
9. SUMMARY OF THE FIVE YEAR BUSINESS PLAN

It is the mission of CWS to be the global provider of choice for CMMS and scheduling solutions. To achieve this goal, the Company has formulated a 5-year business plan which is summarised below:

9.1 PRODUCT DEVELOPMENT

1. Existing CMMS products have been customised to meet the needs of hospitals, automotive manufacturing plants, chemical processing plants and other general office facilities. Efforts will be made to enhance the said customised products to provide for the rapid changing working environment and processes of the client as well as to cater for other targeted markets such as property management, healthcare maintenance, oil and gas industries, IT industries and fleet maintenance. Such products will allow the Company to focus not only on the general market but also on niche markets where specific applications are required.
2. To further enhance its products, the Company has been working on integrating *CWorks* with hardware technologies such as mobile devices, RFID, bar code and SCADA systems. Such integration work will greatly boost field work capability and at the same time keep *CWorks* level of technology ahead of the market.
3. To develop localised products for different language and geographical markets such as the Spanish, Mandarin and Bahasa Malaysia speaking markets to enable better product penetration into these markets and facilitate the Company's effort to position itself as a global CMMS provider of choice.
4. To develop software applications for planning and scheduling which minimises human intervention in the system such as a automated planning and scheduling system. This system is expected to be well-received as systems in the market generally provide user with forecasts of user defined plans but do not make decisions.
5. To develop new products based around the Company's proprietary DSA, such as a crew/staff management system and fleet management system.
6. The Company intends to collaborate with other software and hardware developers to enhance and develop new applications. The Company believes that such collaboration is necessary especially if the Company's CMMS products need to be customised to meet specific industry's requirements.

9.2 MARKETING PLAN

The Company plans for all *CWorks* basic solutions to be installable by users with little or no support from the Company. The Company plans to continue this strategy to increase sales through the internet and distributors/resellers. CWS's website www.cworks.com.my has gained prominence through search engines such as *Google* and *Yahoo* through search engine optimisations and cost per click strategies. The efficiency of its internet marketing has resulted in *CWorks* being purchased by users from over 35 countries including USA, United Kingdom, Canada, South Africa, Taiwan, Ireland, Saudi Arabia and United Arab Emirates. The Company will also continue to explore appointment of credible distributors/resellers for the different markets around the world. These two channels will allow the Company to increase sales without being constrained by the need to hire more in-house installation personnel or marketing staff.

9. SUMMARY OF THE FIVE YEAR BUSINESS PLAN (Cont'd)

CWS intends to create new markets and to develop various business channels through 'implementation and support' partners globally as well as partnering with other product developers for joint development of new products. CWS believes that regular participation in local and foreign trade expositions, particularly those focused on the maintenance industry is important to increase market presence and visibility. The Company will also try to create awareness of the benefits of implementing CMMS as opposed to the traditional manual maintenance systems through advertisements and advertorials in the media, trade publications, trade association publications and directory listings.

In order to increase customer interfacing, the Company plans to introduce a contact centre, enabling online implementation and support. This contact centre will not only provide support globally for its products but will also act as the management centre for *CWorks ONLINE*. The contact centre would be a revenue generator, being responsible for CMMS implementation and help desk support functionalities.

In addition, the Company's *CWorks PRO* is currently being used as course materials at 2 of the local universities. The Company believes that by exposing its products to such students who are potential maintenance practitioners, not only raises the profile of the Company and its brand but would likely to contribute to future revenue.

9.3 HUMAN RESOURCE DEVELOPMENT

CWS recognises that the continued growth of CWS will depend on its abilities and continued efforts to hire, train, motivate and retain qualified and competent professionals. A human resource development plan has been formulated to achieve these objectives which are summarised as follows:

1. Employing experienced marketing and R&D personnel to increase its market reach and shorten product development cycles;
2. To maintain a high level of competency and further improvement by investing in staff training and development activities; and
3. To provide staff with proper and adequate working tools such as hardware and software and training in a conducive working environment.

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10. INFORMATION ON THE COMPANY

10.1 HISTORY AND BACKGROUND

CWS was incorporated on 1 August 2001 under the name of Clueword DotCom Sdn Bhd as a private company limited by shares under the Companies Act. It subsequently changed its name to CWorks Systems Sdn Bhd on 25 June 2004 and was subsequently converted to a public company on 13 August 2004 under its present name.

As at 5 April 2005, the authorised share capital of CWS is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each. Its issued and paid-up share capital as at 5 April 2005 is RM3,708,060 comprising 37,080,600 shares of RM0.10 each credited as fully paid-up.

The principal activities of CWS are the provision of CMMS software and complementary IT-related services such as support services, systems integration and training.

The Company has developed a range of CMMS software under the brand *CWorks* including *CWorks PRO / SRM*, *CWorks FREE*, *CWorks SQL*, *CWorks ONLINE* and *CWorks PLUS*. *CWorks* was developed mainly for work order management, planned maintenance scheduling and inventory management. Key elements of its foundation systems are work order backlog controls, effective preventive maintenance scheduling, controlled inventory with availability and efficient manpower utilisation. It is effectively a planning, control and information system for efficient maintenance department operations.

