

ANNUAL REPORT

2003



AXIS SYSTEMS HOLDINGS LIMITED

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group

PROFILE

Axis Systems Holdings Limited ("the Company") and its subsidiary ("the Group" or "Axis Systems") is a leader in providing innovative banking solutions. The Group is a provider of online banking transaction delivery software systems for banks and financial institutions using the latest state-of-the-art technology framework. The subsidiary was founded in 1990 by a team of professionals from both the Computer Software and Financial Services industries.

Through strategic partnerships with global Information Technology providers, Axis Systems currently delivers banking solutions to more than 8 countries throughout the Asia Pacific. Axis Systems work with the best-of-breed technology in designing robust and integrated systems to meet the evolving needs of our customers.

Our experience on the implementation of software solution for financial services and the understanding of the industry trend has made us the leader in this field of business. Our solution, in terms of security requirement, functionality and features, has met the stringent specifications required by the financial services industry.

MISSION

“To be the leading banking solution provider specialising in electronic banking systems in the Asia Pacific region and the preferred solution provider to our strategic partners”

corporate information

BOARD OF DIRECTORS

Goh Peng Ooi
Non-Executive Chairman

Wong Chew Ming
Managing Director

Ong Kian Min
Independent Non-Executive Director

YBhg. Datuk Sulaiman bin Daud
Independent Non-Executive Director

YBhg. Tan Sri Dato' Dr. Lin See-Yan
Independent Non-Executive Director

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

MALAYSIA OFFICE

Lot 5.04, 5th Floor, Menara 1
Faber Towers, Jalan Desa Bahagia
Taman Desa
58100 Kuala Lumpur
Tel : (603) 7983 2288
Fax : (603) 7983 6555

JOINT COMPANY SECRETARIES

Tan Min-Li
Hoong Lai Ling

SHARE REGISTRAR

Bermuda

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Singapore

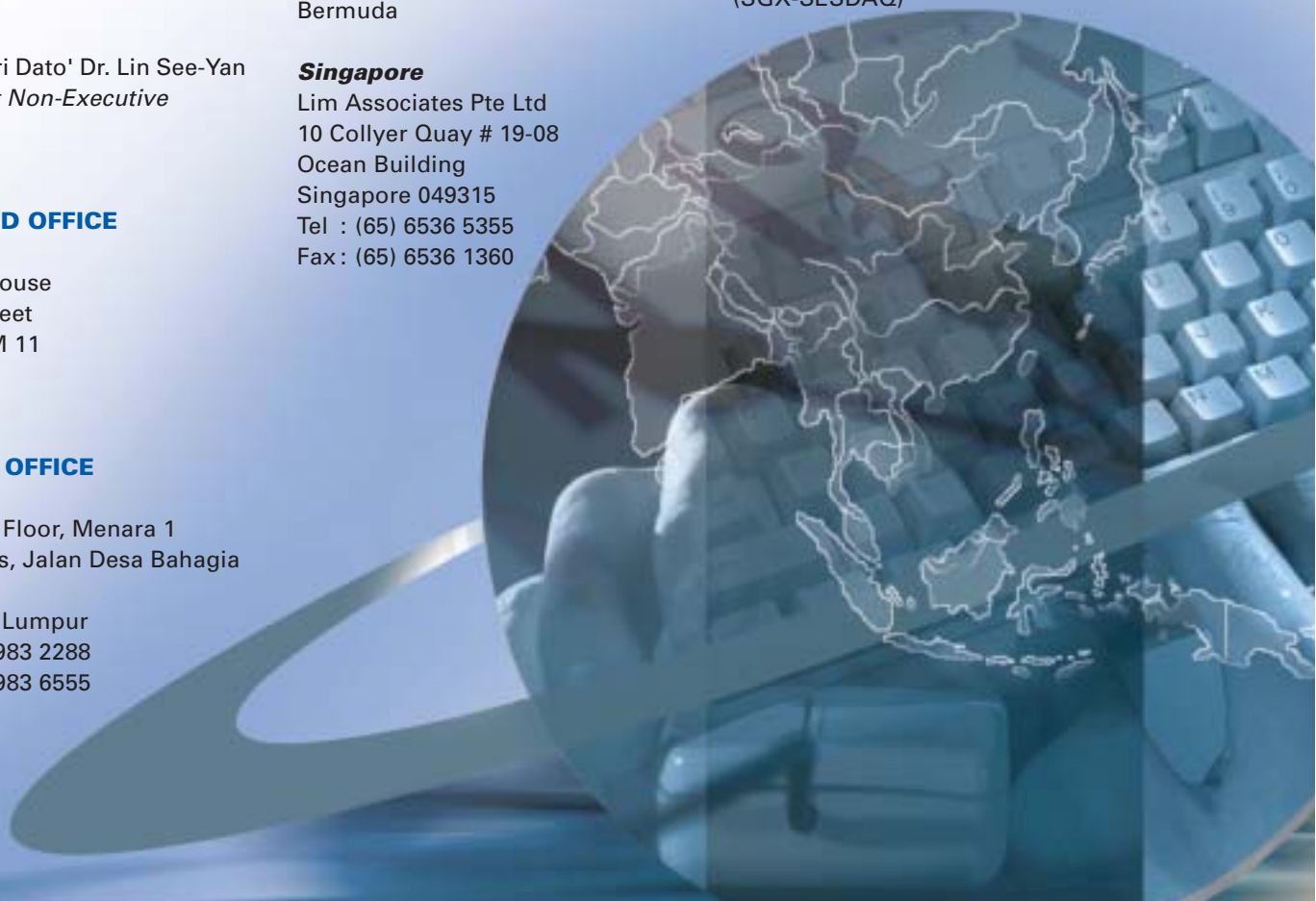
Lim Associates Pte Ltd
10 Collyer Quay # 19-08
Ocean Building
Singapore 049315
Tel : (65) 6536 5355
Fax : (65) 6536 1360

AUDITORS

PricewaterhouseCoopers,
Kuala Lumpur, Malaysia
Chartered Accountants
Audit Partner : Eric Ooi Lip Aun
Appointed on : 30 June 2003

