



eBworx Berhad (521609-T)

Annual Report 2005



eBworx Berhad
(521609-T)

7th Floor, Menara Merais
No. 1, Jalan 19/3, 46300 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Nakhoda 2 & 3, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 24 April 2006 at 10.00 a.m. to transact the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect the following Directors who retire pursuant to Article 127 of the Company's Articles of Association:-
 - (i) Mr. Yap Yuh Foh **(Resolution 2)**
 - (ii) Mr. Ho Sin Kheong **(Resolution 3)**
3. To approve Directors' Fees for the financial year ended 31 December 2005. **(Resolution 4)**
4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

Special Business

5. 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 Bursa Malaysia Securities 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 6)**

By Order of the Board

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

Petaling Jaya
3 April 2006

NOTES:-

1. Notes on Appointment of Proxy

- (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.

2. Explanatory Notes on Special Business

The Ordinary Resolution proposed under Resolution 6, 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 fifth annual general meeting

(1) Venue, Date and Time of the Fifth Annual General Meeting

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

Place : Nakhoda 2 & 3, Level 3
Hotel Armada Petaling Jaya,
Lorong Utara C, Section 52
46200 Petaling Jaya
Selangor Darul Ehsan

Date & Time : 24 April 2006 at 10.00 a.m.

(2) Directors Standing for Re-election

The name of Directors who are standing for re-election pursuant to Article 127 of the Company's Articles of Association:-

- (i) Mr. Yap Yuh Foh
- (ii) Mr. Ho Sin Kheong

(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 directors' profile and statement of corporate governance in this Annual Report.

BOARD OF DIRECTORS

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

Tan Suan Fong
Chief Executive Officer

Ho Sin Kheong
Non-Independent and Non-Executive Director

Tan Mok Koon
Non-Independent and Non-Executive Director

Lim Boon Kheng
Alternate Director to Tan Mok Koon

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

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

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

REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Adbullah
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) 7495 8000
Fax. No.: (603) 2095 5332

PRINCIPAL BANKER

RHB Bank Berhad
Section 14 Branch
No.1 Jalan 14/20
46100 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: (603) 7957 4088
Fax. No.: (603) 7955 6219

STOCK EXCHANGE LISTING

MESDAQ Market of Bursa Malaysia Securities Berhad

SPONSOR

OSK Securities Berhad
19th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel. No.: (603) 2162 4388
Fax. No.: (603) 2175 3217

company overview

eBworx is a leading international consulting and technology solutions firm specializing in the financial services industry. Banks are the center of our business and we deliver innovative and high-performance solution to our clients, supporting them in their business objectives. The turn of the century has seen our clients faced with new challenges in risk management, BASEL II compliancy, merger and acquisition, changing technology environment and at the heart of it, the drive to achieve increased customer centricity.

We begin by understanding our client's requirements. We couple our solution consulting with leading practices. And most of all, we help our clients leverage on technology as an enabler, delivering solutions which propel them to the next stage.

eBworx Berhad was incorporated 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 & operations
- To better manage lending practices & to move towards Basel II compliance

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

The eBworx Group is a regional financial solutions specialist, providing a wide array of innovative digital commerce solutions to the financial services industry. The company has an impressive list of blue-chip clients which include United Overseas Bank (Malaysia) Berhad, Oversea-Chinese Banking Corporation Limited, ING Insurance Berhad, PT Bank Central Asia, PT Bank Danamon, RHB Bank Berhad, AmBank Berhad, Kasikornbank PCL, Hua Xia Bank, Equitable PCI Bank and so on.

With our vast experiences in many project implementations, supported by our domain expertise in financial services industry, eBworx is able to differentiate itself from a pure software company into a full service solutions firm. We are able to bring about solutions which will address the banks' business needs whilst providing banks with consulting services in our areas of expertise.

eBworx was granted MSC status on 11 February 2002 by the Government of Malaysia.

In November 2004, eBworx and SpringTrax Sdn Bhd set up a 50:50 joint venture SpringWorx Technovations Sdn Bhd ("SpringWorx"). SpringWorx was set up to undertake the research, development, and commercialization of banking and finance software solutions for the banking and financial services industry.

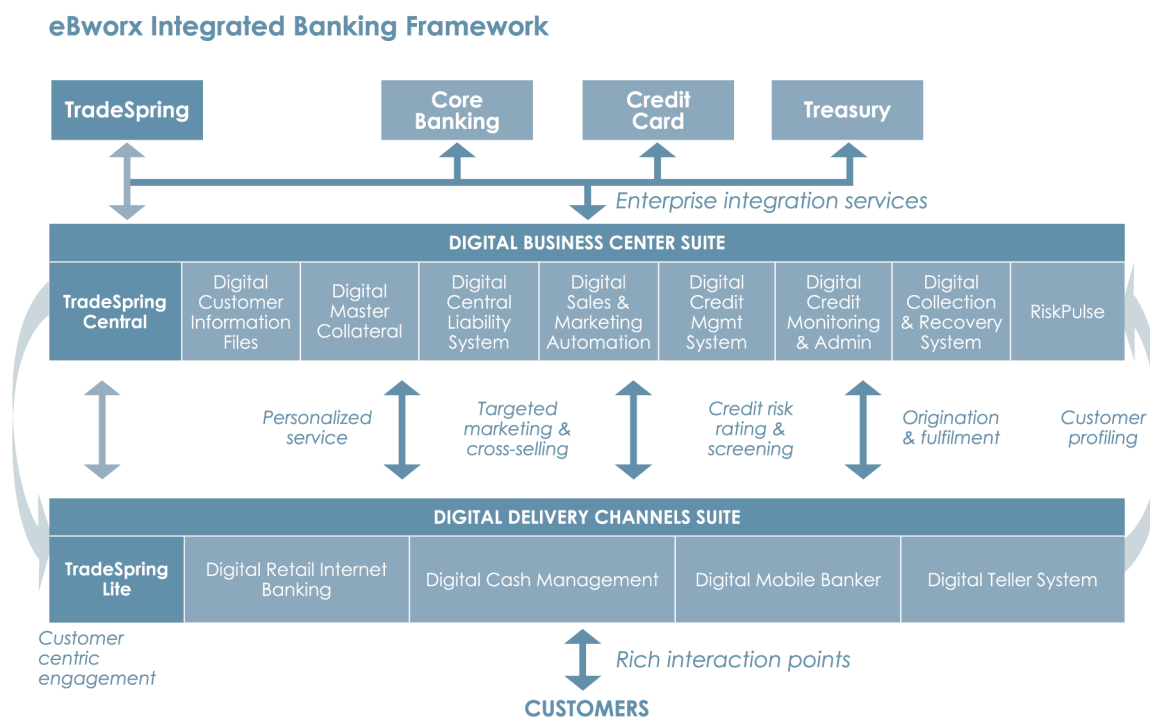
eBworx is focused in providing solutions in the financial services sector and its integrated suite of credit management solution (Loans Origination, Monitoring and Administration, Collection & Recovery, Centralised Collateral and Risk Management) and delivery channel solutions (Cash Management, Internet Banking, Branch Delivery) provides best of breed solutions to banks in the region.

eBworx has customers in Singapore, Hong Kong, China, Indonesia, Philippines and Thailand where we provide similar software and services for financial institutions in these countries.

eBworx offshore development centre is based in Chengdu, China where we focus on research and development for strategic applications.

eBworx numerous implementation experiences and interactions with its banking clients have given the company much exposure and insight into the banking industry practices. As such, eBworx has in-depth domain expertise and competitive edge in the design of innovative solutions and implementation processes.

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



Digital Business Center Suite

Today, Basel II is on the tip of every financier's tongue. Our suite of credit management solution under our Digital Business Center suite is a key driver and forms the building blocks for banks to be Basel II ready. The financial industry today not only has to deal with increased competition for customer relationship, it also has to meet the expectations to continue driving sales opportunities to increase profitability and minimize risk in the marketplace. Our solution provides the combination of business and technology to overcome these complex business challenges to help banks achieve operational excellence, reduce credit and operational risk and manage their customer relationships and loyalty. We have designed the solution to facilitate the operational risks associated with credit processing namely misinformation, miscalculation and misapplication of credit policies and procedures.

(a) Digital Customer Information Files (DCIF)

By understanding their customers well enough to provide personalized services, banks can succeed at customer management by using tools and solutions which can help provide such information leveraging on the bank's info-structure. With DCIF, our clients are equipped with the tools and information needed to serve customers across all channels by providing access to all relevant customer details to facilitate account overview and sales planning.

(b) Digital Master Collateral (DMCOL)

DMCOL is a centralized collateral management system which acts as a centralised collateral control, storage and management solution. DMCOL provides a single, integrated environment allowing banks to consolidate the collateral information via a centralized collateral data repository.

(c) Digital Central Liability System (DCLS)

DCLS brings about proactive risk control capabilities for banks today to govern its credit exposure based on its customer's portfolio. This centralized credit information enables the bank to manage its obligor exposure and the respective credit limits with built in intelligent features.

DCLS as an enterprise wide information management system is a key foundation to support the operational needs in 3 key areas; the stage of credit evaluation, limit utilization as well as credit monitoring. By using DCLS, the bank has the flexibility to analyze its credit data from multiple sources and has the flexibility to define the group structure with a single customer limit.

(d) Digital Sales and Marketing Automation (DSMA)

DSMA is built to help the financial organisation achieve better customer relationship management where customers will be able to experience quality and consistent services.

DSMA handles end-to-end inbound and outbound sales cycle for the banks and it is a credit oriented sales tool for banks to handle account relationships, manage its marketing activities, tracking of customer engagement and serve as a communication tool for information dissemination. With DSMA, the marketing or account officer will be able to conduct account analysis to define the cross selling and up selling opportunities.

(e) Digital Credit Management System (DCMS)

DCMS is an automated credit and rule based loans origination system that allows banks to streamline the approval and workflow processes by routing the loan application right from Pre-Credit Screening, Loans Origination until Disbursement.