Since commercial roll-out of its products in 2002, the Company's CMMS has been sold to users from more than 35 countries including USA, United Kingdom, Canada, South Africa, Taiwan, Ireland, Saudi Arabia and United Arab Emirates. Locally, CWS has enjoyed commercial success with installations at prominent sites such as manufacturing facilities owned by Perusahaan Otomobil Nasional Berhad, Colgate-Palmolive (M) Sdn Bhd, the Senai Airport, Hospital Sungai Buloh, Universiti Teknologi Malaysia, Universiti Utara Malaysia and several sites at Putrajaya.

CWorks PRO is also being used as course material at Universiti Teknologi MARA in its Master of Science in Facility Management program and at Universiti Kuala Lumpur in its Bachelor of Science in Engineering Business Management program.

On 5 March 2003, CWS was accorded MSC status. CWS was also awarded pioneer status by MITI for a period of five (5) years commencing 11 March 2003.

CWS does not have any subsidiary or associate companies.

10.2 CHANGES IN SHARE CAPITAL

As at 5 April 2005, the authorised share capital of CWS is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each. Its issued and paid-up share capital as at 5 April 2005 is RM3,708,060 comprising 37,080,600 shares of RM0.10 each credited as fully paid-up. Upon completion of the New Issue, the enlarged issued and paid-up share capital of CWS will be increased to RM5,000,060 comprising 50,000,600 ordinary shares of RM0.10 each credited as fully paid-up.

10. INFORMATION ON THE COMPANY (Cont'd)

The changes in the issued and paid-up share capital of CWS since its incorporation are set out below:

Date of allotment	No of ordinary shares allotted	Par Value (RM)	Consideration	Resultant Issued and paid-up share capital (cumulative) (RM)
1 August 2001	3	1.00	Subscriber shares	3
18 July 2002	71,000	1.00	Cash	71,003
15 October 2002	28,997	1.00	Cash	100,000
5 August 2004	1,000,000	0.10	Subdivision of par value from RM1.00 to RM0.10	100,000
5 August 2004	1,200,000	0.10	Cash	220,000
25 March 2005	10,160,200	0.10	Bonus Issue	1,236,020
5 April 2005	24,720,400	0.10	Rights Issue	3,708,060

10.3 LISTING EXERCISE

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the MESDAQ Market, the Company undertook a restructuring exercise which was approved by the SC on 20 January 2005 and 15 April 2005 and Bursa Securities on 24 January 2005. The SC also vide its letter dated 23 March 2005 approved the Rights Issue. The restructuring exercise involved the following steps:-

(i) Bonus Issue

A bonus issue of 10,160,200 new CWS Shares credited as fully paid-up on the basis of approximately 4.6 CWS Shares for every 1 CWS Share held on 25 March 2005.

The Bonus Issue was effected through the capitalisation of RM1,016,020 from the audited retained earnings of the Company as at 31 December 2004. All new shares issued pursuant to the Bonus Issue rank pari passu in all respects with the then existing CWS Shares.

Pursuant to the Bonus Issue, the issued and paid-up share capital of CWS increased from RM220,000 comprising 2,200,000 CWS Shares to RM1,236,020 comprising 12,360,200 CWS Shares. The Bonus Issue was completed on 25 March 2005 .

(ii) Rights Issue

Upon completion of the Bonus Issue, the Company implemented a rights issue of 24,720,400 new CWS Shares credited as fully paid-up at par payable in cash per share to the shareholders of CWS on the basis of 2 new CWS Shares for every 1 CWS Share held after the Bonus Issue.

All new shares issued pursuant to the Rights Issue rank pari passu in all respects with the then existing CWS Shares.

10. INFORMATION ON THE COMPANY (Cont'd)

Pursuant to the Rights Issue, the issued and paid-up share capital of CWS increased from RM1,236,020 comprising 12,360,200 CWS Shares to RM3,708,060 comprising 37,080,600 CWS Shares. The Rights Issue was completed on 5 April 2005.

(iii) New Issue

CWS will issue 12,920,000 new CWS Shares at an issue price of RM0.67 per share to pre-identified placees (institution and/or individual investors) by way of private placement, subject to the terms and conditions of this Prospectus.

Upon completion of the New Issue, the issued and paid-up share capital of CWS will increase from RM3,708,060 comprising 37,080,600 CWS Shares to RM5,000,060 comprising 50,000,600 CWS Shares credited as fully paid-up.

The New Issue represents 25.84% of the eventual enlarged issued and paid-up share capital of CWS.

(iv) Listing and quotation on the MESDAQ Market

Upon completion of the New Issue, the entire issued and paid-up share capital of CWS of RM5,000,060 comprising 50,000,600 ordinary shares of RM0.10 each credited as fully paid-up will be listed on the MESDAQ Market.