STOCK EXCHANGE LISTING

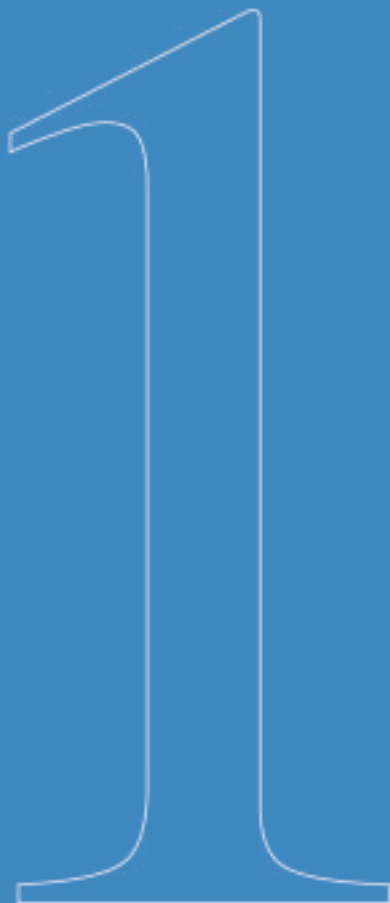
Singapore Exchange Securities
Trading Limited Dealing in
Automated Quotation System
(SGX-SESDAQ)





branch banking

SOLUTION



> **Axis Branch Delivery Systems [Axis BDS]**

Axis BDS is a front-end banking application which provides the bank with a platform to deliver its products and services to its customers.

> **Axis Signature Management Systems [Axis SMS]**

Axis SMS is a software solution which provides the bank with the means to capture, store and verify digitised image of signatures of the bank's customers.

> **Axis Bureau de Change System [Axis BdC]**

Axis BdC enables a bank to perform foreign currency and traveler's cheques transactions through its Bureau de Change counters.

> **Axis Software Deployment System [Axis SDS]**

Axis SDS is a software solution which is designed to distribute large data files, reports and application software in a speedy, reliable, secure and scheduled manner from its central office to the remote branches/offices within an IT network.

chairman's statement

DEAR SHAREHOLDERS,

The past year has been nothing short of challenging as the Iraq war and the Severe Accute Respiratory Syndrome (SARS) outbreak dampened corporate investment and economic growth in the region.

Despite the difficult business environment, Axis Systems has continued to deliver consistent growth. Our solid reputation and focus on a niche market - providing customised banking software solutions - continues to be the cornerstone of our success.

The company was listed in the SESDAQ Board of the Singapore Stock Exchange on 12th March, 2003. The company stock has been well received by the investment community, which reflects the confidence in the future of the company.

FINANCIAL HIGHLIGHTS

I am very pleased to announce robust growth in revenue and profits for the financial period ended June 30, 2003 (FY2003). Growing recognition of the Group's capabilities during FY2003 led to a 26% increase in turnover to RM24.4 million, up from RM19.3 million in the previous corresponding period.

Profit after tax registered an increase of 23% to RM16.0 million, from RM13.0 million in the previous corresponding period.

Earnings per share was RM0.06. Given the strong financial performance, the Board of Directors are pleased to declare a final dividend of Singapore cents 0.55 per ordinary share.

BUSINESS REVIEW

Geographically, our Thailand and Vietnam projects were the main contributors to the growth in turnover. Revenue from Thailand leapt more than eight-fold to RM5.4 million, accounting for 22.2% of total revenue due to the completion of a project and the commencement of another during FY2003. The Indonesian market remained a major source of revenue in FY2003, making up half of total revenue at RM12.2 million. We recently concluded the implementation

of our Axis Branch Delivery System for a major commercial Bank in Indonesia, which was rolled out over a period of 9 months to 680 branches. This experience gained in implementing such a large project will place us well when bidding for future work.

Besides Thailand, Vietnam and Indonesia, Malaysia also contributed significantly to Group turnover. Together, these four markets accounted for 92.7% of total turnover.

The Group also established a beachhead in the potentially lucrative People's Republic of China ("PRC") market by securing a contract, which is being finalised, with a City Commercial Bank to implement the Axis Branch Banking solution for its branches. This software solution will be implemented on the Linux open-source platform. One of the companies related to our ultimate holding company, Silverlake System Sdn Bhd ("Silverlake System"), is the main contractor and will offer its back-end integrated banking solution. Our success in concluding this contract with the bank was partly due to our experience in implementing similar software solution for a commercial bank in Malaysia.

Our key service offering remains in the supply of customised software solutions for banking and financial institutions. In FY2003, it accounted for 78.8% of the Group's revenue, and is expected to remain the core contributor to our revenue. Recurring income from software maintenance and enhancement

services increased from 16% to 21% due to the expiry of warranties of software projects during this period.

RESEARCH AND DEVELOPMENT

Recognising that development of cutting-edge software using the latest state of art technology is critical to our business, we continue to spend substantially on research and development activity.

AWARDS

As a testament to our abilities in providing software services regionally, we were selected as one of the 50 winners of the Enterprise 50 Award in 2002, an annual award programme organised by Accenture and the Small and Medium Industries Development Corporation (SMIDEC) of Malaysia. This is an endorsement of our sound management and financial performance and an acknowledgment of the achievements of Malaysia's home-grown companies.

PROSPECTS AND STRATEGY

Going forward, we are cautiously optimistic of our growth prospects.

We are excited about the prospects of further business opportunities in the PRC. Being one of the few software companies that have capabilities in developing and implementing Linux-based software solution and ability to implement large scale banking software projects, we are well positioned for growth in the PRC as the Chinese banks are in the process of revamping their front-end systems.

chairman's statement (continued)

As stated earlier, the contract with a PRC-based bank to provide our Branch Banking solutions heralds our foray into the PRC market. This landmark contract will enable us to build up a track record in the PRC and will pave the way for future business opportunities there.

In the ever competitive banking market, banks are looking into leveraging technology in order to gain sustainable competitive advantage. In this regard, we will continue to explore the development of new software products to meet the market need. In this regard, we have embarked in the development of mobile/wireless banking through the use of mobile phones to deliver banking transaction services.