DCMS enables banks to implement a full suite of automated credit management system across all branches and has proven to provide higher levels of customer service, greater customer satisfaction, as well as improved productivity and cost effectiveness for our existing financial institution clients.



DCMS comprises of modules covering Mortgage, Hire Purchase, Credit Card and Business Banking.

(f) Digital Credit Monitoring and Administration System (DCMA)

DCMA provides comprehensive monitoring, alert and tracking mechanisms for post-disbursement processes. Together with our loan origination system, Digital Credit Management System ("DCMS"), DCMA enables banks to implement a full suite of automated end-to-end features to cover the whole credit management lifecycle, ensuring comprehensive risk coverage of all loans and efficient processing of all follow on actions.

DCMA covers, in general, post disbursement and loan servicing processes, monitoring and tracking of the bank's customers and accounts after disbursement, and manage the relevant actions arising from this tracking.

(g) Digital Collection and Recovery System (DCRS)

DCRS enables the bank to implement an automated rule based collection and recovery management system across all branches, with a centralized system solution that provides one single view on the details of the customer portfolio for consistency in terms of information dissemination. The solution comes with a built-in intelligent workflow to support the routing mechanism of the collection cases in accordance to the portfolio size and business rules set.

The implementation of DCRS has proven to help our clients achieve a higher recovery rate resulting in a reduction of the portfolio size of the NPL accounts whilst increasing the recovery rate, better resource utilization management and reduce total cost of ownership.

(h) RiskPulse

RiskPulse is designed and built based on the need for an integrated credit risk management and analysis to derive the necessary coefficients to support BASEL II and the bank's credit risk requirements in the areas of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and its related derivatives. To achieve this, an Enterprise-wide Risk Management framework is needed to overcome the current challenges which are faced by the banks in the overall framework & architecture design of risk management in the organization.

The primary function of RiskPulse is to provide an analytical system to help banks implement the IRB models, to perform credit portfolio analysis and to address its reporting requirements.

**Digital Delivery Channel Suite**

eBworx suite of solution under the Digital Delivery Channel umbrella includes our eBanking solution (Digital Retail Internet Banking, Digital Cash Management and Digital Mobile Banker) and Digital Teller System. Our solution has been designed to help our clients realize the goal of "Banking anytime, anywhere", allowing our client's customers to access their banks via traditional channels (i.e. Branch, Internet) and non-traditional channels (i.e. Mobile Phone).

Banks today are aggressively looking at opportunities to diversify its channels to better serve its customer, which includes expansion of the branch network as well as progressive expansion of electronic channels including Internet Banking. We have adopted a channel strategy and have embedded our solution with David Naisbitt's High Tech, High Touch philosophy where the appropriate technology is deployed to provide added value and convenience to our customers whilst reinforcing the brand and human personal touch aspect of attention and relationship across all channel interactions.

(a) Digital Retail Internet Banking (DRIB)

IDC estimates that in 2004 there were 2.3 million Internet banking users a number expected to grow to 3.1 million by the end of 2005. IDC's definition of an active customer is one who has logged on at least once in the past three months.

Our solution today is an accumulation of both business and technology leading practices gathered across the region bringing:

- Much improved Internet Banking capacity
- Token-based security delivering 2-level authentication plus a slew of security features to cultivate trust and hence increased usage
- World class transaction capabilities with functions and features built to help the bank meet its customer's expectations. Adoption of best practice from our implementation experiences across the region.
- 3-click metaphor delivering ease-of-use.
- Data Capturing for Smart Marketing - greatly increases effectiveness of targeted marketing.
- Overall friendly banking experience will woo customers to "stick" to internet banking. Increase migration rate of customers from conventional to the internet channel to reduce operation costs and increase efficiency.

(b) Digital Cash Management (DCM)

DCM is a web-based cash management system for the bank's corporate customers. DCM reduces customer dependence on the bank's branch network for routine banking transactions, hence reducing service cost.

With DCM, the bank's corporate customers enjoy the convenience of performing routine transactions - such as liquidity management, account management, payment management, collection, trade finance initiation, payroll processing, etc. - from their desktops. It is one of the ways the bank value-adds its services to its valued corporate customers.

DCM also benefits the bank in terms of savings in time and resources, whilst also providing an avenue to generate transaction fees.

(c) Digital Mobile Banker (DMB)

DMB is eBworx mobile banking solution that connects banking services to the wireless world, and is built on open industry standards. DMB allows the customer 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, GPRS, 3G and other open industry standards for wireless communication. DMB leverages on the industry's proven encryption technologies which guarantee security whilst performing various transactions on wireless communications.

(d) Digital Teller System (DTS)

DTS 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. DTS caters to the bank's daily branch operation activities and functions such as branch opening, transactions posting, balance reconciliation, journaling, error correction, printing and branch closing. DTS is also able to integrate with external devices like pin pads, encoders and passbook printers.

Trade Finance Solution

(a) TradeSpring

TradeSpring is a web-based backend trade processing solution providing you with a competitive edge in today's rapidly changing marketplace.

Transactions completed in TradeSpringLite or images scanned in by a bank's service centers are automatically sent to the bank's processing center(s), where they are processed by bank staff using TradeSpring, our trade processing system, built specifically to handle global trade processing.

TradeSpring for trade related activities will improve turnaround times, increase customer satisfaction and boost profitability. TradeSpring provides end-to-end processing capabilities in all your trade processing requirements from initiation to payment and settlement providing you with fingertip access to your trade account, transactions, statuses, limits utilisation in a safe, secure environment anywhere, anytime. Products can easily be configured using our product configurators/factory.

(b) TradeSpringLite

Providing consistent, ongoing, and ever-increasing customer satisfaction is the hallmark to achieving advantage in today's financial services industry. To win, you need the strategy and tools to deliver faster, more targeted services with greater consistency.

TradeSpringLite is an Internet web-based front-end trade financing solution providing you with a competitive edge in today's rapidly changing marketplace.

TradeSpringLite for trade related activities will improve turnaround times, increase customer satisfaction and boost profitability. TradeSpringLite provides you with fingertip access to your trade account, transactions, statuses, limits utilisation with the bank in a safe, secure environment anywhere, anytime.

(c) TradeSpringCentral

TradeSpringCentral facilitates and enables centralisation and regionalisation of trade finance operations. It enables our customers to achieve competitive service standards by streamlining the registration of trade instruments from their branches to their trade centres. Incorporated within TradeSpringCentral are workflow and imaging capabilities that enable trade instruments to be registered and submitted and routed to the relevant trade centres for onward processing in a safe, secure and paperless manner. TradeSpringCentral, a web based module within our TradeSpring Product Suite, is best suited for customers who may already have a trade finance processing back end in place but would like to improve operational efficiency and achieve cost savings from centralisation and regionalisation.

chairman's statement

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 2005.

eBworx's products continue to be relevant, practical and meet international financial arena requirements. Having established many reference sites, eBworx's proven solutions are increasingly being sought after. Our consistent efforts to garner new overseas markets will stand the group in good stead for the future. This is also in line with our vision of being a global financial software solutions provider. During the financial year under review, the Group concluded many deals with financial institutions in the region.

In 2005, eBworx embarked on one of the most important initiatives in the history of the Group. A project called Bluesky was initiated; providing an organisational structure and a thorough process to improve our overall sales and delivery capability. It involves the total overhaul of eBworx's delivery organisation and skill sets. eBworx will continue to invest heavily in Research & Development ("R&D") to continuously enhance and improve our products as well as develop new products to serve our customers better. The Bluesky process improvement project and our priority in R&D will benefit the growth of the company in the long run.

Our objective to continuously enhance shareholders' value by realising our vision of becoming a leading financial solutions provider remains unwavering. This can only be achieved through expansion and continuous enhancement of the Group's suite of banking products and geographical expansion.

As the deadline set by many central banks in the region for banks to implement the Basel II Capital Accord draws nearer, banks are actively revamping their IT infrastructure to meet the requirements. At eBworx, we remain focused to assist banks to manage their lending practices better, towards compliance with the Basel II Accord. This will continue to drive the demand for eBworx's credit management software. Additionally, we aim to help banks reduce their distribution costs with our electronic banking solutions.

Financial Highlights

For the year under review, Group revenue declined slightly from RM37.3 million to RM36.6 million. However, Group pre-tax profit fell from RM6.1 million to RM3.1 million. The lower profit resulted from the need to concentrate on strengthening our project operations and focusing on large project biddings. The Group's efforts to target larger projects, especially those in excess of US\$1 million, together with our improved delivery process, are beginning to bear fruits. With a healthy order book we are confident of better results for the 2006 financial year.

Utilisation of Proceeds

As at 31 December 2005, the Group had utilised approximately 96% of the proceeds raised from its initial public offering. The details of the utilisation of proceeds are as follows:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Expansion of the core and related business	5,000	4,211	789
Working capital	5,900	5,900	-
R&D expenditure	4,000	4,000	-
Listing expenses	1,600	1,679	(79)
Total	16,500	15,790	710

We will utilise the remaining 4% for purposes as disclosed in the prospectus dated 20 October 2003.

Research & Development (R&D)

During the year under review, we spent RM3.5 million in R&D, as part of the Group's continuing efforts in developing new products and enhancing the current products of the Group to meet contemporary needs of customers and industry. By continuously investing in R&D, the Group is able to create its competitive edge, which ultimately ensures the realisation of our vision.

Corporate Governance and Investor Relations

The Company continues to have a communications programme 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 can be accessed from its website at www.ebworx.com.

Appreciation

On behalf of the Board of Directors, I wish to take this opportunity to thank the Management Team and our employees at all levels for their commitment, dedication and loyalty during the year. We also wish to express our appreciation and gratitude to the regulatory authorities, our customers and business partners for their continued valuable support. We also take this opportunity to thank our shareholders for their faith in us. I am also grateful to my fellow Board members for their advice, guidance and support.

