	2002	2003	2002
	%	%	%	%
Licensed banks	2.10	2.65	2.10	2.65

The average maturities of deposits as at the end of the financial year are as follows:

	Group		Company	
	2003	2002	2003	2002
	Days	Days	Days	Days
Licensed banks	18	25	18	25

18. TRADE PAYABLES

The trade credit terms granted to the Group and to the Company vary between 30 and 60 days although in practice it is customary for certain suppliers to extend credit terms to exceed 60 days but generally not more than 12 months.

19. OTHER PAYABLES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Accruals	1,210,142	1,052,010	1,118,601	1,019,726
Amount due to Directors	25,535	-	25,535	-
Other creditors	16,050	2,424	-	516
	<hr/>			
	1,251,727	1,054,434	1,144,136	1,020,242

20. SHARE CAPITAL

	Group / Company			
	Number of shares		Amount	
	2003	2002	2003 RM	2002 RM
Authorised:				
Ordinary shares of RM1.00 each:				
At 1 January	1,000,000	100,000	1,000,000	100,000
Created during the year	99,000,000	900,000	99,000,000	900,000
	100,000,000	1,000,000	100,000,000	1,000,000
Subdivided into ordinary shares at RM0.10 per share	900,000,000	-	-	-
At 31 December	1,000,000,000	1,000,000	100,000,000	1,000,000
Issued and fully paid:				
At 1 January	1,000,000	2	1,000,000	2
Issued and paid up during the year	19,685,000	999,998	19,685,000	999,998
	20,685,000	1,000,000	20,685,000	1,000,000
Subdivided into ordinary shares at RM0.10 per share	186,165,000	-	-	-
At 31 December	206,850,000	1,000,000	20,685,000	1,000,000

Acquisition of a subsidiary

During the financial year, the Company acquired the entire issued and paid up share capital of Digital Nervous System Sdn. Bhd. ("DNS") for a total consideration of RM10million satisfied by way of issuance of 10million ordinary shares of RM1.00 each at par. Consequently, DNS became a wholly owned subsidiary of the Company.

Restructuring exercise

In conjunction with the listing of the Company's shares in the MESDAQ Market of the Malaysia Securities Exchange Berhad ("MSEB"), the Company implemented the following restructuring exercise:

(a) Authorised share capital

During the financial year, the Company increased its authorised share capital from RM1million to RM100million comprising 100million ordinary shares of RM1.00 each by way of creation of 99million new ordinary shares of RM1.00 each. During the financial year, the Company also subdivided its authorised share capital of 100million ordinary shares of RM1.00 each into 1billion ordinary shares of RM0.10 each.

20. SHARE CAPITAL (CONTD.)

Restructuring exercise (contd.)

(b) Bonus issue

On 2 October 2003, the Company implemented a bonus issue of 4,685,000 new ordinary shares of RM1.00 each on the basis of 0.43 new ordinary shares of RM1.00 each for every one (1) existing ordinary share held via the capitalisation of RM4,685,000 from the retained profit of the Company.

(c) Share split

On 2 October 2003, the Company sub-divided every existing one (1) ordinary share of RM1.00 par value each into ten (10) new ordinary shares of RM0.10 par value each.

(d) Public Issue

The Initial Public Offering by the Company involved a public issue of 50million new ordinary shares of RM0.10 each at an issue price of RM0.33 per share and was allocated in the following manner:

- (a) 5million new ordinary shares of RM0.10 each for eligible directors and employees of the Group;
- (b) 43million new ordinary shares of RM0.10 each for application by private placement to prospective institutional and individual investors; and
- (c) 2million new ordinary shares of RM0.10 each for application by the Malaysian public, companies, societies, co-operatives and institutions.

All additional new ordinary shares issued during the financial year rank pari-passu with the existing shares of the Company. The entire issued and paid-up share capital of the Company comprising 206,850,000 ordinary shares of RM0.10 each were admitted to the Official List of the MSEC on 17 November 2003. The shares were granted quotation on the MESDAQ Market of MSEC on the same date.

21. EXECUTIVE SHARE OPTIONS SCHEME

The Executive Share Option Scheme ("ESOS") of the Company is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 2 October 2003.