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10. INFORMATION ON THE COMPANY (Cont'd)

10.4 APPROVALS AND CONDITIONS

10.4.1 Conditions on approvals

The proposals was approved by the SC on 20 January 2005 and 15 April 2005 and Bursa Securities on 24 January 2005. The conditions imposed by the SC and Bursa Securities and the status of compliance is set out as follows:

Authority	Details of conditions imposed	Status of compliance
SC	CWS is required to disclose the status of the utilisation of proceeds from the New Issue in the Company's quarterly results and annual report until the proceeds are fully utilised	The Board has undertaken to comply with this condition
Bursa Securities	<p>(i) The proposed rights issue is to be priced at the Issue Price or be excluded from the Listing Exercise. The SC had vide its letter dated 23 March 2005 approved that the Rights Issue to be implemented at the issue price of RM0.10 each subject to 51% of the shares held by the Promoters be placed under moratorium for a period of 1 year from the date of Listing. Thereafter, the promoters may sell, transfer or dispose of up to a maximum of one-third of their respective shareholdings per annum on a straight line basis of their respective shareholdings under moratorium.</p> <p>(ii) CWS to make detailed disclosure in the prospectus the following:</p> <ul style="list-style-type: none"> • The risk associated to the highly competitive market and mitigating factors/actions taken or to be taken by the Company; • Impact on the Company's future financial performance in the event that the Company fails to secure future contracts; • Efforts made to increase its customer base; and • All new secured contracts as at the most applicable date; <p>(iii) CWS and Avenue to provide confirmation that the members of the audit committee comply with the Listing Requirements;</p>	<p>The Promoters have undertaken to comply with this condition. Please refer to Section 10.5 for further information</p> <p>Incorporated in Section 5.13 of this Prospectus</p> <p>Incorporated in Section 5.14 of this Prospectus</p> <p>Incorporated in Section 7.8 of this Prospectus</p> <p>Incorporated in Section 7.16 of this Prospectus</p> <p>CWS and Avenue had on 10 March 2005 provided the necessary confirmations</p>

10. INFORMATION ON THE COMPANY (Cont'd)

Authority	Details of conditions imposed	Status of compliance
	(iv) CWS to inform Bursa Securities on the appointment of independent directors and to provide confirmation that they qualify as independent directors as defined in the Listing Requirements; and	CWS had on 10 March 2005 informed Bursa Securities of the appointment of Chia Gek Liang as the independent director and provided the necessary confirmations
	(v) CWS to include a negative statement in its prospectus on the exclusion of profit forecast and projections from the prospectus and the reasons thereof.	Incorporated in Section 3.5.3 of this Prospectus.

10.4.2 MSC and pioneer status

(i) MSC Status

CWS obtained its MSC status on 5 March 2003. Having qualified for MSC status, CWS is expected to operate according to the following conditions to maintain this status:-

Conditions	Status of compliance
(a) Commence operations of and undertake the MSC-Qualifying Activities within six (6) months from the date of approval with any proposed changes being first consented to by MDC;	Complied
(b) Locate the implementation and operation of the MSC-Qualifying Activities in Cybercities such as Cyberjaya, Technology Park, UPM-MTDC and UPM-MTDC Incubation Centre I within six months from the date of the approval;	Complied
(c) Ensure that at all times at least 15% of the total number of employees (excluding support staff) of the Company shall be "knowledge workers" (as defined by MDC);	Complied
(d) Continuously comply with the MSC's environmental guidelines;	Complied
(e) Submit to MDC a copy of the Company's Annual Report and Audited Statements in parallel with submission to the Companies Commission of Malaysia; and	Complied
(f) Comply with all such statutory, regulatory and/or licensing requirements as may be applicable.	Complied

10. INFORMATION ON THE COMPANY (Cont'd)

A MSC status company is required to comply with the processes and procedures imposed by MDC to ensure compliance with the conditions attached to the grant of MSC status, evaluating and assessing its progress and assurances as contained in its application documents submitted to the MDC (including its business development plan) and subsequent update documents. Failure to comply with these monitoring processes and procedures may result in the MSC status being withdrawn.

(ii) Pioneer Status

CWS was granted pioneer status by MITI on 11 March 2003. Pursuant to this, CWS enjoys certain financial incentives accorded to it under Section 4A of the Promotion of Investments Act 1986, which is intended to promote the development of activities which are deemed to be of national and strategic importance to Malaysia. In particular, CWS is entitled to 100% income tax exemption on profits generated from its MSC-qualifying activities for a period of 5 years commencing on 11 March 2003. This period of 5 years may be renewable upon formal application to the MDC before 10 March 2008 and subject to MDC's confirmation that the company has complied with all the conditions for MSC status.

The grant of any such extension is at the discretion of MITI, with the concurrence of the Minister of Finance. However, the Directors are not aware of any reasons why such an extension of pioneer status would not be granted in the event that the application is made assuming that all conditions for MSC status have been complied with.