Together with Silverlake System, we have embarked and laid ground works for our expansion in other

geographical region. We remain optimistic that our business will perform well in the coming year.

ACKNOWLEDGMENTS

On behalf of the Board of Directors, I wish to extend my appreciation to all the staff and the management team for their dedication, hard work and commitment. My thanks to all our shareholders, clients and business associates for their support and confidence shown to the company.

GOH PENG OOI

Chairman

6 October 2003



corporate desktop

BANKING

solution



> **Corporate Desktop Banking Solution [Axis CDB]**

Our Corporate Desktop Banking Solution is a real time on-line application solution that enables the corporate customers of a bank to perform various financial transactions such as cash management, funds transfers, payment transactions and remittances. Axis CDB caters to the demand of corporate customers to have a platform upon which banking transactions can be performed remotely from their premises with speed, convenience and security.

board of directors' profile

GOH PENG OOI is our non-executive Chairman. He is also our Non-Executive Director and was appointed on 23 August 2002. He is concurrently the Executive Chairman and Director of Silverlake System. Goh Peng Ooi founded the Silverlake Group in 1989 and has since built it to be an established provider of integrated banking system in the region. Today, the Silverlake Group has approximately one thousand employees with offices and customers located in 13 countries, extending beyond Malaysia into the Asia Pacific region. Among the many industry recognitions which Silverlake Group earned is the 'IBM Star Stream Award' in 1997. Prior to founding the Silverlake Group, Goh Peng Ooi worked with IBM Malaysia for eight years and held senior positions there, the last being the Sales Manager for Banking and Finance Industry. Goh Peng Ooi obtained his Bachelor of Engineering (Major in Electronics) at the University of Tokyo, Japan where he graduated in 1980.

WONG CHEW MING is our founder and Managing Director. He was appointed as a Director on 23 August 2002 subsequent to the incorporation of our Company. Mr Wong is responsible for the day-to-day management of our Group. Wong Chew Ming has more than 20 years of experience in the IT industry. He started his IT career as a Systems Analyst with Sime Darby Plantation, Malaysia in 1976. Wong Chew Ming formed Axis Systems as a joint venture company with strategic partners in 1990 to develop personal computer based front-end banking applications software. Today, the software has been implemented in many major banks in the region. Prior to founding our Group, he was working as the General Manager of Information Services Division for Bank Bumiputra Malaysia Berhad, where he was instrumental in implementing a nation-wide on-line real-time retail banking application for the bank. Wong Chew Ming holds a Diploma in Accounting and Finance from the Chartered Association of Certified Accountants, United Kingdom.

ONG KIAN MIN is our Independent Director and was appointed on 9 January 2003. Ong Kian Min is currently a Consultant with Drew & Napier LLC, a Singapore law firm. He was called to the Bar of England and Wales in 1988, and to the Singapore Bar the following year. He has been a practicing advocate and solicitor of the Supreme Court of Singapore since 1989. He is also an Independent Director and Chairman of the Audit Committee of a number of public companies listed on the SGX-ST. Ong Kian Min has also been a Member of Parliament since January 1997 and serves as Vice Chairman of the Government Parliamentary Committee (GPC) for Transport and as a member of the GPC for Finance, Trade and Industry. Ong Kian Min was awarded the President Scholarship and Singapore Police Force Scholarship in 1979. He holds a Bachelor of Laws (Honours) degree from the University of London in England and a Bachelor of Science (Honours) external degree from the Imperial College of Science & Technology in England.

YBHG. DATUK SULAIMAN BIN DAUD is our Independent Director and was appointed on 9 January 2003. Datuk began his career with Malaysian Tobacco Company Berhad, where he started as a Trainee Executive in 1968 and progressed to become the Deputy Chief Executive/Executive Director until 1992. He has also served as Technical Adviser to the National Tobacco Board and Chairman of the Confederation of Malaysian Tobacco Manufacturers. He is currently the Chairman of Bank Pertanian Malaysia Berhad and EPE Power Corporation Berhad. He also sits on the Board of Ho Hup Construction Company Berhad, Park May Berhad, Pharmaniaga Berhad and Malaysia Packaging Bhd. He is also the President of the Thalassaemia Association of Malaysia. He has a Diploma in Agriculture from Kolej Pertanian Malaya (now University Putra Malaysia) and a Masters of Business Administration from IMC, Buckingham. He has also attended the Stanford-INSEAD Advanced Management Programme at Fontainebleau, France.

YBHG. TAN SRI DATO' DR. LIN SEE-YAN is our Independent Director and was appointed on 9 January 2003. Tan Sri is currently the Chairman and CEO of LIN Associates Sdn. Bhd., an independent strategic and financial consultancy firm which he established in 1997. Prior to 1998, Tan Sri was the Chairman and CEO of Pacific Bank Berhad, a commercial bank in Malaysia. Prior to that appointment, he was the Deputy Governor of Bank Negara Malaysia, the central bank of Malaysia, for 14 years. Tan Sri is currently a member of the National Economic Action Council (NEAC) Working Group, Chairman of the Expert Group on Finance for Sustainable Development, UN Commission on Sustainable Development (New York), Pro-Chancellor of Universiti Sains Malaysia and Governor of the Asian Institute of Management in Manila. Tan Sri sits on the Board of a number of publicly listed companies in Malaysia and Singapore and is also Chairman of the Harvard University Graduate School Alumni Association Council in Cambridge (USA), Regional Director for Asia, Harvard Alumni Association and the President of the Harvard Club of Malaysia. Tan Sri is also a Professor of Economics (Adjunct) of Universiti Utara Malaysia and a member of the Eisenhower Fellowships' International Advisory Council in Philadelphia, USA. Tan Sri is a qualified chartered statistician. He holds a Bachelor of Arts in Economics, Statistics and Philosophy and a Bachelor of Arts (Hons) in Economics from the then University of Malaya in Singapore. He also holds 3 post-graduate degrees from the prestigious Harvard University (including a Ph.D. in Economics) where he was a Mason Fellow and Ford Scholar. Tan Sri is an Eisenhower Fellow and Fellow of the IMF Institute in Washington D.C, the Royal Statistical Society in London, the Malaysia Institute of Bankers, the Malaysia Insurance Institute, the Malaysian Institute of Management and the Malaysia Economic Association. He is also a Distinguished Fellow of the Institute of Strategic and International Studies in Malaysia.



wireless

BANKING

solution



> Axis Wireless Banking Solution [Axis WBS]

Axis Wireless banking solution is based on the Single bank-multi TELCO model in which it allows the bank to launch the service to all the customers regardless of the type of carrier and also type of handphone.