Razman Hafidz Abu Zarim*Chairman*

directors' profile

Razman Hafidz Abu Zarim

Encik Razman Hafidz Abu Zarim, aged 50, 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, Courts Mammoth Berhad, Toyochem Corporation Berhad, Mithril Berhad, Panasonic Manufacturing Malaysia Berhad and Yeo Hiap Seng (Malaysia) 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 aged 35, is the Executive Director of the Company and was appointed to the Board on 25 July 2000. He is currently the Chief Executive Officer of the Company.

Under his stewardship, eBworx Group has grown into a successful international financial software solutions 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.

Ho Sin Kheong

Mr. Ho Sin Kheong, a Malaysian citizen aged 52, was appointed as an Executive Director of the Company on 5 August 2003 and redesignated as Non-Independent and Non-Executive Director on 28 February 2005.

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 computerization 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 has a direct shareholding of 1,000,000 ordinary shares of RM0.10 each in the Company representing 0.48% interest therein.

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 aged 47, 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 878 employees spread over 29 offices in 18 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 honors degree in chemical engineering from the National University of Singapore in 1983.

Mr. Tan Mok Koon has a direct shareholding of 50,000 ordinary shares of RM0.10 each in the Company representing 0.02% interest therein.

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.

directors' profile

Lim Boon Kheng

Mr. Lim Boon Kheng, a Singaporean citizen aged 39, was appointed as Alternate Director to Tan Mok Koon on 2 June 2004.

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 has a direct shareholding of 50,000 ordinary shares of RM0.10 each in the Company representing 0.02% interest therein.

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 aged 37, was appointed as a Non-Executive Director on 11 April 2003.

Mr. Yap Yuh Foh is the Executive Director and Chief Operating Officer of OSK Ventures International Berhad, the venture capital and private equity arm of OSK Holdings Berhad. He is responsible for managing venture capital and private equity investment covering a spectrum of industrial and high technology companies. He is also a committee member of the Malaysian Venture Capital Association.

Mr. Yap Yuh Foh also sits on the Boards of other listed companies, namely OSK Ventures International Berhad and Green Packet Berhad.

Mr. Yap Yuh Foh joined OSK in 1996 and prior to his current designation, he was the Senior Manager of the corporate finance division. Prior to that, he was with the corporate finance division of Affin Merchant Bank Berhad from 1993 to 1996 where he last served as a Manager. Having been exposed to the corporate finance arenas of both merchant banking and stockbroking, he has originated and executed various debt and equity capital market transactions on Bursa Securities 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 Practicing Accountant with the Australian Society of Certified Practicing 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 aged 37, was appointed as an Alternate Director to Mr. Yap Yuh Foh, Eddie on 11 April 2003.

Mr. Lim Ee-Jin is the Assistant General Manager of OSK Ventures International Berhad, the venture capital and private equity arm of OSK Holdings Berhad. He is involved in the management of venture capital and private equity investment, covering a spectrum of industrial and high technology companies.

Mr. Lim Ee-Jin also sits on the Boards of other listed companies, namely OSK Ventures International Berhad and Green Packet 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 aged 37, 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.

key management profile

The key information regarding the key management of the Group as at the date of this report is set out as follows:

Tan Suan Fong

Chief Executive Officer

Mr Tan Suan Fong is Chief Executive Officer of the Group. He is also an Executive Director of the Company being appointed to the Board on 25 July 2000.

Mr Tan is a co-founder of the Company and under his stewardship, the Group has grown into a successful international financial software solutions provider. He is responsible for the planning and execution of eBworx corporate strategy, business and product development.

Chen Kwek Kong

Deputy Chief Executive Officer

Mr Chen Kwek Kong is the Deputy CEO and acting Director, Operations of the Group. He is also the Director of SpringWorx Technovations Sdn Bhd, the 50% owned jointly controlled entity.

Mr Chen has more than 25 years experience in the software and service industry. During his career he worked with IBM in a number of systems engineering and sales capacities. Following IBM he joined Computer Associates Malaysia where he held the position of General Manager. More recently he spent the last 10 years with Silverlake as President. Whilst at Silverlake he managed some of their largest banking projects throughout Asia.

Lim Chui Wha, Destine

Director, Enterprise Application Architecture

Ms Lim Chui Wha, Destine is the Director, Enterprise Application Architecture of the Group. She is also the Director and Chief Technology Officer of SpringWorx Technovations Sdn Bhd, the 50% owned jointly controlled entity.

Ms Lim has more than 20 years' experience in the banking industry and was the Chief Information Officer of a major foreign financial institution in Malaysia before leaving to set up SpringTrax Sdn Bhd, whose holds another 50% equity interest in SpringWorx Technovations Sdn Bhd.

Tse Fook Kun Bronnie

Director, Product & Technology

Mr Tse Fook Kun Bronnie is the Director, Product & Technology of the Group. He is also the Chief Technology Officer.

Mr Tse has over 30 years experience gained in the IT and Finance industries. His experience covers technical implementations, project management and marketing having worked in both end user and vendor environment. Prior to joining eBworx Mr Tse spent 4 years as Vice President, IT, with a major local bank in Singapore. He has international experience working in Asia and Europe. Earlier he spent 18 years with ICL where he was their Business and Development Manager for Asia.

statement of corporate governance

The Board of Directors of eBworx Berhad 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 Board is committed to ensuring that good corporate governance is practiced throughout the Group as a fundamental element in discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

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

1. THE BOARD OF DIRECTORS

1.1 The Board

The Board of Directors comprises members with a wide range of experience in management, business, financial, legal, technical and public service background. Together with the Management, they collectively bring a diverse range of skills and expertise to effectively discharge their responsibilities towards achieving the Group's business strategies and corporate goals.

The Executive Director frequently attends the Group's management meetings wherein operational details and other issues were discussed and considered. Apart from the management meetings, the Executive Director also holds informal meetings with the other members of the Board whenever necessary.

1.2 Board Balance

Presently, the constitution of the Board comprises six (6) members with one (1) Executive Director and five (5) Non-Executive Directors (including Chairman), two of whom are Independent Non-Executive Directors. With this Board composition, the Company fully complies with the Bursa Malaysia Listing Requirements with regard to the constitution of the Board of Directors and the required ratio of independent directors, as well as the requirement for a director who is a member of the Malaysian Institute of Accountants to sit on the Audit Committee. The profiles of each Board member are set out in pages 14 to 17 of this Annual Report.

1.3 Duties and Responsibilities

The executive director takes 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 give an independent judgement when dealing with 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 into account 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.

1.4 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 the 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.

1.5 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.

1.6 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.

1.7 Meetings

There were five (5) Board Meetings held during the financial year ended 31 December 2005. The record of attendance for each Director at those meetings is set out below:

	Number of Meetings Attended
Executive Directors	
Tan Suan Fong	5/5
Ho Sin Kheong (Redesignated on 28 February 2005)	2/2
Non-Executive Directors	
Ho Sin Kheong (Redesignated on 28 February 2005)	3/3
Tan Mok Koon	5/5
Lim Boon Kheng (Alternate to Tan Mok Koon)	5/5
Yap Yuh Foh	5/5
Lim Ee-Jin (Alternate to Yap Yuh Foh)	4/5
Tan Ming-li	5/5
Razman Hafidz Abu Zarim	5/5

statement of corporate governance

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

2. DIRECTORS' REMUNERATION

2.1 Remuneration

Aggregate remuneration of Directors during the financial year ended 31 December 2005 can be categorized into the following components:

Category	Director's Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	35,000	888,688	923,688
Non-Executive Directors	175,000	-	175,000

Directors' remuneration is broadly categorized into the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below 50,000	-	4
RM300,001 to RM400,000	1	-
RM400,001 to RM700,000	1	-

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:

	During the Year				At 31.12.05	Exercise Price (RM)	Earliest Date for Exercise	Latest Date for Exercise
	At 01.01.05	Granted	Exercised	Lapsed				
Tan Suan Fong	500,000	-	-	-	500,000	0.4563	26.06.04	02.10.08
Tan Suan Fong	-	2,000,000	-	-	2,000,000	0.1515	06.06.06	02.10.08
Ho Sin Kheong	2,000,000	-	-	-	2,000,000	0.3300	20.10.04	15.09.06
Ho Sin Kheong	200,000	-	-	-	200,000	0.4563	26.06.04	15.09.06

2.3 Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme (MAP) prescribed by RIIAM, the training arm of Bursa Malaysia. The Directors will continue to undergo the Continuing Education Programme (CEP) to keep abreast of the new regulatory development and Bursa Malaysia Listing Requirements. Directors are also encouraged to attend any relevant training programme to further enhance their knowledge to enable them to discharge their responsibilities more effectively.

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 Internal Control

The Statement of Internal Control furnished on Pages 25 to 26 of this Annual Report provides an overview of the state of internal controls within the Group.

4.3 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 27 to 30.

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

4.4 Executive Share Options Scheme (ESOS) Committee

The ESOS Committee was established to administer the eBworx's ESOS which became effective on 2 October 2003. 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.

Terms of reference

(i) Objective

- a. To administer the eBworx's ESOS in accordance with the objectives and regulations thereof.
- b. To determine participation eligibility, option offers and share allocations.
- c. To attend to such other matters as may be required.

(ii) Composition of the ESOS Committee

The Committee and the Chairman shall be appointed by the Board of Directors and shall consist of at least three (3) directors.

The ESOS Committee shall be appointed by the directors and the members of ESOS Committee shall elect a chairman from among themselves.

The Board of Directors must review the term of office and performance of the ESOS Committee and each of its members at least once every three (3) years to determine whether such ESOS Committee has carried out their duties in accordance with their terms of reference.

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.