It should also be noted that pursuant to the Promotion of Investments Act 1986 the maximum period for pioneer status is 10 years. Accordingly based on current laws and regulations, no further extensions would be possible for CWS's pioneer status beyond 10 March 2013.

10.5 MORATORIUM ON DISPOSAL OF PROMOTERS' SHARES

In compliance with the Listing Requirements and the condition imposed by the SC via its letter dated 23 March 2005, the following Promoters have given their irrevocable undertakings that 25,500,306 CWS Shares representing 51% of the issued and paid-up share capital of CWS after the New Issue and any interest in such shares will not be sold, transferred or otherwise disposed of for 1 year from the date of the Listing:

Promoters	No of CWS Shares held after New Issue		No of CWS Shares under moratorium	
	Direct	%	Direct	%
Abdul Rani Bin Achmed Abdullah	20,765,136	41.53	18,885,126	37.76
Azhan Bin Azmi	1,653,795	3.31	1,653,795	3.31
Padman Prabhakaran	1,653,795	3.31	1,653,795	3.31
Abd Malik Bin Mohd Din	1,653,795	3.31	1,653,795	3.31
Suzanna Binti Abdul Hamid	1,653,795	3.31	1,653,795	3.31
	27,380,316	54.77	25,500,306	51.00

10. INFORMATION ON THE COMPANY (Cont'd)

The moratorium has been fully accepted by the Promoters. They are permitted to sell, transfer or assign their shares in CWS subject to a maximum of one third per annum, on a straight line basis, of their respective shareholdings in the Company on which the moratorium on disposal has been imposed, as set out above.

The restriction is specifically endorsed on the share certificates of CWS representing the shareholdings of the aforesaid shareholders on which the moratorium on disposal has been imposed to ensure that Bursa Depository will not register any transfer which is not in compliance with the aforesaid restriction.

10.6 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS**10.6.1 Related party transactions**

- (i) None of the Directors and/or substantial shareholders and/or person(s) connected with them has any interest, direct or indirect, in the promotion of, or in any material assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or disposed of by or leased to the Company or to be acquired or disposed of by or leased to the Company;
- (ii) None of the Directors and substantial shareholders and/or persons connected to them and the Company's key management personnel has any interest in any subsisting or proposed transaction, contract or arrangement which is significant in relation to the business of the Company at the date of this Prospectus;
- (iii) There have been no unusual transactions in their nature or conditions involving goods, services, tangible or intangible assets, to which CWS was a party in respect of the past one (1) year and the subsequent financial period thereof, if any, immediately preceding the date of the Prospectus; and
- (iv) There are no loans (including guarantees of any kind) made by the Company to or for the benefit of related parties.

10.6.2 Conflict of interest

- (i) Save as disclosed below, there is no conflict of interest between the Company and its Adviser, Sponsor, Auditors, Reporting Accountants, Solicitors and Synovate:

- (a) On 1 April 2005 Avenue entered into an agreement with CWS for the placement of 12,920,000 of the New Issue Shares, for a placement and management fee of up to 3% of the Issue Price;

On 1 April 2005 Avenue entered into an Underwriting Agreement with CWS for the underwriting of 1,000,000 CWS Shares pursuant to the New Issue for an underwriting commission of 2% of the Issue Price.

On 1 April 2005 Avenue entered into a Sponsorship Agreement with CWS appointing Avenue as Sponsor of CWS from the date of the agreement, until one (1) year from the date of the Company's listing for a consideration of RM30,000.

Notwithstanding the above, Avenue believes there is no issue of conflict of interest in respect of its role as Adviser/Sponsor/Placement Agent/Underwriter in the Listing.

10. INFORMATION ON THE COMPANY (Cont'd)

- (b) Bahari & Bahari believes there is no issue of conflict of interest in respect of its role as Due Diligence Solicitors for the IPO in the Listing.
 - (c) Tan Chin Huat & Co believes there is no issue of conflict of interest in respect of its role as Auditors and Reporting Accountants in the Listing.
 - (d) Synovate believes there is no issue of conflict of interest in respect of its role as the expert whose report have been referred to in this Prospectus.
- (ii) None of the Directors, Promoters, substantial shareholders and key management personnel of the Company has any interest, direct or indirect, in any business carrying on a similar trade as that of the Company.

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11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

TAN CHIN HUAT & CO.