The solution includes registration, online transaction processing as well as batch program to handle alerts and other maintenance. The Axis WBS uses the state-of-the-art GSM technology and it is expandable to other technology such as GPRS and 3G.

profile of key management staff

PHANG CHEE LEONG is our General Manager. Phang Chee Leong manages the daily operations as well as the marketing and sales activities of our Group. He also oversees product development and supervises the training & development teams. Phang Chee Leong has been with our Group since 1991. Prior to his current appointment, he was our Business Manager from 1995 to 1999. From 1991 to 1994, he was our Technical Manager. Phang Chee Leong holds a Bachelor of Science from the University of Western Ontario in Canada.

SIEW KEN HUN is our Sales Manager. He joined Silverlake System as a technical consultant in 1995. He led a group of software engineers to provide software maintenance and installation of customer self-service devices such as Automatic Teller Machine, Cash Deposit Machine and Statement Printing Machine. In 2000, he was the Project Manager of Silverlake System to develop and install a Mobile Banking System using the Short Message Service of the mobile phone system. In April 2002, he joined our Group and is in charge of sale and marketing activities of the group. He graduated from Kolej Tuanku Abdul Rahman with a diploma in computer science and obtained a Bachelor of Science degree major in Mathematics from Campbell University North Carolina, USA.

LIM BOON SUN is our Product Development Manager. He is responsible for software designing. He is also responsible for the training and development as well as the building of new products and systems in our Group. Lim Boon Sun has been with our Group since June 1992. Prior to his current appointment, Lim Boon Sun was our Application Software Manager from July 1996 to June 2000. From June 1992 to June 1996, he was our Analyst Programmer. Lim Boon Sun holds a Bachelor of Computer Science from Universiti Sains Malaysia.

LOW CHONG LENG is our Staffing Manager. His responsibilities in our Group are to manage the resources and administrative work of our Group. Low Chong Leng joined our Group in January 2000. Prior to joining us, Low Chong Leng was employed as a Project Manager by Silverlake from June 1995 to December 1999. From March 1990 to May 1995, he was a Software Specialist with Far East Computers Sdn Bhd, a company engaged in the business of system integration. Low Chong Leng holds a Bachelor of Science in Mathematics from Nanyang University in Singapore.

profile of key management staff (continued)

LIN KEAM KUAM is our Application Software Manager. His responsibilities in our Group are to manage the development and implementation of front-end application software and to ensure the quality and design of software solutions. Lin Keam Kuam joined our Group in 2000. Prior to joining us, he was a Software Engineer with Silverlake from 1998 to 2000. He was employed as a Project Manager by UC Lin Sdn Bhd, a company engaged in the business of electrical contractor, from 1997 to 1998. From 1995 to 1997, he was an Application Specialist with Silverlake. He was with Southern Bank, a commercial bank in Malaysia, from 1992 to 1995 as an Analyst Programmer. Lin Keam Kuam holds a Bachelor of Business Administration majoring in Management Information Systems and Managerial Finance from The University of Mississippi, USA, and an Associate Diploma in Business from Rima College in Malaysia.

HOONG LAI LING is our Financial Manager. Her responsibilities are to oversee the financial and accounting functions of our Group. Ms Hoong joined our Group on 1 February 2002. Prior to joining us, she was with Silverlake from 2 May 1996 to 31 January 2002 as an Accountant. Prior to that, she joined PricewaterhouseCoopers (formerly Price Waterhouse), an international accounting firm, in 1991 under a training contract and obtained her Malaysian Institute of Certified Public Accountants (formerly known as Malaysian Association of Certified Public Accountants) qualification in 1995. She is also a member of the Malaysian Institute of Accountants.

TANG THIM SING is our Project Manager. His responsibility in our Group is to undertake overall management of our projects. Tang Thim Sing joined our Group in 2001. Prior to joining us, he was an IT Consultant with KPMG Singapore, an international accounting firm, from 1990 to 2000. Tang Thim Sing holds a Bachelor in Engineering (Civil & Structural) Degree from the Nanyang Technological University in Singapore and a Post-Graduate Diploma in Systems Analysis from the Japan-Singapore Institute of Software Technology (now absorbed into Ngee Ann Polytechnic, Singapore).

KITSON LIM KIM HUAT is our Project Manager. His responsibility in our Group is to undertake overall management of our projects. Kitson Lim joined our Group in 2002. Prior to joining us, he was a Senior Manager in Computer System Advisers, in charge of the Banking & Finance Software Development group from 1997 to 2001. He holds a Bachelor of Commerce degree from University of Southern Queensland and a Diploma in Management from Malaysian Institute of Management.



customer

RELATIONSHIP

management



> **Customer Relationship Management [Axis CRM]**

The Axis CRM provides the bank the capability to track and monitor all interaction between the bank and the customer. The system will also enable the bank to identify customer with high net worth and the ability to integrate and collaborate with the legacy system to retrieve and maintain the customer information. The robust application design architecture enables the bank to strategically offer and crosssell its products and services to its customers in order to address the business needs of both the customer and the bank.

Axis CRM system were developed specifically to enable financial services corporations to manage the relationships throughout the lifetime of the customers in order to obtain optimum value.

Axis CRM is a browser solution with complete integration to the Silverlake Retail Banking System (SIBS) and it is based on the customer-centric design model.

corporate governance statement

The Board of Directors of Axis Systems Holdings Limited recognises the importance of corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors' confidence in its management and financial reporting and is committed to maintaining a high standard of corporate governance within the Group.