4.5 Remuneration / Compensation Committee

The Board has formed a Remuneration / Compensation Committee on 27 January 2005 with the following members:

Name	Designation	Status of Directorship
Tan Mok Koon	Chairman	Non-Independent Non-Executive Director
Yap Yuh Foh, Eddie	Member	Non-Independent Non-Executive Director
Tan Ming-li	Member	Independent Non-Executive Director
Tan Suan Fong	Member	Non-Independent Executive Director

The Remuneration Committee, comprising mainly of Non-Executive Directors is responsible for recommending to the Board the remuneration packages to be paid to executive directors which includes basic salary, fees, benefits in kind, bonuses and incentives, pension and share option scheme.

The Remuneration Committee also endorses on the recommendation by the Chief Executive Officer, the remuneration packages which include the basic salary, bonus, fees, benefits in kind, incentive scheme, pension and share option scheme to be paid to the senior management (members of the Key Management Team).

The Remuneration Committee shall ensure that the Company's Directors are fairly rewarded for their individual contributions to the Company's overall performance and the level of remuneration shall be sufficient to attract and retain Directors to run the Company and Group successfully.

statement of internal control

Introduction

The Board of Directors is pleased to include a statement on the state of the Company's internal control system in accordance with paragraph 2.14 (c), Guidance Notes 2 of the Bursa Malaysia Securities Berhad's Listing Requirements for the MESDAQ Market.

Board Responsibility

The Board recognises the importance of a sound system of internal controls to safeguard the Company's assets and shareholders' investment and acknowledges its overall responsibility for establishing and maintaining such a system, and for reviewing its adequacy and integrity. In this context, the Board has delegated the responsibility for reviewing the adequacy and integrity of the internal control system to the Audit Committee.

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

Risk Management Framework

The daily operations are managed by the respective Heads of Department and they are also responsible for ensuring that risks are identified and appropriate responses implemented to mitigate the risks identified. The significant risks identified and the corresponding internal controls implemented are communicated to Senior Management at the monthly management meetings. In addition, key risks relating to the Company's strategic and business plans are reviewed and considered by the Board and Management.

The key risk register was updated to ensure that all significant risks identified and corresponding responses continue to be relevant. The updated key risk profile was presented to the Audit Committee on 23 November 2005. In the risk register, risks identified are prioritized in terms of likelihood of their occurrence and the impact on the achievement of the Company's business objectives/goals so that resources can be implemented appropriately.

The abovementioned practices/initiatives by Management serves as the on-going process used to identify, evaluate and managed significant risks.

Internal Audit Function

The Company's internal audit function is outsourced to external consultants. The internal audit reviews are conducted in accordance with the internal audit plan approved by the Audit Committee. The results of their reviews are tabled at certain Audit Committee meetings. Based on the reviews conducted during the financial year ended 31 December 2005, there were no significant weaknesses identified that would result in material losses or contingencies requiring separate disclosure in this annual report.

statement of internal control

Other key elements of internal controls

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

- (i) Clearly defined and structured lines of reporting and responsibility within the Company.
- (ii) Development of business strategies and budgets by Management and approved by the Board ensures that a clear direction is provided to operating units/departments to work cohesively towards the achievement of the Company's business objectives/goals.
- (iii) Monitoring of key business risks and results against budgets, with significant variances being followed up and appropriate action taken, where necessary.
- (iv) Documented internal policies set out in a series of memorandums of departments within the Company.

Assurance

The Board is of the view that the system of internal controls established to safeguard the Company's assets and shareholders' investment is adequate. The Board and Management continue to be vigilant to ensure that the system of internal controls remain relevant in a changing operating environment.

audit committee report

The Board is pleased to present below the report of the Audit Committee for the financial year ended 31 December 2005.

Composition and Meetings

The members of the Audit Committee and details of their attendance of the meetings during the financial year ended 31 December 2005 are as follows:

		Number of meetings	Attendance of meetings
Chairman	Razman Hafidz Bin Abu Zarim (Independent Non-Executive Director)	4	4
Members	Tan Ming-li (Independent Non-Executive Director)	4	4
	Yap Yuh Foh (Non-Independent Non-Executive Director, appointed on 28 February 2005)	3	3
	Ho Sin Kheong (Executive Director, resigned on 28 February 2005)	1	1

At the invitation of the Audit Committee, Senior Management staff and the external consultants to whom the internal audit function was outsourced to attended the Audit Committee meetings. The agenda of the meetings and relevant information were distributed to the Audit Committee members with sufficient notification. The Company Secretary is also responsible for recording the proceedings of the Audit Committee meetings.

Summary of Activities of the Audit Committee

During the financial year ended 31 December 2005, the following activities were carried out by the Audit Committee:

- (a) Reviewed and recommended to the Board for approval of the unaudited quarterly reports on the consolidated results of the Group.
- (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 and approved the internal audit plan prepared by the Internal Audit Function.
- (d) Reviewed the internal audit reports and ensured the implementation of the action plans carried out by Management on a timely basis.

audit committee report

- (e) Reviewed the audit plan of the external auditors.
- (f) Reviewed the Audit Fee for the external auditors of the Company and the Group.
- (g) Reviewed the annual audited financial statements, external auditors' reports and their audit findings.
- (h) Reviewed related party transactions and considered conflict of interest situation that may arise within the Group.
- (i) Reviewed the Group's Key Risk Profile ("KRP") updated by Management with the assistance of the external consultants.

Summary of Activities of the Internal Audit Function

The Internal Audit Function, which is outsourced to external consultants, assists the Audit Committee in ensuring the adequacy and effectiveness of the internal control system of the Group. The activities of the Internal Audit Function during the financial year ended 31 December 2005 were as follows:

- (a) Facilitated the updating of the Group's KRP
- (b) Execution of the approved internal audit plan;
- (c) Presentation of the internal audit findings at certain Audit Committee meetings. All findings raised by the Internal Audit Function have/are been appropriately addressed by Management; and
- (d) Conducted follow up reviews to ensure that action plans are properly and timely implemented by the Management.

The internal audits conducted did not reveal weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the annual report.

Executive Share Options Scheme

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

TERMS OF REFERENCE OF AUDIT COMMITTEE

Membership

- (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 for Mesdaq Market of Bursa Malaysia Securities Berhad ("Bursa Securities").
- (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.

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 of any matters within their terms of reference. Whenever requested, they have the 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.

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 believe 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/or any officer of the Company to attend any of its meetings as it determines.

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

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

The Company Secretary of the Company shall be Secretary of the Committee and shall be responsible together 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.

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 Bursa Securities Listing Requirements for Mesdaq Market, the Audit Committee must promptly report such matters to Bursa Securities.
- (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 that the external auditors 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.

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directors' report

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 2005.

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 the financial services industry.

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

RESULTS

	Group RM	Company RM
Profit for the year	3,101,486	3,237,711

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
 Tan Mok Koon
 Yap Yuh Foh
 Ho Sin Kheong
 Tan Ming-li
 Razman Hafidz Abu Zarim
 Lim Ee-Jin (alternate to Yap Yuh Foh)
 Lim Boon Kheng (alternate to Tan Mok Koon)

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 those arising from the share options 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 the director is a member or with a company in which the director has a substantial financial interest.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.10 each			
	At	During the year		At
	1.1.05	Addition	Disposal	31.12.05
Tan Suan Fong	24,579,620	-	-	24,579,620
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	During the year		At
	1.1.05	Addition	Exercised	31.12.05
Tan Suan Fong	500,000	2,000,000	-	2,500,000
Ho Sin Kheong	2,200,000	-	-	2,200,000

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.

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EXECUTIVE SHARE OPTIONS SCHEME

The Executive Share Option Scheme is detailed in Note 24 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 600,000 ordinary shares of RM0.10 each. The list of employees granted options to subscribe for 600,000 or more ordinary shares of RM0.10 each during the financial year is as follows:

Name	Exercise Price RM	Number of Share Options			At 31.12.05
		At 1.1.05	Granted	Exercised	
Chen Kwek Kong	0.1515	-	2,500,000	-	2,500,000
Tse Fook Kun Bronnie	0.1515	-	2,500,000	-	2,500,000

The grant date and expiry date of the above share options granted during the financial year are 6 June 2005 and 2 October 2008 respectively.

Details of options granted to Directors are disclosed in the section on Directors' Interest in this report.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year

- (a) the Company subscribed to an additional 350,000 ordinary shares of USD 1 each in eBworx Technology (Beijing) Co. Ltd., a wholly-owned subsidiary incorporated in the People's Republic of China for a cash consideration of USD350,000 or approximately RM1,327,521;
- (b) the Company subscribed to 5,000,000 redeemable convertible preference shares of RM0.10 each in its 50% owned jointly controlled entity, SpringWorx Technovations Sdn. Bhd., for a cash consideration of RM500,000; and
- (c) the Company announced that it is proposing to undertake a proposed private placement of up to 10% of its issued and paid up share capital. The Company has obtained the approval of the Securities Commission to extend the implementation of the proposed private placement to 30 March 2006. On 2 March 2006, the Company announced that it has fixed the price of the placement shares at RM0.28 per placement share. As at the date of this report, the proposed private placement has yet to be completed.

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.

OTHER STATUTORY INFORMATION (cont'd)

- (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 in respect of these financial statements; 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 or 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 of the Group or 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 or 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 or 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

Petaling Jaya, Selangor Darul Ehsan
15 March 2006

RAZMAN HAFIDZ ABU ZARIM

statement by directors

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

We, TAN SUAN FONG and RAZMAN HAFIDZ ABU ZARIM, being two of the Directors of eBworx Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 38 to 74 are drawn up in accordance with applicable MASB 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 of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

TAN SUAN FONG

Petaling Jaya, Selangor Darul Ehsan
15 March 2006

RAZMAN HAFIDZ ABU ZARIM

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, do solemnly and sincerely declare that the financial statements set out on pages 38 to 74 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 15 March 2006

NG LEE KUAN

Before me,

report of the auditors to the members of eBworx Berhad

We have audited the financial statements set out on pages 38 to 74. These financial statements are the responsibility of the Company's Directors.