AF 1395
Chartered Accountants (M)

No: 232 2nd Floor Block A Damansara Intan

No: 1 Jalan SS 20/27 47400 Petaling Jaya

Tel: 03-77268992

Fax: 03-77284992

ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

Date: **12 APR 2005**

The Board of Directors
CWorks Systems Berhad
(Formerly known as Clueword DotCom Sdn. Bhd.)
No. 23-1 Jalan Sri Hartamas 7
Sri Hartamas
50480 Kuala Lumpur

Dear Sirs;

1. INTRODUCTION

This report has been prepared by Tan Chin Huat & Co, an approved company auditor, for inclusion in the Prospectus of CWorks Systems Berhad (hereinafter referred to as "CWS" or "the Company") to be dated 19 April 2005 in connection with the issue of 12,920,000 new ordinary shares of RM0.10 each in CWS at an issue price of RM0.67 per ordinary share ("New Issue") and the listing of and quotation for the entire enlarged issued and paid-up share capital of 50,000,600 ordinary shares of RM0.10 each of CWS on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

2. GENERAL INFORMATION

2.1 INCORPORATION

CWS was incorporated on 1 August 2001 in Malaysia under the name of Clueword DotCom Sdn. Bhd. as a private company limited by shares under the Companies Act, 1965. It subsequently changed its name to CWorks Systems Sdn. Bhd on 25 June 2004 and was subsequently converted to a public company on 13 August 2004 under its present name.

On 5 March 2003, CWS was granted Multimedia Super Corridor ("MSC") status from the Multimedia Development Corporation Sdn. Bhd. for development and provision of CWorks computerised maintenance management system ("CMMS") and its related support services. With MSC status, CWS is granted pioneer status under the Promotion of Investments (Amendment) Act, 1986 for a period of 5 years commencing on 11 March 2003.

The principal activities of CWS are the provision of CMMS and other information technology services such as systems integration, support services and training.

CWS does not have any subsidiaries or associates.

11. ACCOUNTANTS' REPORT (Cont'd)**2.2 SHARE CAPITAL**

At the date of incorporation, the Company's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and on 5 August, 2004, the authorised share capital was subdivided into 1,000,000 ordinary shares of RM0.10 each and on the even date, the authorised share capital was increased to RM500,000 comprising 5,000,000 ordinary shares of RM0.10 each. On 25 March 2005, the authorised share capital was further increased from RM500,000 to RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each.

The present issued and paid-up share capital of the Company is RM3,708,060 comprising 37,080,600 ordinary shares of RM0.10 each. Upon completion of the New Issue, the issued and paid-up capital of CWS will increase to RM5,000,060 comprising 50,000,600 ordinary shares of RM0.10 each.

The changes in the Company's issued and fully paid-up capital since its incorporation are as follows:-

Date of allotment	No of shares	Par value (RM)	Consideration	Resultant Issued and Paid-up Share Capital (cumulative) (RM)
01.08.01	3	1.00	Cash Subscribers' shares	3
18.07.02	71,000	1.00	Cash	71,003
15.10.02	28,997	1.00	Cash	100,000
05.08.04	1,000,000	0.10	Sub-division from RM1.00 to RM0.10	100,000
05.08.04	1,200,000	0.10	Cash	220,000
25.03.05	10,160,200	0.10	Bonus Issue	1,236,020
05.04.05	24,720,400	0.10	Rights Issue	3,708,060

2.3 INITIAL PUBLIC OFFERING ("IPO")

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of CWS, the Company undertook an IPO which was approved by the Securities Commission ("SC") on 20 January 2005 and 15 April 2005 and Bursa Securities on 24 January 2005. The SC also vide its letter dated 23 March 2005 approved the Rights Issue (as defined herein).

The IPO involved the following :-

- (a) Bonus Issue of 10,160,200 new ordinary shares of RM0.10 each credited as fully paid-up in CWS to the shareholders of CWS on the basis of approximately 4.6 new CWS shares for every one (1) CWS share held through the capitalisation of RM1,016,020 from the audited unappropriated profit of the Company, effected on 25 March 2005 ("Bonus Issue");
- (b) Rights Issue of 24,720,400 new CWS shares credited as fully paid-up per share at par to the shareholders of CWS on the basis of two (2) new CWS shares for every one (1) CWS share held after the Bonus Issue, effected on 5 April 2005 ("Rights Issue");



11. ACCOUNTANTS' REPORT (Cont'd)

- (c) New Issue of 12,920,000 new ordinary shares of RM0.10 each at an issue price of RM0.67 per share ("New Issue"); and
- (d) Listing of and quotation for CWS's entire enlarged issued and paid-up share capital comprising 50,000,600 CWS shares upon completion of the New Issue, on the MESDAQ Market of Bursa Securities ("Listing").

The Bonus Issue, Rights Issue, New Issue and Listing are collectively known as "Listing Exercise".

There is only one (1) class of shares in CWS, being ordinary shares of RM0.10 each, all of which rank pari passu with one another. The New Issue of Shares shall upon issue and allotment rank pari passu in all respect with one another and the other existing issued and fully paid-up CWS Shares including voting rights and shall be entitled to all rights and dividends and other distributions the entitlement date of which is subsequent to the date of allotment of the New Issue Shares.

3. ACCOUNTING POLICIES AND STANDARDS

This report is based on the audited financial statements which have been prepared in accordance with applicable approved accounting standards in Malaysia and is presented on a basis consistent with accounting policies normally adopted by CWS.