The main corporate governance practices that were in place since we were listed in March 2003 are set out below.

Board Matters

Principle 1 of the Code: Board's Conduct of its Affairs

The Board of Directors (the "Board") holds meetings on a regular basis to approve the Group's key strategic plans as well as major investments, disposals and funding decisions. The Board is also responsible for the overall corporate governance of the Group.

The Board conducts regular scheduled meetings and one meeting was held since our listing in March 2003 up to the end of the financial period 2003. When circumstances require, ad-hoc meetings are arranged. Board meetings are conducted in Malaysia and Singapore and attendance by directors are regular. The attendance of the directors at meetings of the Board and Board committees, as well as the frequency of such meetings, is as follows:-

Attendance at Meetings

Name	Axis Board		Audit Committee		Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Goh Peng Ooi	1	1	1	Not applicable	0	0
Wong Chew Ming	1	1	1	Not applicable	0	Not applicable
Ong Kian Min	1	1	1	1	0	0
YBhg. Datuk Sulaiman bin Daud	1	1	1	1	0	0
YBhg. Tan Sri Dato' Dr Lin See-Yan	1	0	1	0	0	Not applicable

Name	Remuneration Committee		Employee Share Option Scheme Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Goh Peng Ooi	0	0	0	Not applicable
Wong Chew Ming	0	Not applicable	0	0
Ong Kian Min	0	0	0	0
YBhg. Datuk Sulaiman bin Daud	0	0	0	0
YBhg. Tan Sri Dato' Dr Lin See-Yan	0	Not applicable	0	0

All directors are updated regularly on changes in company policies.

Principle 2: Board Composition and Balance

The Board comprises one executive director, one non-executive director and three independent directors. Key information regarding the directors can be found under the Board of Directors' Profile section of this annual report. The independence of each director is reviewed annually by the Nominating Committee ("NC").

The NC is of the view that the current Board, with independent Directors making up at least one-third of the Board, has an independent element ensuring objectivity in the exercise of judgment on corporate affairs independently from the management. The NC is also of the view that no individual or small group of individual dominates the Board's decision making process.

The Board is of the view that the current board size of five directors is appropriate, taking into account the nature and scope of the Company's operations.

The Board considers that its composition of independent Directors provide the Board with a mix of knowledge, business network and extensive business and commercial experience. This balance is important in ensuring that the strategies proposed by the executive management are fully discussed and examined, taking into account the long term interests of the Group.

corporate governance statement (continued)

Principle 3: Role of Chairman and Managing Director

Mr Goh Peng Ooi is our Company's non-executive Chairman and Mr Wong Chew Ming is our Managing Director, who is responsible for the day-to-day management of the Company. The Board believes that the division or responsibility between the chairman and CEO is necessary for the Company. The Chairman assumes responsibility for the management of the Board, and the Managing Director is the most senior executive in the Company and bears executive responsibility for the Group's business. In respect of the Board meetings, the Chairman ensures that board meetings are held when necessary. The agenda is set by the Managing Director and approved by the Chairman. The Chairman and the Managing Director reviews most Board papers before they are presented to the Board and ensures that the Board members are provided with complete, adequate and timely information.

Principle 4: Board Membership

We believe that Board renewal must be an ongoing process, to ensure good governance and to maintain relevance to the business and changing needs of the Company. Our Bye-Laws require one-third of our directors (excluding the Managing Director) to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM"). In other words, no director stays in office for more than three years without being re-elected by shareholders.

The NC was established in 9 January 2003 and comprises Mr Ong Kian Min, Mr Goh Peng Ooi and YBhg. Datuk Sulaiman bin Daud, with Mr Ong Kian Min who is our independent Director, as the Chairman. The responsibilities of the NC are responsible for (i) re-nomination of the Directors having regard to the Directors' contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding on whether or not a Director is able to and has been adequately carrying out his duties as a director.

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board.

Principle 5: Board Performance

The NC will use its best efforts to ensure that directors appointed to our Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made.

A formal review of the Board's performance will be undertaken collectively and individually by the Board annually. The Board's performance will also be reviewed informally by the Nominating Committee with inputs from the other Board members and the Managing Director.

Principle 6: Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, the management is required to provide adequate and timely information to the Board on Board affairs and issues that require the Board's decision as well as ongoing reports relating to the operational and financial performance of the Company and the Group.

The Board has separate and independent access to the senior management and the Company Secretary at all times. Should Directors, whether as a group or individually, need independent professional advice, a professional advisor will be appointed upon direction by the Board and approved by the Managing Director, to render the advice. The cost of such professional advice will be borne by the Company.

The Company Secretary attends all board meetings and is responsible for the compliance of the Board procedures. It is the Company Secretary's responsibility to ensure that the Company complies with all rules and regulations that are applicable to the Company.

Please refer to the "Corporate Information" section of the annual report for the composition of the Company's Board of Directors, Board committees and the executive committee.

Remuneration Matters

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee ("RC") was established in 9 January 2003 to review the remuneration of the executive Directors of the Company and to provide a greater degree of objectivity and transparency in determining the remuneration of the executive Directors.

The RC comprises Mr Ong Kian Min, YBhg. Datuk Sulaiman bin Daud and Mr Goh Peng Ooi. YBhg. Datuk Sulaiman bin Daud chairs the RC.

The RC will review and recommend to the Board a framework of remuneration for the Directors and key executives, and determine specific remuneration packages for the Chairman and the Managing Director. The recommendations of the RC should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC.

corporate governance statement (continued)

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC will take into consideration industry practices and norms in compensation in addition to the Company's relative performance to the industry and the performance of the individual Directors. No Director will be involved in deciding his own remuneration.

The executive Director has entered into a service agreement with the Company for an initial period of 2 years from July 2002. The service agreement covers the terms of employment, specifically salary and other benefits. The remuneration of non-executive Directors should be determined by his contribution to the Company, taking into account factors such as effort and time spent as well as his responsibilities on the Board. The Board will recommend the remuneration of the non-executive Directors for approval at the AGM.

Directors' Remuneration

Our executive Director's remuneration consists of salary, allowances and bonuses. The details of their remuneration package are given below.