The salient features of the ESOS are as follows:

- (a) The ESOS shall be in force for a period of five years commencing 2 October 2003 and expiring on 2 October 2008;
- (b) The total number of new ordinary shares to be offered under the ESOS shall not exceed ten (10) per centum of the issued and paid-up share capital of the Company at any point in time during the existence of the ESOS;
- (c) Eligible persons are confirmed executives of the Group (including Executive Directors) and have attained the age of eighteen (18) years;

21. EXECUTIVE SHARE OPTIONS SCHEME (CONTD.)

- (d) The criterion of allotment of new shares is by reference to the category of the eligible executives in consideration with due regard to the performance and contribution to the Group, seniority and length of service of the eligible executives;
- (e) The price at which the grantee is entitled to subscribe for each ordinary share under the ESOS shall be:
- (i) in respect of any offer which is made in conjunction with the listing of the Company on the MESDAQ Market, the issue price; and
 - (ii) in respect of any offer which is made subsequent to the listing of the Company on the MESDAQ Market, set at a discount of not more than ten per centum (10%) of the weighted average market price of the ordinary shares of the Company for the five (5) market days immediately preceding the date of the offer, or the par value of such share of the Company, whichever is higher;
- (f) The options granted may be exercised on any working day during the option period as follow:
- (i) in respect of the initial grant, save for the options granted to the Chief Operating Officer of the Company, whose options can only be exercised after the period of two (2) years from the date of the initial grant, an option can only be exercised after the period of one (1) year from the date of the initial grant; and
 - (ii) in respect of all other grants of the options, the option can only be exercised after the period of six (6) months from the date of the respective grant;
- (g) The ESOS Committee is appointed by the Board of Directors of the Company to administer the scheme.

The movements in the share options during the financial year are as follows:

Date of Offer	Exercise price per ordinary share RM	Balance	Granted	During the year		Balance
		At 1.1.03		Exercised	Lapsed	At 31.12.03
20.10.2003	0.3300	-	4,137,000	-	70,000	4,067,000
26.12.2003	0.4563	-	4,600,000	-	50,000	4,550,000
		-	8,737,000	-	120,000	8,617,000

22. RETAINED PROFIT

Based on estimated tax-exempt account balance available as at balance sheet date, the Company is able to distribute tax-exempt dividends from the entire retained profit without having to incur additional tax liability.

23. EXCHANGE RESERVES

	Group	
	2003	2002
	RM	RM
The movement in the foreign exchange reserves are as follows:		
Balance at 1 January	-	-
Arising in the year	1,647	-
Balance at 31 December	<u>1,647</u>	<u>-</u>

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of a foreign subsidiary.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2003	2002
	RM	RM
Consideration payable on Outsourcing Agreement with subsidiary, Digital Nervous System Sdn. Bhd.	<u>20,000</u>	<u>100,000</u>

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

25. SEGMENT INFORMATION

No segment information as the Group operates predominantly in one business segment and the contributions by its foreign subsidiary is not significant.

26. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

26. FINANCIAL INSTRUMENTS (CONTD.)

(b) Interest Rate Risk

The Group had no material interest rate risk and substantial long term interest-bearing assets and liabilities as at 31 December 2003.

The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits. The deposits placements at balance sheet date are short term and therefore its exposure to the effects of future changes in the prevailing level of interests is limited.

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Singapore Dollar, Thailand Baht and New Taiwan Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are monitored.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional currency of Group companies	Singapore Dollar RM	New Taiwan Dollar RM	United States Dollar RM	Thailand Baht RM	Total RM
At 31 December 2003:					
Trade receivables	-	-	2,560,896	82,275	2,643,171
Other receivables	-	12,377	3,069	-	15,446
Cash and bank balances	-	255,139	-	-	255,139
Trade payables	-	-	858,040	-	858,040
At 31 December 2002:					
Trade receivables	-	-	529,150	-	529,150
Other receivables	-	11,061	-	-	11,061
Trade payables	65,409	-	171,570	-	236,979

(d) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

26. FINANCIAL INSTRUMENTS (CONTD.)

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis.

(f) Fair Values

The carrying amounts of trade and other receivables, tax recoverable, amount due from/to contract customers, trade and other payables and cash and cash equivalents approximate their fair values due to their short-term nature.