4. FINANCIAL STATEMENTS AND AUDITORS

The financial statements for the relevant period/years under review have been audited and reported without any qualification. We have acted as the auditors of CWS for the financial years ended 31 December 2003 and 31 December 2004. The financial statements of CWS for the financial period 1 August 2001 (date of incorporation) to 31 December 2002 were audited by another firm of auditors.

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11. ACCOUNTANTS' REPORT (Cont'd)

5. SUMMARISED INCOME STATEMENTS

We set out below the results of CWS from the date of incorporation (1 August 2001) to 31 December 2002, for the years ended 31 December 2003 and 31 December 2004. The results are to be read in conjunction with the notes thereto.

	Period from 1 August 2001 to <----Financial year ended----> 31 December 2002 31 December 2003 31 December 2004		
	RM	RM	RM
Turnover	260,651	808,747	1,847,027
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(120,519)	383,640	1,351,554
Less:			
Interest expense	-	-	-
Depreciation	(5,727)	(10,609)	(15,225)
Amortisation	-	(44,307)	(44,307)
Profit/(loss) before taxation	(126,246)	328,724	1,292,022
Less: Income tax expense	-	-	-
Profit/(loss) after taxation	(126,246)	328,724	1,292,022
Weighted average number of ordinary shares of RM0.10 each in issue	272,590	1,000,000	1,488,525
Gross earnings/(loss) per share based on weighted average number of shares in issue (RM)	(0.46)	0.33	0.87
Net earnings/(loss) per share based on weighted average number of shares in issue (RM)	(0.46)	0.33	0.87
Dividend (%)	-	-	-

Notes:

The gross earnings/(loss) per share and the net earnings/(loss) per share for the respective financial period/years under review have been calculated based on the profit/(loss) before taxation and profit/(loss) after taxation respectively, divided by the weighted average number of ordinary shares of RM0.10 each in issue for the respective financial period/years. The par value of the ordinary shares in issue during the respective financial period/years of RM1.00 each have been sub-divided into ordinary shares of RM0.10 each to facilitate comparison since CWS has on 5 August 2004 sub-divided its ordinary shares of RM1.00 each into ten (10) ordinary shares of RM0.10 each. This basis of calculation will apply to gross/net profit/(loss) per share calculation for the rest of the report.

There were no extraordinary items or exceptional items in respect of all the financial period/years under review.



11. ACCOUNTANTS' REPORT (Cont'd)

The results of CWS have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements.

6. SUMMARISED BALANCE SHEETS

We set out below the summarised balance sheets of CWS for the relevant financial period/years under review:-

	<-----As of 31 December----->		
	2002 RM	2003 RM	2004 RM
Property, plant and equipment	19,217	36,710	109,815
Development costs	-	177,229	447,230
<u>Current Assets</u>			
Trade receivables	80,816	311,411	916,156
Other receivables and prepaid expenses	6,900	7,073	228,452
Cash and bank balances	10,723	12,851	42,103
	<u>98,439</u>	<u>331,335</u>	<u>1,186,711</u>
<u>Less: Current Liabilities</u>			
Trade payables	22,200	8,000	-
Other payables and accrued expenses	3,100	66,431	25,491
Amount owing to a director	118,602	168,365	3,765
	<u>143,902</u>	<u>242,796</u>	<u>29,256</u>
Net Current Assets/(Liabilities)	(45,463)	88,539	1,157,455
	<u>(26,246)</u>	<u>302,478</u>	<u>1,714,500</u>
Represented by:			
Share capital	100,000	100,000	220,000
Unappropriated profit/(Accumulated loss)	(126,246)	202,478	1,494,500
	<u>(26,246)</u>	<u>302,478</u>	<u>1,714,500</u>
Net tangible assets (NTA) per share of RM0.10 each (RM)	<u>(0.03)</u>	<u>0.13</u>	<u>0.58</u>

Notes:

$$NTA \text{ per share} = \frac{\text{Total Assets} - \text{*Intangible Assets} - \text{Total Liabilities}}{\text{Number of Ordinary Shares}}$$

The basis for NTA calculation would apply to all NTA calculation for the rest of this report.

* Intangible assets consist of development costs.

7. DIVIDENDS

There were no dividends paid or declared by CWS during the financial period/years under review.



11. ACCOUNTANTS' REPORT (Cont'd)**8. PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The following is the Proforma statement of assets and liabilities of CWS based on the audited financial statements as of 31 December 2004 and should be read in conjunction with the notes set out in Section 9. The Proforma statement of assets and liabilities is provided for illustrative purposes only to show the effects of the Listing Exercise as detailed in Section 2.3 herein on the assumption that these transactions were completed as of 31 December 2004.