Directors' fees for independent non-executive Directors are subject to the approval of shareholders at the AGM.

The basis of allocation of the number of share options to the Directors takes into account the Director's contributions and his additional responsibilities at Board committees. During the year, no share options were granted to any of the Directors.

The band of remuneration of each individual Director for the financial period under review are as follows:-

Name	Exceeding S\$500,001	S\$250,001 to S\$500,000	Up to S\$250,000
Goh Peng Ooi			X *
Wong Chew Ming			X
Ong Kian Min			X *
YBhg. Datuk Sulaiman bin Daud			X *
YBhg. Tan Sri Dato' Dr. Lin See-Yan			X *

* The remunerations, in the form of Directors' fees, are subject to the approval by shareholders at the forthcoming Annual General Meeting.

Remuneration of Key Employees

Details of remuneration paid to the top five executives (who are not Directors of the Company) of the Group for the financial period are set out below. For competitive reasons, the Company is only disclosing the band of remuneration of each executive for the financial period under review as follows:-

Name	Exceeding S\$500,001	S\$250,001 to S\$500,000	Up to S\$250,000
Phang Chee Leong			X
Lim Boon Sun			X
Low Chong Leng			X
Siew Ken Hun			X
Hoong Lai Ling			X

There are no employees in the Group who are immediate family members of a Director or the CEO.

Accountability and Audit

Principle 10: Accountability

The Board believes that it should promote best practices in order to build an excellent business for our shareholders as they are accountable to shareholders for the Company and the Group's performance.

The Board is mindful of its obligations to provide timely and full disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. For FY2004 onwards, we will be adopting quarterly reporting as required by the Code. Financial results and annual reports will be announced or issued within legally prescribed periods.

corporate governance statement (continued)

Principle 11: Audit Committee

Our Audit Committee ("AC") was established on 9 January 2003. It is made up of three independent Directors, of which all have the appropriate accounting experience or related financial management expertise. Mr Ong Kian Min chairs the AC.

The AC holds periodic meetings and reviews primarily the following, where relevant, with the executive Directors and external auditors:-

- (a) review issues of accounting policies and presentation for external financial reporting;
- (b) review the audit plans of the Company's external auditors;
- (c) review the external auditors' reports;
- (d) review the co-operation given by our Officers to the external auditors;
- (e) review the scope and results of the internal audit function;
- (f) review the financial statements of the Company and the Group before their submission to the Board of Directors;
- (g) nominate external auditors for appointment;
- (h) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, and by such amendments made thereto from time to time;
- (i) review interested person transaction; and
- (j) reviewing the remuneration packages of employees who are related to the Directors and/or substantial shareholders.

In addition to the above, the AC will meet with the external auditors, in the absence of the management, at least once a year.

The AC has the power to conduct or authorise investigations into any matters within its terms of reference. The AC also has full access to and the co-operation of the management. The external auditors have unrestricted access to the AC. Minutes of the AC meetings are regularly submitted to the Board for its review.

The aggregate amount of non-audit fees paid to the external auditors for the financial period under review was approximately RM900,000 in connection with the Initial Public Offering and the diligence services. The AC having reviewed all non-audit services provided by the external auditors to the Group are satisfied that the nature and extent of their services would not affect the independence of the external auditor.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money considerations.

The AC has recommended to the Board the nomination of PricewaterhouseCoopers, for reappointment as auditors of the Company at the forthcoming annual general meeting.

Principle 12: Internal Controls

Although the Board acknowledges that it is responsible for the overall internal control framework, it also recognises that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Since listed in March 2003 up to the end of FY2003, the AC, on behalf of the Board, has reviewed the effectiveness of the internal control system put in place by the management and is satisfied that there are adequate internal controls in the Company.

Principle 13: Internal Audit

The size of the operations of the Group does not warrant the Group to have an internal audit function. The Company intends to appoint a professional firm to undertake the functions of an internal auditor and is in the process of procuring and allocating resources for the discharge and performance of this role. The AC will review the internal audit procedures and ensure that the internal audit function has appropriate standing within the Group.

Risk Management

The Company regularly reviews and improves its business and operational activities to take into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC.

corporate governance statement (continued)

Communication with Shareholders

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

We recognise the importance of regular and timely communication with our shareholders.

The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST's Listing Manual and the Companies Act of Singapore, it is the Board's policy that all shareholders should be informed, on a timely basis, of all major developments that will or expect to have impact on the Company and the Group.

Shareholders are encouraged to attend the AGM to stay informed of the Company's goals and strategies and to ensure a high level of accountability. Notice of AGM will be despatched to shareholders, together with explanatory notes or a circular on items of special business, on a timely basis in accordance with the legal requirements. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Chairman of the Audit, Remuneration and Nominating Committees will be available at the meeting to answer those questions relating to the work of these committees.

Dealings in Securities

The Company has adopted practices in relation to dealings in the Company's securities pursuant to the SGX-ST Best Practices Guide that are applicable to all its officers. Its officers are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Group's quarterly, half-yearly and full year results and ending on the date of the announcement of the results.

Directors and executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

Best Practices Guide

The Company has complied materially with the Best Practices Guide issued by SGX-ST.

other information

1. RECURRENT INTERESTED PERSONS TRANSACTIONS OF A REVENUE OR TRADING IN NATURE

The aggregate value of recurrent interested persons transactions of revenue or trading nature conducted during the financial period ended 30 June 2003 by the Group in accordance with the shareholders' mandate were as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RM	Aggregate value of all interested person transactions, conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) RM
Silverlake System and its related companies ("Silverlake Group")	0	18,049,888

2. MATERIAL CONTRACTS

There were no material contracts including contracts relating to a loan entered into by the Company and its subsidiary involving Directors' and major shareholders' interest except as disclosed in the financial statements.

financial statements

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directors' report

The Directors present their report to the members together with the audited financial statements of the Company and of the Group for the financial period ended 30 June 2003. The financial period covers the period since incorporation on 29 July 2002 to 30 June 2003.