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

We conducted our audit in accordance with 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 MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of 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 subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not 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

KUA CHOO KAI

No.2030/03/08(J)

Partner

income statements

for the year ended 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	36,612,765	37,324,862	34,042,887	31,726,006
Direct expenses		(22,295,689)	(24,696,134)	(20,756,094)	(19,079,610)
Gross profit		14,317,076	12,628,728	13,286,793	12,646,396
General and administrative expenses		(5,431,444)	(3,350,507)	(4,469,697)	(2,767,138)
Selling and distribution expenses		(3,192,775)	(1,854,945)	(2,943,696)	(1,558,209)
Other operating expenses		(2,485,084)	(1,727,241)	(2,591,798)	(1,552,220)
Other operating income		217,127	434,451	214,860	425,666
Profit from operations	4	3,424,900	6,130,486	3,496,462	7,194,495
Finance costs		(233,151)	-	(233,151)	-
Share of result of jointly controlled entity		(64,663)	-	-	-
Profit before taxation		3,127,086	6,130,486	3,263,311	7,194,495
Taxation	6	(25,600)	(75,003)	(25,600)	(81,481)
Net profit for the year		3,101,486	6,055,483	3,237,711	7,113,014
Earnings per share (sen)	7				
- Basic		1.50	2.93		
- Diluted		1.47	2.89		

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

balance sheets

as at 31 December 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Plant and equipment	8	1,126,467	2,109,983	715,385	2,049,403
Goodwill on consolidation	9	8,709,059	8,709,059	-	-
Investments in subsidiaries	10	-	-	11,447,761	10,571,135
Investment in a jointly controlled entity	11	685,337	250,000	750,000	250,000
Deferred development costs	12	3,449,916	-	3,449,916	-
		13,970,779	11,069,042	16,363,062	12,870,538
CURRENT ASSETS					
Trade receivables	13	37,924,157	23,718,760	30,444,182	21,585,538
Other receivables	14	838,752	780,819	8,411,524	4,157,896
Tax recoverable		9,000	-	9,000	-
Cash and bank balances	17	5,707,673	10,312,644	5,411,178	9,220,315
		44,479,582	34,812,223	44,275,884	34,963,749
CURRENT LIABILITIES					
Trade payables	18	1,182,303	1,149,319	1,182,303	1,149,319
Other payables	19	3,521,049	2,082,072	3,688,655	2,145,134
Short term borrowings	20	8,025,306	-	8,025,306	-
Tax payable		-	38,901	-	35,000
		12,728,658	3,270,292	12,896,264	3,329,453
NET CURRENT ASSETS					
		31,750,924	31,541,931	31,379,620	31,634,296
		45,721,703	42,610,973	47,742,682	44,504,834
Financed by:					
SHARE CAPITAL AND RESERVES					
Share capital	21	20,693,000	20,693,000	20,693,000	20,693,000
Share premium		9,849,923	9,849,923	9,849,923	9,849,923
Retained profits	22	15,172,866	12,071,380	17,204,012	13,966,301
Exchange reserve	23	5,914	(3,330)	(4,253)	(4,390)
		45,721,703	42,610,973	47,742,682	44,504,834

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

statements of changes in equity

for the year ended 31 December 2005

	Note	Share capital RM	Non-distributable Share premium RM	Exchange reserve RM	Distributable Retained profits RM	Total RM
Group						
At 1 January 2004		20,685,000	9,821,419	1,647	6,015,897	36,523,963
Net profit for the year		-	-	-	6,055,483	6,055,483
Issue of ordinary shares pursuant to ESOS	21	8,000	28,504	-	-	36,504
Foreign exchange arising from translation of foreign subsidiaries and branch	23	-	-	(4,977)	-	(4,977)
At 31 December 2004		20,693,000	9,849,923	(3,330)	12,071,380	42,610,973
At 1 January 2005						
As previously stated		20,693,000	9,849,923	(3,330)	12,071,380	42,610,973
Net profit for the year		-	-	-	3,101,486	3,101,486
Foreign exchange arising from translation of foreign subsidiary	23	-	-	9,244	-	9,244
At 31 December 2005		20,693,000	9,849,923	5,914	15,172,866	45,721,703
Company						
At 1 January 2004		20,685,000	9,821,419	-	6,853,287	37,359,706
Net profit for the year		-	-	-	7,113,014	7,113,014
Issue of ordinary shares	21	8,000	28,504	-	-	36,504
Foreign exchange arising from translation of foreign subsidiaries and branch	23	-	-	(4,390)	-	(4,390)
At 31 December 2004		20,693,000	9,849,923	(4,390)	13,966,301	44,504,834
Net profit for the year		-	-	-	3,237,711	3,237,711
Foreign exchange arising from translation of foreign subsidiaries and branch	23	-	-	137	-	137
At 31 December 2005		20,693,000	9,849,923	(4,253)	17,204,012	47,742,682

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

cash flow statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	3,127,086	6,130,486	3,263,311	7,194,495
Adjustments for:				
Depreciation of plant and equipment	768,736	821,383	717,310	724,465
Gain on disposal of plant and equipment	(374,064)	(3,144)	(372,815)	(3,144)
Unrealised loss/(gain) on foreign exchange	231,408	(21,747)	231,408	(21,747)
Impairment of investment in subsidiary	-	-	450,895	-
Share of result in jointly controlled entity	64,663	-	-	-
Interest income	(161,694)	(300,214)	(92,290)	(291,429)
Operating profit before working capital changes	3,656,135	6,626,764	4,197,819	7,602,640
Changes in working capital:				
Contract customers	(12,832,919)	(3,245,785)	(6,779,209)	(3,857,977)
Receivables	(1,601,094)	(11,129,434)	(2,159,129)	(9,668,489)
Payables	1,407,054	1,017,139	1,133,338	894,602
Due from related parties	13,382	(26,338)	13,386	(7,824)
Due from subsidiaries	-	-	(3,975,424)	(462,794)
Net cash used in operations	(9,357,442)	(6,757,654)	(7,569,219)	(5,499,842)
Interest income received	161,694	300,214	92,290	291,429
Tax refunded	-	165,810	-	-
Taxes paid	(73,501)	(60,481)	(69,600)	(60,481)
Net cash used in operating activities	(9,269,249)	(6,352,111)	(7,546,529)	(5,268,894)

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cash flow statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Development costs	(3,449,916)	-	(3,449,916)	-
Acquisition of subsidiary	-	-	(1,327,521)	(571,131)
Acquisition of unquoted redeemable convertible preference shares	(500,000)	(250,000)	(500,000)	(250,000)
Acquisition of plant and equipment	(483,519)	(1,643,568)	(81,635)	(1,600,305)
Proceeds from disposal of plant and equipment	1,072,407	11,268	1,071,158	11,268
Net cash used in investing activities	(3,361,028)	(1,882,300)	(4,287,914)	(2,410,168)
CASH FLOWS FROM FINANCING ACTIVITY				
Proceeds from issuance of shares representing net cash generated from financing activity	-	36,504	-	36,504
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,630,277)	(8,197,907)	(11,834,443)	(7,642,558)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,312,644	18,510,551	9,220,315	16,862,873
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	(2,317,633)	10,312,644	(2,614,128)	9,220,315

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

notes to the financial statements

31 December 2005

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 Bursa Malaysia Securities Berhad. The registered office is located at Level 14, Uptown 1, No. 1 Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan whilst its principal place of business is located at 7th Floor, Menara Merais, No.1, Jalan 19/3, 46300 Petaling Jaya, Selangor Darul Ehsan.

The Group and the Company have 255 (2004: 300) and 205 (2004: 286) 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 15 March 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

(b) Basis of Consolidation

(i) Subsidiaries

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.

notes to the financial statements

31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cond't)**(b) Basis of Consolidation** (cond't)**(ii) Jointly Controlled Entities**

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investment in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the jointly controlled entities. Under the equity method of accounting, the Group's share of profits less losses of jointly controlled entities during the financial year is included in the consolidated financial statement. The Group's interest in jointly controlled entities is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are eliminated unless cost cannot be recovered.

(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 or jointly controlled entity at the date of acquisition.

Goodwill was previously stated at cost less accumulated amortisation (over a period of 15 years) and impairment losses. In the previous financial year, the Group changed its policy for accounting for goodwill to that of holding the goodwill at cost less impairment losses without subjecting the goodwill to yearly amortisation.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of jointly controlled entities is included within the carrying amount of the investment.

(d) Investment in Subsidiaries and Jointly Controlled Entities

The Company's investments in subsidiaries and jointly controlled entities are stated at cost less impairment losses.

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 (cont'd)**(e) Plant and Equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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%
Renovations	20%

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

(f) Deferred Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is also recognised as an expense in the period incurred except when the expenditure meet the following criteria where it will be capitalised as intangible assets:

- (a) the product or process is clearly defined and costs are separately identified and measured reliably;
- (b) the technical feasibility of the product is demonstrated;
- (c) the product or process will be sold or used in-house;
- (d) the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness in case of internal use is demonstrated); and
- (e) adequate technical, financial and other resources required for completion of the project are available.

Development costs initially recognised as an expense are not recognised as an asset in subsequent periods.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation which commences upon sale or use of the products, is recognised in the income statement based on a straight-line basis over 5 years.

notes to the financial statements

31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(g) Construction Contract**

Where the outcome of a 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 contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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 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.

(h) Cash and Cash Equivalents

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

(i) 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.

(j) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cond't)**(j) Income Tax** (cond't)

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.

(k) 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.

(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.

(l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

notes to the financial statements

31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cond't)**(l) Revenue Recognition** (cond't)**(ii) Revenue from services****Long term fixed contracts**

Revenue from long term fixed price contracts is recognised based on the percentage of completion method determined on the proportion of cost incurred to date against total estimated costs. All anticipated losses on contracts are fully provided for.