	Note	RM
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	9.4	1,209,815
INTANGIBLE ASSET		
Development costs	9.5	3,047,230
CURRENT ASSETS		
Trade receivables	9.6	916,156
Refundable deposits		1,100
Cash and bank balances		6,241,895
		<u>7,159,151</u>
Less:		
CURRENT LIABILITIES		
Other payables and accrued expenses	9.7	25,491
Amount owing to a director	9.8	3,765
		<u>29,256</u>
NET CURRENT ASSETS		7,129,895
		<u>11,386,940</u>
FINANCED BY:		
ISSUED SHARE CAPITAL	9.9	5,000,060
SHARE PREMIUM	9.10	5,908,400
UNAPPROPRIATED PROFIT		478,480
		<u>11,386,940</u>

9. NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES**9.1 BASIS OF PREPARATION OF THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The proforma statement of assets and liabilities of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

9.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Company are subject to a variety of financial risks, including foreign currency risk, market risk, credit risk, liquidity risk and cash flow risk. The Company has in place a financial risk management framework whose principal objective is to minimise the Company's exposure to risks and/or costs associated with the financing, investing and operating policies of the Company.



11. ACCOUNTANTS' REPORT (Cont'd)***Foreign currency risk***

The Company's foreign currency exposure arise mainly from sales denominated in foreign currency. Management believes that the Company's foreign currency risk is minimal and accordingly, no hedging is performed.

Market risk

The Company has in place policies to manage its competitive risks from its competitors in providing better alternatives in terms of better services.

Credit risk

The Company is exposed to credit risk mainly from trade receivables. The Company extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

Liquidity risk

The Company practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities.

Cash flow risk

The Company reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair values

The fair values of the financial assets and financial liabilities reported in the balance sheet as of 31 December 2004 approximate the carrying amounts of these assets and liabilities because of the immediate or short-term maturity of these financial instruments.

9.3 SIGNIFICANT ACCOUNTING POLICIES**a) Basis of Accounting**

The financial statements have been prepared under the historical cost convention.

b) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from goods sold and services are recognised when the goods are delivered and services are rendered. Revenue represents the invoiced value of goods sold net of discounts and allowances.

c) Foreign Currency Conversion

Transactions in foreign currencies are recorded in Ringgit Malaysia at the rates of exchange which approximate rates ruling at the dates of the transactions. Assets and liabilities in foreign currencies at the balance sheet date are reported in Ringgit Malaysia at rates ruling at that date. Exchange differences are dealt with through the income statement.



11. ACCOUNTANTS' REPORT (Cont'd)

The principal closing rate used in the translation of foreign currency amounts is as follow:

	RM
1 US Dollar	3.78

d) Property, Plant and Equipment

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

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset, and is recognised in the income statement.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised in the income statement whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount.

Depreciation of property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight-line basis over the expected useful lives of the property, plant and equipment concerned. The annual rates used are :-

	%
Computer	20
Office equipment, furniture & fittings	20
Air conditioner	20

e) Research and Development Costs

Research costs are recognised as an expense in the year in which they are incurred.

Expenditure on development is charged to the income statement in the year in which it is incurred except where a clearly-defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are recognised as an intangible asset and amortised on a straight-line basis over the life of the project from the date of commencement of commercial operations, which is on average five years.

f) Receivables

Trade receivables are stated at nominal values as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

g) Cash Flow Statement

The Company adopts the indirect method in the preparation of the cash flow statement.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.



11. ACCOUNTANTS' REPORT (Cont'd)**h) Deferred Taxation**

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between 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 only to the extent that is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

i) Provisions

Provisions are recognised when the Company has a present legal and constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

9.4 PROPERTY, PLANT AND EQUIPMENT

	<u>Computer</u> RM	Office Equipment, Furniture & <u>Fittings</u> RM	<u>Air</u> <u>Conditioner</u> RM	<u>Total</u> RM
Cost	1,210,630	27,281	1,794	1,239,705
Accumulated depreciation	16,645	12,168	1,077	29,890
Net book value as of 31 December 2004	<u>1,193,985</u>	<u>15,113</u>	<u>717</u>	<u>1,209,815</u>

9.5 DEVELOPMENT COSTS

	RM
At cost	3,135,844
Less:	
Cumulative amortisation	88,614
Net	<u>3,047,230</u>

9.6 TRADE RECEIVABLES

Trade receivables comprise amounts receivable for sales of goods and services rendered. The credit period granted ranges from 60 to 90 days.

9.7 OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:-

	RM
Other payables	9,753
Accrued expenses	15,738
	<u>25,491</u>



11. ACCOUNTANTS' REPORT (Cont'd)**9.8 AMOUNT OWING TO A DIRECTOR**

The amount owing to a director, which arose mainly from expenses paid on behalf and advances given, is unsecured, interest-free and bears no fixed terms of repayment.