General

The Company was incorporated in Bermuda on 29 July 2002 under the Companies Act 1981 of Bermuda as an exempt company with limited liability. It became the holding company of the Group pursuant to its restructuring exercise for the purpose of the listing of the Company on the Singapore Exchange Securities Trading Limited Dealing in Automated Quotation System ("SGX - SESDAQ").

Directors

The Directors of the Company at the date of this report are:

Charles G. Collis	(appointed on 29 July 2002; resigned on 23 August 2002)
John C.R. Collis	(appointed on 29 July 2002; resigned on 23 August 2002)
Goh Peng Ooi	(appointed on 23 August 2002)
Wong Chew Ming	(appointed on 23 August 2002)
Ong Kian Min	(appointed on 9 January 2003)
Datuk Sulaiman bin Daud	(appointed on 9 January 2003)
Tan Sri Dato' Dr. Lin See-Yan	(appointed on 9 January 2003)

Principal activities

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiary are the developing and marketing of computer software and hardware products, the provision of customised software solutions, and maintenance and enhancement services of computer systems.

Acquisition of subsidiary

The Group was formed as a result of a restructuring exercise ("Restructuring Exercise") under taken for the purpose of the Company's listing on the SGX- SESDAQ and after incorporating the written resolutions in lieu of Special General Meeting dated 9 January 2003.

Details of the Restructuring Exercise are as follows:

- a) On 29 July 2002, the Company was incorporated in Bermuda as an investment holding company under which the entire share capital and operations for Axis Systems Sdn. Bhd. ("Axis Systems") were consolidated. Upon organisation of the Company on 23 August 2002, 12,000 ordinary shares of USD1.00 each were issued and allotted nil paid to Silverlake System Sdn. Bhd. ("Silverlake System") and Wong Chew Ming, each holding 9,600 and 2,400 respectively.

directors' report (continued)

Acquisition of subsidiary (Continued)

- b) Silverlake System, holding 80% of the issued and paid-up capital of Axis Systems and 9,600 ordinary shares of USD1.00 each in the Company, transferred all its shares in Axis Systems and the Company, to its wholly owned subsidiary and investment holding company, Intelligentsia Holding Limited ("Intelligentsia") in consideration of:
- (i) the allotment and issue of 3,870,254 ordinary shares of USD1.00 each in the capital of Intelligentsia; and
 - (ii) the crediting as fully paid of the 12,000 ordinary shares in the capital of Intelligentsia held by Silverlake System, which consideration was based on the book Net Tangible Assets ("NTA") of Axis Systems as at 30 June 2002.
- c) Intelligentsia and Wong Chew Ming together holding the entire issued and paid up capital of Axis Systems then transferred their respective shares in Axis Systems to the Company in consideration of:
- (i) the allotment and issue of 4,840,817 ordinary shares of USD1.00 each in the capital of the Company; and
 - (ii) the crediting as fully paid of the 9,600 and 2,400 ordinary shares in the capital of the Company held by Intelligentsia and Wong Chew Ming respectively which were previously issued nil paid to Silverlake System and Wong Chew Ming which consideration was based on the book NTA of Axis Systems as at 30 June 2002.

Results for the financial period

The consolidated profit after tax attributable to the members of the Group for the financial period was RM15,997,397. The Company made a profit after tax for the financial period of RM3,621,324.

Material transfers to or from reserves and provisions

Material transfers to or from reserves during the financial period were as follows:

	The Group RM	The Company RM
(a) <u>Share premium account</u>		
Premium on issue of shares	25,505,337	25,505,337
Expenses of initial public issue	(3,845,621)	(3,845,621)
	21,659,716	21,659,716

Material movements in provisions are set out in the notes to the financial statements.

directors' report (continued)

Issue of shares and debentures

The Company was incorporated with an authorised share capital of USD12,000 comprising 12,000 ordinary shares of USD1.00 each of which 12,000 nil paid shares were subsequently paid following the Restructuring Exercise.

During the financial period, pursuant to the written resolutions in lieu of a Special General Meeting dated 9 January 2003:

- (a) The authorised share capital was increased from USD12,000 divided into 12,000 ordinary shares of USD1.00 each to USD6,000,000 divided into 6,000,000 ordinary shares of USD1.00 each;
- (b) The Company issued 4,840,817 ordinary shares of USD1.00 each pursuant to the Restructuring Exercise;
- (c) The authorised and issued ordinary shares of USD1.00 each in the capital of the Company were sub-divided into fifty ordinary shares of USD0.02 each; and
- (d) The Company issued 42,900,000 new ordinary shares of USD0.02 each pursuant to the invitation to the public to subscribe for shares in the Company. The shares issued in connection with the Invitation to the public rank pari passu in all respects with the existing issued and fully paid up shares. They were issued for cash at SGD0.31 per share.

The proceeds from the above share issue are to be used to fund the Group's software development expenditure, the expansion of the Group's business in the region and for general corporate and working capital requirements. Other than the above no shares or debentures were issued during the period.

Directors' interests in shares or debentures

- (a) According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial period had any interest in the share capital of the Company and related corporations, except as follows:

	Holdings registered in name of Director or nominee		Holdings in which a Director is deemed to have an interest	
	At 30.06.03	At 29.07.02 (date of incorporation)	At 30.06.03	At 29.07.02 (date of incorporation)

The Company

(Ordinary shares of USD0.02 each)

Goh Peng Ooi	-	-	178,583,666	9,600
Wong Chew Ming	44,645,916	2,400	-	-

Intelligentsia Holding Limited

(Ordinary shares of USD1.00 each)

Goh Peng Ooi	-	-	3,882,254	-
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directors' report (continued)

Directors' interests in shares or debentures (Continued)

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 30.06.03	At 29.07.02 (date of incorporation)	At 30.06.03	At 29.07.02 (date of incorporation)

Silverlake System Sdn. Bhd.

(Ordinary shares of RM1.00 each)

Goh Peng Ooi	5,699,997	5,699,997	-	-
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There was no change of the above mentioned interests between the end of the financial period and 21 July 2003.