Short term contracts

Revenue from short term contracts is recognised upon rendering of services.

(iii) Interest income

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

(m) 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. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries/branches 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cond't)**(m) Foreign Currencies** (cond't)**(ii) Foreign entities** (cond't)

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

	2005 RM	2004 RM
1 United States dollar	3.75	3.80
1 Singapore dollar	2.26	2.33
100 New Taiwan dollars	11.95	11.97
100 Thai Bahts	9.06	9.76
1 China Renminbi	0.47	0.47

(n) 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.

(o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group becomes 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.

(i) Other Non-current Investments

Non-current investment other than investment in subsidiaries and jointly controlled entities are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying value is recognised in the income statement.

(ii) 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.

(iii) 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.

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31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cond't)**(o) Financial Instruments** (cond't)**(iv) Interest - bearing borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) 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	
	2005 RM	2004 RM	2005 RM	2004 RM
Software development	30,517,115	34,432,906	28,723,878	29,509,556
Software and hardware sales	3,996,296	408,167	3,996,296	408,167
Maintenance and support	2,099,354	2,483,789	1,322,713	1,808,283
	36,612,765	37,324,862	34,042,887	31,726,006

4. PROFIT FROM OPERATIONS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
This is arrived at after charging/(crediting):				
Auditors' remuneration				
- statutory audit	39,321	39,213	23,000	23,000
- under/(over)provision in prior year	16,132	(4,250)	15,000	(4,250)
- others	5,000	3,000	5,000	3,000
Depreciation of plant and equipment	768,736	821,383	717,310	724,465
Office rent	631,325	480,352	499,320	437,418

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4. PROFIT FROM OPERATIONS (cond't)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
This is arrived at after charging/(crediting): (cond't)				
Impairment of investment in subsidiary	-	-	450,895	-
Directors' remunerations (Note 5)				
- fees	210,000	145,000	210,000	145,000
- salaries and other emoluments	888,688	1,130,320	888,688	1,130,320
Gain on disposal of plant and equipment	(374,064)	(3,144)	(372,815)	(3,144)
Loss/(Gain) on foreign exchange				
- realised	83,629	(78,733)	83,629	(78,733)
- unrealised	231,408	(21,747)	231,408	(21,747)
Interest income	(161,694)	(300,214)	(92,290)	(291,429)
Employee information (including directors' remuneration)				
Staff costs				
- salaries and wages	13,426,881	13,720,266	10,829,846	13,388,492
- pension costs				
- defined contribution plan	1,335,775	1,277,291	1,238,075	1,263,409
- social security contributions	73,184	47,812	73,184	47,812
- other staff related expenses	981,491	404,901	686,187	353,541
	15,817,331	15,450,270	12,827,292	15,053,254
Less: Amount capitalised under deferred development costs (Note 12)	(3,449,916)	-	(3,449,916)	-
	12,367,415	15,450,270	9,377,376	15,053,254

notes to the financial statements

31 December 2005

5. DIRECTORS' REMUNERATIONS

	Group/Company	
	2005	2004
	RM	RM
Directors of the Company		
Executive:		
- salaries and other emoluments	795,520	951,200
- fees	35,000	-
- bonus	48,000	74,000
- pension costs		
- defined contribution plans	45,168	105,120
	923,688	1,130,320
Non-executive:		
- fees	175,000	145,000
	1,098,688	1,275,320

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

	Number of Directors	
	2005	2004
Executive directors:		
RM100,001 to RM200,000	-	1
RM300,001 to RM400,000	1	1
RM400,001 to RM700,000	1	1
Non-executive directors:		
Below RM50,000	4	4

notes to the financial statements

31 December 2005

6. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Tax expense for the year:				
- current year	26,000	82,000	26,000	82,000
Overprovision in prior years				
- Malaysian income tax	(400)	(1,587)	(400)	(519)
- Foreign tax	-	(5,410)	-	-
	25,600	75,003	25,600	81,481

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

The Company was awarded pioneer status, which among others, exempts the Company from tax for a period of 5 years. The pioneer status commenced 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 between the tax expense and the product of accounting profit multiplied by the Malaysia statutory tax rate of 28% is as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation	3,127,086	6,130,486	3,263,311	7,194,495
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	875,584	1,716,536	913,727	2,014,459
Effect of different tax rate in other countries	(22,625)	63,912	-	5,500
Changes in tax rates	-	467	-	-
Income not subject to tax	(672,037)	(1,919,853)	(672,037)	(1,919,853)
Expenses not deductible for tax purposes	424,469	153,594	356,747	30,782
Effects of temporary differences originating and reversing during the pioneer period	(572,437)	(48,888)	(572,437)	(48,888)
Effect of utilisation of previous unrecognised tax losses	(27,602)	-	-	-
Deferred tax assets not recognised	20,648	116,232	-	-
Overprovision of income tax expense in prior years	(400)	(6,997)	(400)	(519)
Tax expense for the year	25,600	75,003	25,600	81,481

notes to the financial statements

31 December 2005

7. EARNINGS PER SHARE

	Group	
	2005	2004
	RM	RM
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RM)	3,101,486	6,055,483
Number of shares		
Weighted average number of ordinary shares in issue for basic earnings per share	206,930,000	206,893,934
Effect of dilutive potential ordinary shares on conversion of options under ESOS	4,024,704	2,522,167
Weighted average number of ordinary shares in issue for diluted earnings per share	210,954,704	209,416,101
Earnings per share		
- Basic (sens)	1.50	2.93
- Diluted (sens)	1.47	2.89

notes to the financial statements

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8. PLANT AND EQUIPMENT

Group	Air- conditioners RM	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovations RM	Total RM
Cost						
At 1 January 2005	77,955	3,151,538	204,495	150,508	406,117	3,990,613
Additions	12,900	139,344	73,925	66,570	190,780	483,519
Disposals	(2,750)	(1,073,494)	(2,750)	-	-	(1,078,994)
Foreign exchange differences	-	71	-	-	-	71
At 31 December 2005	88,105	2,217,459	275,670	217,078	596,897	3,395,209
Accumulated Depreciation						
At 1 January 2005	34,353	1,644,042	74,167	63,769	64,299	1,880,630
Charge for the year	13,465	594,043	35,626	32,910	92,692	768,736
Disposals	(1,650)	(377,626)	(1,375)	-	-	(380,651)
Foreign exchange differences	-	27	-	-	-	27
At 31 December 2005	46,168	1,860,486	108,418	96,679	156,991	2,268,742
Net Book Value						
At 31 December 2005	41,937	356,973	167,252	120,399	439,906	1,126,467
At 31 December 2004	43,602	1,507,496	130,328	86,739	341,818	2,109,983
Details at 1 January 2004						
Cost	40,090	1,999,688	130,543	96,212	91,024	2,357,557
Accumulated depreciation	22,244	951,860	38,039	37,252	12,303	1,061,698
Depreciation charge for 2004						
	12,109	694,302	36,128	26,848	51,996	821,383

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31 December 2005

8. PLANT AND EQUIPMENT (cond't)

Company	Air- conditioners RM	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovations RM	Total RM
Cost						
At 1 January 2005	54,425	2,345,655	182,361	105,846	406,117	3,094,404
Additions	12,900	40,381	11,490	7,949	8,915	81,635
Disposals	(2,750)	(1,070,796)	(2,750)	-	-	(1,076,296)
At 31 December 2005	64,575	1,315,240	191,101	113,795	415,032	2,099,743
Accumulated Depreciation						
At 1 January 2005	12,948	887,752	53,258	26,744	64,299	1,045,001
Charge for the year	11,777	574,957	32,971	21,362	76,243	717,310
Disposals	(1,650)	(374,928)	(1,375)	-	-	(377,953)
At 31 December 2005	23,075	1,087,781	84,854	48,106	140,542	1,384,358
Net Book Value						
At 31 December 2005	41,500	227,459	106,247	65,689	274,490	715,385
At 31 December 2004	41,477	1,457,903	129,103	79,102	341,818	2,049,403
Details at 1 January 2004						
Cost	16,560	1,237,119	108,409	51,574	91,024	1,504,686
Accumulated depreciation	4,323	277,312	20,137	8,924	12,303	322,999
Depreciation charge for 2004	8,625	612,568	33,121	18,155	51,996	724,465

notes to the financial statements

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9. GOODWILL ON CONSOLIDATION

	Group	
	2005 RM	2004 RM
Goodwill, at cost	8,709,059	8,709,059

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RM	2004 RM
At cost:		
Unquoted shares	11,898,656	10,571,135
Less: Provision for diminution	(450,895)	-
	11,447,761	10,571,135

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Percentage of Equity Held	
		2005	2004
eBworx International Pte. Ltd.*	Singapore	100%	100%
Digital Nervous System Sdn. Bhd.	Malaysia	100%	100%
eBworx Technology (Beijing) Co. Ltd. **	China	100%	100%

* Audited by member firm of Ernst & Young Global

** Audited by firms of auditors other than Ernst & Young

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

During the financial year, the Company subscribed to an additional 350,000 ordinary shares of USD1 each in eBworx Technology (Beijing) Co. Ltd., a wholly-owned subsidiary incorporated in the People's Republic of China for a cash consideration of USD350,000 or approximately RM1,327,521.

notes to the financial statements

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11. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At cost:				
Unquoted shares	250,000	250,000	250,000	250,000
Less: Share of loss	(64,663)	-	-	-
	185,337	250,000	250,000	250,000
Add:				
Unquoted redeemable convertible preference shares	500,000	-	500,000	-
	685,337	250,000	750,000	250,000

Details of the jointly controlled entity are as follows:

Name of Jointly Controlled Entity	Principal Activities	Percentage of Equity Held	
		2005	2004
(Incorporated in Malaysia)			
SpringWorx Technovations Sdn. Bhd.	Provision of computer software applications and dealing in computer software and hardware for financial services industry	50%	50%

On 2 November 2004, the Company entered into a joint venture with SpringTrax Sdn. Bhd. ("SpringTrax") to incorporate SpringWorx Technovations Sdn. Bhd. ("SpringWorx"). The Company subscribed to 250,000 ordinary shares of RM1 each representing a 50% equity interest in SpringWorx, for a cash consideration of RM250,000. The remaining 50% equity interest in SpringWorx is held by SpringTrax.