9.9 SHARE CAPITAL

	RM
(a) Authorised: 250,000,000 ordinary shares of RM0.10 each	<u>25,000,000</u>
(b) Issued and fully paid: 50,000,600 ordinary shares of RM0.10 each	<u>5,000,060</u>

9.10 SHARE PREMIUM

	RM
Ordinary shares issued at a premium	7,364,400
Less: Estimated listing expenses	<u>(1,456,000)</u>
	<u>5,908,400</u>

9.11 PROFORMA NTA ASSETS COVER

Based on the proforma statement of assets and liabilities of CWS as of 31 December 2004, the proforma NTA cover per share is calculated as follows:-

The proforma NTA of the Company as of 31 December 2004 after the Bonus Issue, the Rights Issue, the New Issue and deducting estimated listing expenses of RM1,456,000 and development costs of RM2,600,000 (RM)

8,339,710

Number of ordinary shares of RM0.10 each in issue

50,000,600

The proforma NTA of the Company per share as of 31 December 2004 after the Bonus Issue, the Rights Issue, the New Issue and deducting estimated listing expenses of RM1,456,000 and development costs of RM2,600,000 (RM)

0.17

9.12 SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to 31 December 2004 and up to the date of this report, the Company undertook the following:-

- (a) As approved by the shareholders via Members' resolution dated 25 March 2005, the issued and paid-up share capital of the Company was increased from RM220,000 to RM1,236,020 by way of bonus issue of 10,160,200 new ordinary shares of RM0.10 each through capitalisation of RM1,016,020 from the unappropriated profit account on the basis of approximately 4.6 new CWS shares for every one (1) CWS share held; and
- (b) As approved by the shareholders via Members' resolution dated 5 April 2005, the issued and paid-up share capital of the Company was increased further from RM1,236,020 to RM3,708,060 by way of rights issue of 24,720,400 new CWS shares credited as fully paid-up per share at par to the shareholders of CWS on the basis of two (2) new CWS shares for every one (1) CWS share held.



11. ACCOUNTANTS' REPORT (Cont'd)

All new ordinary shares issued rank pari passu in all respect with the existing ordinary shares of CWS.

10. PROFORMA CASH FLOW STATEMENT

The Proforma cash flow statement for the financial year ended 31 December 2004 is provided for illustrative purposes only to show the effects of the Listing Exercise as detailed in Section 2.3 herein on the assumption that these transactions were completed as of 31 December 2004.

	RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	1,292,022
Adjustments for:-	
Amortisation of development costs	44,307
Depreciation of property, plant and equipment	15,225
Property, plant and equipment written off	2,689
Operating profit before working capital changes	<u>1,354,243</u>
Changes in working capital:	
Increase in trade receivables	(604,745)
Decrease in other receivables and prepaid expenses	5,973
Decrease in trade payables	(8,000)
Decrease in other payables and accrued expenses	(40,940)
Decrease in amount owing to a director	(164,600)
Cash generated from operations	<u>541,931</u>
Development cost incurred	(2,914,308)
Net Cash Used In Operating Activities	<u>(2,372,377)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(1,191,019)
Net Cash Used In Investing Activities	<u>(1,191,019)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of Shares	120,000
Proceeds from Rights Issue	2,472,040
Proceeds from New Issue	8,656,400
Payment of estimated listing expenses	(1,456,000)
Net Cash From Financing Activities	<u>9,792,440</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,229,044
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	12,851
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>6,241,895</u>



11. ACCOUNTANTS' REPORT (Cont'd)

NOTES TO PROFORMA CASH FLOW STATEMENT

(a) Cash and cash equivalents carried forward consist of:-

RM

Cash and bank balances

6,241,895

(b) Out of the total estimated listing expenses of RM1,456,000, RM227,352 was paid during the financial year ended 31 December 2004 and the balance of RM1,228,648 is assumed to be paid upon receipt of the proceeds from the New Issue.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2004 for CWS.

Yours faithfully



TAN CHIN HUAT & CO
Firm No: AF 1395
Chartered Accountants (M)



TAN CHIN HUAT
Approved No: 2037/6/06(J)
Proprietor

12. DIRECTORS' REPORT

(Prepared for the inclusion in this Prospectus)

CWORKS

CWORKS SYSTEMS BERHAD (554979-T) • Malaysia
(Formerly Known As Clueword Dotcom Sdn Bhd)

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The Shareholders
CWorks Systems Berhad

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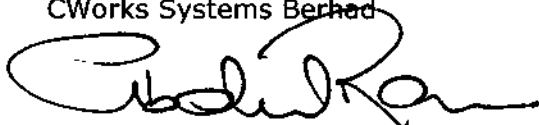
Dear Sir/ Madam

12 APR 2005

On behalf of the Board of Directors of CWorks Systems Berhad ("CWS"), after due enquiry I report that during the period from 31 December 2004 (being the date to which the last audited accounts of CWS have been made) up to the date herein (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):

- (i) the business of the Company, in the opinion of the Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Company which have adversely affected the trading or the value of the assets of the Company;
- (iii) the current assets of the Company appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company;
- (v) there have been, since the audited accounts of the company for the financial year ended 31 December 2004, no default or any known event that would give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and
- (vi) save as disclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Company since the audited accounts of the Company for the financial year ended 31 December 2004.

Yours faithfully
For and on behalf of the Board of Directors
CWorks Systems Berhad



Abdul Rani Achmed Abdullah
Chief Executive Officer