It is not practical to estimate the fair values of amounts due to/from subsidiaries, related companies and a substantial corporate shareholder and its holding company due principally to a lack of fixed repayment term entered by the parties involved without incurring excessive costs.

27. COMPARATIVE FIGURES

The presentation and classification of items in the current financial period financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of the acquisition of the entire equity interest in Digital Nervous System Sdn. Bhd. ("DNS"). Following this, DNS became a subsidiary of the Company.

The following balance sheet comparative figures have been reclassified to conform with current financial year's presentation:

Company

	As Restated	Reclassification	As Previously
	RM	RM	Reported
			RM
Staff costs	4,482,652	1,994	4,480,658
Amounts due from:			
- penultimate holding company	-	(10,564)	10,564
- a substantial corporate shareholder	10,564	-	-
- immediate holding company	-	(482,876)	493,440
- subsidiaries	631,074	493,440	137,634

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, **Tan Suan Fong** and **Ho Sin Kheong**, being two of the Directors of **eBworx Berhad** (formerly known as eBworx Malaysia Berhad), do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 8 to 37 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2003 and of the results and the cash flows of the Group and the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

Tan Suan Fong

Ho Sin Kheong

Petaling Jaya, Selangor Darul Ehsan
19 March 2004

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

I, **Ng Lee Kuan**, being the officer primarily responsible for the financial management of **eBworx Berhad** (formerly known as eBworx Malaysia Berhad), do solemnly and sincerely declare that the financial statements set out on pages 8 to 37 are in my opinion 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 Ng Lee Kuan at
Petaling Jaya in the State of Selangor
Darul Ehsan on

Ng Lee Kuan

Before me,

**REPORT OF THE AUDITORS TO THE MEMBERS OF
EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)**

We have audited the accompanying financial statements set out on pages 8 to 37. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been 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 financial position of the Group and the Company as at 31 December 2003 and of the results and the cash flows of the Group and the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
EBWORX BERHAD (CONTD.)**

(Formerly known as eBworx Malaysia Berhad)

(Incorporated in Malaysia)

We have considered the financial statements and the auditors' report thereon of the subsidiaries of which we have acted as auditors, as indicated Note 10 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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 auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

19 March 2004

See Huey Beng

No. 1495/03/05 (J)

Partner

Analysis of shareholdings

AS AT 19 MARCH 2004

A. Share Capital

Authorised Share Capital	: RM100,000,000 (1,000,000,000 ordinary shares of RM0.10 each)
Issued and Paid-Up Share Capital	: RM20,685,000 (206,850,000 ordinary shares of RM0.10 each)
Voting Right	: One vote for each ordinary share held

B. Distribution of shareholders

Size of Holdings	No. of Holders	No. of Shares	% of Shareholdings
1 to 199	6	550	0.00
200 - 999	15	8,100	0.00
1,000 - 4,999	772	1,640,050	0.79
5,000 - 10,000	590	4,391,700	2.12
10,001 - 100,000	412	14,421,100	6.97
100,001 - 1,000,000	41	11,948,500	5.78
Above 1,000,000	17	174,440,000	84.33
	1,853	206,850,000	100.00

C. Substantial Shareholders

(Pursuant to Section 69E of the Companies Act, 1965)

Name of Shareholders	No. of Shares	% of Shareholdings
CSE-Infotech Limited	59,789,000	28.90
Tan Suan Fong	24,579,620	11.88
OSK Venture Equities Sdn Bhd	20,345,000	9.84
Yee Kok Ang	14,374,690	6.95
Chin Chee Kin	13,590,440	6.57

D. Directors' Shareholding

Name of Director	No. of Shares	% of Shareholdings
Tan Suan Fong	24,579,620	11.88
Yong Keong Tuck, Alan	3,037,000	1.47
Ho Sin Kheong	1,000,000	0.48
Tan Mok Koon	50,000	0.02
Lim Boon Kheng	50,000	0.02