The Group's share of the assets and liabilities of the jointly controlled entity is as follows:

	2005 RM	2004 RM
Current assets	485,593	264,709
Non-current assets	7,936	11,643
Current liabilities	(58,192)	(26,352)
Non-current liabilities	(250,000)	-
Net assets	185,337	250,000

notes to the financial statements

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11. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (cont'd)

During the financial year, the Company subscribed to 5,000,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.10 each in SpringWorx Technovations Sdn. Bhd. ("SpringWorx"), a jointly controlled entity for a cash consideration of RM500,000.

Every 10 RCPS shall be convertible into 1 new ordinary share at any time at the sole discretion of the Company after the successful commercialisation of a project known as the Trade Finance Solutions. The RCPS may be redeemed by the Company at par value at any time at the sole discretion of the Company after the expiry of 1 year from the date of the Joint Venture Agreement on 2 November 2004. Upon conversion, both parties shall take such steps as are necessary to cause the total issued share capital of SpringWorx to be held by the joint venture parties in the following proportions:

	Percentage of shareholding
The Company	51%
SpringTrax	49%
<hr/>	
Total	100%

Upon the conversion of the RCPS, the Company shall grant SpringTrax a put option and SpringTrax shall grant the Company a call option, for the purchase by the Company of all 490,000 ordinary shares in SpringWorx held by SpringTrax at the option price. (at a price earnings multiple of 7 times)

The put option and call option are exercisable if SpringWorx achieves an audited net profit after tax in one financial year of not less than RM1,000,000.

12. DEFERRED DEVELOPMENT COSTS

	Group/Company	
	2005	2004
	RM	RM
At 1 January	-	-
Additions for the year (Note 4)	3,449,916	-
<hr/>		
At 31 December	3,449,916	-

During the financial year, the Group and the Company commenced development work on enhancement of existing as well as development of new softwares. The products are assessed to have a finite life of 5 years upon commercialisation. If impairment indication arises, the recoverable amount is estimated and impairment loss is recognised if the recoverable amount is lower than the carrying amount.

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13. TRADE RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	19,203,125	18,151,590	17,776,860	16,124,548
Due from customers on contracts (Note 15)	18,171,482	5,348,652	12,117,772	5,348,652
Retention sums on contracts (Note 15)	549,550	218,518	549,550	112,338
	37,924,157	23,718,760	30,444,182	21,585,538

Trade receivables are non-interest bearing and are generally on 30 to 120 days terms. Other terms are assessed and approved on a case-by-case basis.

As at the balance sheet date, the Group and the Company are susceptible to significant concentration of credit risk in the form of trade debts due from 7 customers which represent approximately 81% and 86% of the Group's and of the Company's trade debts respectively.

The Company is currently involved in a litigation to recover a debt of RM2,273,065 (2004: RM2,273,065) due from a local licensed bank. Having considered all available information, including counsels from the Company's solicitors, the Directors believe that the debt is fully recoverable and requires no provision for doubtful debts. Further details of the litigation are disclosed in Note 30(b).

14. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sundry receivables	287,821	174,691	264,702	174,691
Deposits	365,914	517,416	285,348	459,828
Prepayments	90,635	55,944	23,086	-
Due from subsidiaries and related parties (Note 16)	94,382	32,768	7,838,388	3,523,377
	838,752	780,819	8,411,524	4,157,896

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.

notes to the financial statements

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15. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Project expenditure incurred	20,955,833	21,757,235	13,919,162	12,956,010
Add: Attributable profits	23,283,863	13,572,620	21,142,073	13,572,620
	44,239,696	35,329,855	35,061,235	26,528,630
Less: Provision for foreseeable losses	(149,389)	(1,544,202)	-	-
Less: Progress billings receivable	(25,918,825)	(28,447,090)	(22,943,463)	(21,190,067)
	18,171,482	5,338,563	12,117,772	5,338,563
Represented by:				
Due from customers on contracts (Note 13)	18,171,482	5,348,652	12,117,772	5,348,652
Due to customers on contracts (Note 18)	-	(10,089)	-	(10,089)
	18,171,482	5,338,563	12,117,772	5,338,563
Retention sums on contracts included within trade receivables (Note 13)	549,550	218,518	549,550	112,338

16. DUE FROM/(TO) SUBSIDIARIES AND RELATED PARTIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Due from:				
- subsidiaries	-	-	7,744,006	3,490,609
- joint venture partner	3,271	2,768	3,271	2,768
- jointly controlled entity	91,111	30,000	91,111	30,000
- a related party	274,609	274,609	-	-
	368,991	307,377	7,838,388	3,523,377
Less: Provision for doubtful debts	(274,609)	(274,609)	-	-
	94,382	32,768	7,838,388	3,523,377

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16. DUE FROM/(TO) SUBSIDIARIES AND RELATED PARTIES (cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Due to:				
- directors	220,000	145,000	220,000	145,000
- subsidiaries	-	-	668,147	289,891
- a related party	-	4	-	-
	220,000	145,004	888,147	434,891

The amounts due from/(to) the aforementioned parties are unsecured, non-interest bearing and have no fixed terms of repayment.

17. CASH AND BANK BALANCES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	701,115	1,857,644	404,620	1,138,315
Deposits with licensed banks	5,006,558	8,455,000	5,006,558	8,082,000
	5,707,673	10,312,644	5,411,178	9,220,315

Deposits with licensed banks of the Group and of the Company amounting to RM5,006,558 (2004: RM3,650,000) are pledged as securities for overdraft and bank guarantee facilities obtained.

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

	Group/Company	
	2005 %	2004 %
Licensed bank	2.50	2.35

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

	Group/Company	
	2005 Days	2004 Days
Licensed banks	30	26

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31 December 2005

18. TRADE PAYABLES

	Group/Company	
	2005	2004
	RM	RM
Trade payables	1,182,303	1,139,230
Due to customers on contracts (Note 15)	-	10,089
	1,182,303	1,149,319

Trade payables are generally non-interest bearing and are normally settled on 30 to 60 days (2004: 30 to 60 days) terms.

19. OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Sundry payables	538,772	152,372	480,548	42,008
Accruals	2,762,277	1,784,696	2,319,960	1,668,235
Due to subsidiaries and related parties (Note 16)	220,000	145,004	888,147	434,891
	3,521,049	2,082,072	3,688,655	2,145,134

Other creditors are generally non-interest bearing and are normally settled in 60 days (2004: 60 days) terms.

The amounts due to directors are unsecured, non-interest bearing and have no fixed terms of repayment.

20. SHORT TERM BORROWINGS

	Effective interest rate	Maturity	Group/Company	
			2005	2004
			RM	RM
Bank overdrafts	7.25%	On demand	8,025,306	-

The bank overdrafts are secured by liens over the fixed deposits of the Group and of the Company.

notes to the financial statements

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21. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 each		Amount	
	2005 '000	2004 '000	2005 RM	2004 RM
Authorised				
At 1 January/31 December	1,000,000	1,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 January	206,930	206,850	20,693,000	20,685,000
Issued for cash	-	80	-	8,000
At 31 December	206,930	206,930	20,693,000	20,693,000

22. RETAINED PROFITS

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 profits without having to incur additional tax liability. In addition, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank payments of dividends of approximately RM375,000 (2004: RM219,000) as at balance sheet date.

23. EXCHANGE RESERVE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
The movement in the foreign exchange reserves are as follows:				
Balance at 1 January	(3,330)	1,647	(4,390)	-
Arising in the year	9,244	(4,977)	137	(4,390)
Balance at 31 December	5,914	(3,330)	(4,253)	(4,390)

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and branches.

24. 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;
- (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.

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24. EXECUTIVE SHARE OPTIONS SCHEME (cond't)

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

Grant Date	Exercise Price RM	At 1 January	Granted	During the year Exercised	Lapsed	At 31 December
2005						
20.10.2003	0.3300	3,840,000	-	-	(685,000)	3,155,000
26.12.2003	0.4563	3,940,000	-	-	(1,530,000)	2,410,000
06.06.2005	0.1515	-	10,830,000	-	(460,000)	10,370,000
		7,780,000	10,830,000	-	(2,675,000)	15,935,000
2004						
20.10.2003	0.3300	4,067,000	-	-	(227,000)	3,840,000
26.12.2003	0.4563	4,550,000	-	(80,000)	(530,000)	3,940,000
		8,617,000	-	(80,000)	(757,000)	7,780,000

Number of options vested:

	2005	2004
At 1 January	7,780,000	-
At 31 December	5,565,000	7,780,000

Details of share options exercised in the previous financial year and the fair value, at the exercise date, of ordinary shares issued are as follows:

Exercise Date	15 June 2004
Exercise Price	0.4563
Fair Value of Ordinary Shares	0.4900
Number of Share Options	80,000
Considerations Received	36,504
Less: Par value of ordinary shares	(8,000)
Share premium	28,504

notes to the financial statements

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25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash and bank balances (Note 17)	5,707,673	10,312,644	5,411,178	9,220,315
Short term borrowings (Note 20)	(8,025,306)	-	(8,025,306)	-
	(2,317,633)	10,312,644	(2,614,128)	9,220,315