Analysis of shareholdings

E. Thirty Largest Shareholders

No.	Name of Shareholders	No. of Shares	% of Shareholdings
1	CSE-Infotech Limited	59,789,000	28.90
2	Tan Suan Fong	24,579,620	11.88
3	OSK Venture Equities Sdn Bhd	20,345,000	9.84
4	Yee Kok Ang	14,374,690	6.95
5	Chin Chee Kin	13,590,440	6.57
6	Kelvin Low Meng Poh	8,280,000	4.00
7	Mah Keng Hock @ Mah King Hock	5,550,000	2.68
8	BHLB Trustee Berhad TA Small Cap Fund	4,763,500	2.30
9	OSK Nominees (Tempatan) Sdn Bhd Tan Kim San @ Tan Kim Sun	4,582,500	2.22
10	Tan Teck Koon	4,439,750	2.15
11	Yong Keong Tuck	3,037,000	1.47
12	Chia Hong Chang	2,679,000	1.30
13	BHLB Trustee Berhad TA Comet Fund	2,174,500	1.05
14	Lau Wai Fong	1,960,000	0.95
15	Ng Yook Thong	1,570,000	0.76
16	Lee Eng Sia	1,550,000	0.75
17	Gunawan Lucas	1,175,000	0.57
18	Ho Sin Kheong	1,000,000	0.48
19	Lum Chee Onn	1,000,000	0.48
20	OSK Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Thian Yew	877,000	0.42
21	Lim Su Tong @ Lim Chee Tong	805,000	0.39
22	HDM Nominees (Tempatan) Sdn Bhd UOB Kay Hian Pte Ltd for Teh Kee Hong	600,000	0.29
23	Cheong Pang Kwan	500,000	0.24
24	Rosni Binti Othman	495,000	0.24
25	Lim Hong Liang	489,000	0.24
26	Loh Siew Hooi	400,000	0.19
27	Norlaili Binti Abd Latiff	300,000	0.15
28	Mr. Niasinn Lamsam	300,000	0.15
29	B-OK Sdn Bhd	300,000	0.15
30	BHLB Trustee Berhad TA Growth Fund	250,000	0.12
Total		181,756,000	87.87

EBWORX BERHAD
(Formerly known as eBworx Malaysia Berhad)
(Incorporated in Malaysia)

PROXY FORM

Number of shares held	
-----------------------	--

I/We _____ NRIC No. _____
(PLEASE USE BLOCK CAPITAL)

of _____
(FULL ADDRESS)

a member/members of **EBWORX BERHAD (FORMERLY KNOWN AS EBWORX MALAYSIA BERHAD)** hereby appoint* the Chairman of the Meeting or _____ of _____

or failing him _____ of _____

as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf, at the Third Annual General Meeting of the Company to be held at Kelab Golf Negara Subang, SS 7/2 Kelana Jaya, 46710 Petaling Jaya, Selangor Darul Ehsan, Malaysia

on **Tuesday, 1 June 2004 at 11.00 a.m.**

and at any adjournment thereof, to vote as indicated below :-

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business		
1.	Receive the Audited Financial Statements, Report of the Directors and Report of the Auditors thereon		
2.	Re-election of Mr. Yong Keong Tuck as Director.		
	Election of the following Directors:		
3.	(i) Encik Razman Hafidz Abu Zarim		
4.	(ii) Mr. Yap Yuh Foh		
5.	(iii) Mr. Lim Boon Kheng		
6.	(iv) Mr. Ho Sin Kheong		
7.	(v) Ms. Tan Ming-li		
8.	Approval of Directors' Fees.		
9.	Re-appointment of Messrs Ernst & Young as Auditors.		
	Special Business		
10.	Issue of shares pursuant to Section 132D of the Companies Act, 1965.		

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

Dated this _____ day of _____ 2004

Signature of Shareholder(s) or Common Seal

NOTES:-

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may, but need not be a member of the Company.
- (ii) The instrument appointing a proxy shall be in writing, signed by the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (iii) Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (iv) The instrument appointing a proxy shall be deposited at the registered office at Level 14, Uptown 1, No. 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Fold Here

**Place
Stamp
Here**

**COMPANY SECRETARY
EBWORX BERHAD (521609-T)
Level 14, Uptown 1
No. 1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan**

Fold Here

eBworx Berhad 521609-T
7th & 8th Floor, Menara Merais,
No. 1, Jalan 19/3, 46300 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
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