26. DEFERRED TAXATION

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group

	Accelerated Capital Allowances RM	Development Costs RM	Total RM
At 1 January 2005	13,841	-	13,841
Recognised in income statement	(13,417)	95,119	81,702
At 1 December 2005	424	95,119	95,543
At 1 January 2004	8,262	-	8,262
Recognised in income statement	5,579	-	5,579
At 31 December 2004	13,841	-	13,841

notes to the financial statements

31 December 2005

26. DEFERRED TAXATION (cont'd)**Deferred Tax Assets of the Group**

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2005	(13,841)
Recognised in income statement	(81,702)
<hr/>	
At 1 December 2005	(95,543)
<hr/>	
At 1 January 2004	(8,262)
Recognised in income statement	(5,579)
<hr/>	
At 31 December 2004	(13,841)
<hr/>	

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2005	2004
	RM	RM
Unused tax losses	2,278,418	2,311,851
Unabsorbed capital allowances	280,600	272,004
<hr/>		
	2,559,018	2,583,855
<hr/>		

The deferred tax assets have not been recognised as the Group could not anticipate their realisation due to the subsidiaries having a recent history of losses.

notes to the financial statements

31 December 2005

27. COMMITMENTS**(a) Rental Commitments**

	Group/Company	
	2005	2004
	RM	RM
Future minimum rentals payable:		
Not later than 1 year	434,592	422,640
Later than 1 year not later than 5 years	560,352	188,023
	994,944	610,663

(b) Operating Lease Commitments

	Group/Company	
	2005	2004
	RM	RM
Future minimum rentals payable:		
Not later than 1 year	591,130	-
Later than 1 year not later than 5 years	167,100	-
	758,230	-

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2005	2004
	RM	RM
Sales to subsidiary company	6,706,141	-
Purchases from subsidiary companies	1,255,898	-
License fees payable to jointly controlled entity	294,000	-

The Directors are of the opinion that the previous year's transaction had been entered into in the normal course of business and established on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

notes to the financial statements

31 December 2005

29. SEGMENT INFORMATION

The Group operates predominantly in one business segment only and they operate in two principal geographical areas of the world as follows:

	Malaysia RM	Singapore RM	Other countries RM	Elimination RM	Consolidated RM
31 December 2005					
Revenue					
External sales	27,336,746	9,173,810	102,209	-	36,612,765
Inter-country sales	6,706,141	-	1,255,898	(7,962,039)	-
Total revenue	34,042,887	9,173,810	1,358,107	(7,962,039)	<u>36,612,765</u>
Results					
Profit/(loss) from operations	3,870,048	(56,774)	(388,374)	-	3,424,900
Finance costs	(233,151)	-	-	-	(233,151)
Share of result of jointly controlled entity	(64,663)	-	-	-	(64,663)
Taxation	(25,600)	-	-	-	(25,600)
Net profit for the year					<u>3,101,486</u>
Assets					
Segment assets	61,059,323	7,574,272	1,284,321	(20,361,951)	49,555,965
Investment in a jointly controlled entity	185,337	-	-	-	185,337
Unallocated corporate assets					<u>8,709,059</u>
Consolidated total assets					<u>58,450,361</u>
Liabilities					
Segment liabilities	12,914,312	8,441,077	287,459	(8,914,190)	<u>12,728,658</u>
Other Information					
Capital expenditure	81,635	1,483	400,401	-	483,519
Depreciation	730,540	2,924	35,272	-	<u>768,736</u>

notes to the financial statements

31 December 2005

29. SEGMENT INFORMATION (cond't)

	Malaysia RM	Singapore RM	Other countries RM	Elimination RM	Consolidated RM
31 December 2004					
Revenue					
External sales	31,726,006	5,598,856	-	-	<u>37,324,862</u>
Results					
Profit/(loss) from operations	7,116,644	(493,808)	(492,350)	-	6,130,486
Taxation	(80,412)	5,409	-	-	<u>(75,003)</u>
Net profit for the year					<u>6,055,483</u>
Assets					
Segment assets	48,043,221	2,812,194	458,470	(14,391,679)	36,922,206
Investment in a jointly controlled entity	250,000	-	-	-	250,000
Unallocated corporate assets					<u>8,709,059</u>
Consolidated total assets					<u>45,881,265</u>
Liabilities					
Segment liabilities	3,058,613	3,617,730	414,492	(3,820,543)	<u>3,270,292</u>
Other Information					
Capital expenditure	1,600,305	1,719	41,544	-	1,643,568
Depreciation	817,264	2,638	1,481	-	<u>821,383</u>

30. CONTINGENT LIABILITIES**(a) Performance guarantee**

	Group/Company	
	2005 RM	2004 RM
Performance guarantee extended to third party for subcontractor performance	<u>6,008,041</u>	<u>1,495,432</u>

notes to the financial statements

31 December 2005

30. CONTINGENT LIABILITIES *(cond't)***(b) Litigation**

On 21 September 2004, the Company commenced a civil suit in the Kuala Lumpur High Court against a local licensed bank ("the bank") for sums due and payable for work done and services rendered in connection with the provision of financial solutions services under several project agreements entered into with the Bank, for an amount in aggregate to a principal sum of RM2,273,065 together with interest.

On 2 November 2004, the Bank filed a Defence and Counterclaim against the Company claiming for return of the amount which had been paid by the Bank to the Company amounting to RM18,354,324.

On 12 November 2004, the Company filed a Reply and Defence to Counterclaim.

The Company had attended court for pre-trial case management on 27 February 2006 and the Court has given a final case management date on 4 September 2006. The Company had been advised by its solicitors it has a legally sustainable defence to the counterclaim.

31. EVENT SUBSEQUENT TO BALANCE SHEET DATE

During the financial year, the Company received an offer of a RM5 million credit facility to finance a project undertaking. The credit facility is secured by the proceeds receivable from the project. The conditions precedent of the credit facility is only satisfied subsequent to balance sheet date.

32. 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.

(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 2005.

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.

32. FINANCIAL INSTRUMENTS (cond't)**(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	New Taiwan Dollar RM	United States Dollar RM	Thailand Baht RM	RM
At 31 December 2005:				
Trade receivables	-	12,169,778	1,349,640	13,519,418
Cash and bank balances	-	226,533	-	226,533
Trade payables	-	(739,280)	-	(739,280)
Other payables	-	(145,263)	-	(145,263)
At 31 December 2004:				
Trade receivables	-	11,099,488	940,777	12,040,265
Other receivables	4,968	-	-	4,968
Cash and bank balances	260,709	38,416	-	299,125
Trade payables	-	(938,600)	-	(938,600)

(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.

notes to the financial statements

31 December 2005

32. FINANCIAL INSTRUMENTS *(cont'd)***(e) Credit Risk**

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group management reporting policies.

As at the balance sheet date, the Group and the Company have no significant concentration of credit risk except for trade debts due from seven customers which represent approximately 81% and 86% of the Group's and of the Company's trade debts respectively.

(f) Fair Values

The carrying amounts of trade and other receivables, tax recoverable, amount due from/to contract customers, trade and other payables, short term borrowings and cash and bank balances 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 and related parties due principally to a lack of fixed repayment terms entered by the parties involved without incurring excessive costs.

It is also not practicable to estimate the fair value of unquoted redeemable convertible preference shares because of the lack of quoted market price and the inability to estimate fair value without incurring excessive costs.

analysis of shareholdings

as at 21 february 2006

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	: RM20,693,000 (206,930,000 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 - 99	1	50	0.00
100 - 999	28	10,800	0.01
1,000 - 4,999	608	1,299,950	0.63
5,000 - 10,000	494	3,662,500	1.77
10,001 - 100,000	363	12,295,500	5.94
100,001 - 1,000,000	59	19,483,400	9.42
Above 1,000,000	11	170,177,800	82.24
	1,564	206,930,000	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	28.89
OSK Capital Partners Sdn Bhd	46,838,600	22.63
Tan Suan Fong	24,579,620	11.88
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
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

as at 21 february 2006

E. Twenty (20) Largest Shareholders

No.	Name of Shareholders	No. of Shares	% of Shareholdings
1	CSE-Infotech Limited	59,789,000	28.89
2	OSK Capital Partners Sdn Bhd	46,838,600	22.63
3	Tan Suan Fong	24,579,620	11.88
4	Yee Kok Ang	14,374,690	6.95
5	Chin Chee Kin	13,590,440	6.57
6	Tan Teck Koon	4,439,750	2.15
7	HSBC Nominees (Tempatan) Sdn Bhd	3,177,800	1.54
8	Lum Chee Onn	1,800,000	0.87
9	Chia Hong Chang	1,640,100	0.79
10	Yong Keong Tuck	1,419,800	0.69
11	Lim Su Tong @ Lim Chee Tong	1,315,000	0.64
12	Lee Eng Sia	1,210,800	0.59
13	Lau Wai Fong	1,010,000	0.49
14	Ho Sin Kheong	1,000,000	0.48
15	Kenanga Nominees (Tempatan) Sdn Bhd	829,000	0.40
16	Ke-Zan Nominees (Asing) Sdn Bhd	800,000	0.39
17	Loh Lai Foong	780,000	0.38
18	Affin Nominees (Tempatan) Sdn Bhd	713,200	0.34
19	Mayban Nominees (Tempatan) Sdn Bhd	501,800	0.24
20	Leong Kam Chee	500,000	0.24
	Total	180,309,600	87.15

PROXY FORM

eBworx Berhad (521609-T)

(Incorporated in Malaysia)

Number Of Shares Held

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

of _____
(FULL ADDRESS)

a member/members of **EBWORX 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 Fifth Annual General Meeting of the Company to be held at **Nakhoda 2 & 3, Level 3, Hotel Armada Petaling Jaya, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 24 April 2006 at 10.00 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.		
	Re-election of the following Directors:-		
2.	(i) Mr. Yap Yuh Foh		
3.	(ii) Mr. Ho Sin Kheong		
4.	Approval of Directors' Fees.		
5.	Re-appointment of Messrs Ernst & Young as Auditors.		
6.	Special Business 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 _____ 2006

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.

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Affix
Stamp

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

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