Dividends

Dividends paid, declared and proposed for the financial period are as follows:

	RM
An interim dividend of Singapore cents 0.55 per share, tax exempt was paid on 16 May 2003 in respect of the financial period ended 30 June 2003	<u>3,409,501</u>
The directors propose a final dividend of Singapore cents 0.55 per share, tax exempt to be paid in respect of the financial period ended 30 June 2003 to be approved at the forthcoming Annual General Meeting	<u>3,409,501</u>

Bad and doubtful debts

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and providing for doubtful debts of the Company, and have satisfied themselves that all known bad debts of the Company have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the Group inadequate to any substantial extent.

Current assets

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements misleading.

directors' report (continued)

Charges on assets and contingent liabilities

At the date of this report, no charges have arisen since the end of the financial period on the assets of the Company or any corporation in the Group which secure the liability of any other person, nor have any contingent liability arisen since the end of the financial period in the Company or any other corporation in the Group.

Ability to meet obligations

No contingent or other liability of the Company or any other corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Company and the Group to meet its obligations as and when they fall due.

Other circumstances affecting the financial statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

Unusual items

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

Unusual items after the financial period

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which would substantially affect the results of the operations of the Company and of the Group for the financial period in which this report is made.

Directors' contractual benefit

Since the end of the previous financial period, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the consolidated financial statements and in this report (Note 9).

directors' report (continued)

Share options

The Axis Employee Share Option Scheme 2003 (the "ESOS Scheme") was approved by the shareholders on 9 January 2003 in conjunction with the Company's listing on the SGX-SESDAQ.

The principal features of the ESOS Scheme are as follows:

- (a) Eligible persons are confirmed full-time employees of the Company, its subsidiaries and associated companies and the ultimate holding company and its subsidiaries, who have attained the age of 21 years, independent non-executive Directors of the Company and executive Directors of the Company, its subsidiaries and associated companies and the ultimate holding company and its subsidiaries.
- (b) The ESOS Scheme is administered by the ESOS Committee comprising Mr Wong Chew Ming, an executive Director and three independent Directors of the Company, namely Mr Ong Kian Min, Datuk Sulaiman bin Daud and Tan Sri Dato' Dr. Lin See-Yan.
- (c) The maximum number of new shares to be offered shall not exceed 15% of the issued and paid-up share capital of the Company on the date preceding the grant of an option. The maximum number of shares available to the ultimate holding company and its subsidiaries is 20% of the shares available under the ESOS Scheme.
- (d) The option price shall be the price equal to ("Market Price Option") or not more than 20% discount ("Incentive Option") to the average of the prices for the last five consecutive days immediately preceding the grant of the option.
- (e) Each option shall be exercisable, in the case of a Market Price Option, from the first anniversary to the 10th anniversary of the offering date. In the case of Incentive Option, the option shall be exercisable from the 2nd anniversary to the 10th anniversary of the offering date. In the case of persons not holding a salaried office, the option shall expire on the 5th anniversary for both the Market Price and Incentive Option.
- (f) Shares arising from the exercise of options pursuant to the ESOS Scheme are subject to the Memorandum and Bye-Laws of the Company and rank pari passu in all respect with the then existing issued shares.
- (g) The ESOS Scheme shall continue in operation for a maximum of 10 years commencing on the date on which the ESOS Scheme is adopted by the Company in general meeting, subject to any extension as may be approved by the shareholders in general meeting and the relevant authorities.

At the end of the financial period, no options have been granted by the Company to any parties to take up unissued shares of the Company.

directors' report (continued)

Subsequent to the end of the financial period under review, the following options were granted to the employees of the subsidiary under the ESOS Scheme:

Date of grant	Exercise period	Subscription price	Number of ordinary shares granted under the options
15.09.2003	15.09.2004 to 15.09.2008	SGD0.71	3,415,000

The above options have been granted at Market Price. The acceptance period of the grant will expire on 14 October 2003.

No options were granted to the Directors and controlling shareholders of the Company or their associates, or to the directors and employees of the ultimate holding company and its subsidiaries since the commencement of the ESOS Scheme. None of the participants have been granted 5% or more of the total number of options under the ESOS Scheme.

Auditors

The auditors, PricewaterhouseCoopers have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Goh Peng Ooi
Director

Wong Chew Ming
Director

Malaysia
6 October 2003

statement by directors

In the opinion of the Directors, the financial statements set out on pages 34 to 61 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 30 June 2003 and of the results of the business, and changes in equity, of the Company and of the Group and the cash flows of the Group for the financial period ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Goh Peng Ooi
Director

Wong Chew Ming
Director

6 October 2003

auditors' report

to the members of axis systems holdings limited

We have audited the accompanying financial statements of Axis Systems Holdings Limited and the consolidated financial statements of the Group for the financial period from 29 July 2002 (date of incorporation) to 30 June 2003 set out on pages 34 to 61. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. 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 disclosed 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn in accordance with Singapore Statements of Accounting Standard and so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2003 and of the results, changes in equity of the Company and of the Group, and cash flows of the Group for the financial period from 29 July 2002 (date of incorporation) to 30 June 2003.

PricewaterhouseCoopers
Chartered Accountants

ERIC OOI LIP AUN
MALAYSIA
6 October 2003

income statements

for the financial period from 29 July 2002 (date of incorporation) to 30 June 2003

	Notes	Group RM	Company RM
Revenue	4	24,437,265	-
Cost of sales	5	(5,612,827)	-
Gross profit		18,824,438	-
Other operating income			
- Dividend income from subsidiary		-	3,600,000
- Others		120,194	119,744
Selling and distribution costs		(200,801)	-
Administrative expenses		(1,209,693)	-
Other operating expenses		(877,739)	(129,483)
Operating profit	6	16,656,399	3,590,261
Finance income	7	104,854	33,563
Finance cost	8	(32,816)	-
Profit before tax		16,728,437	3,623,824
Tax	11	(730,500)	(2,500)
Profit after tax		15,997,937	3,621,324
Earnings per share of USD0.02 each	26		
- Basic (RM)		0.06	
- Diluted (RM)		0.06	

The accompanying notes form an integral part of these financial statements.
Auditors' report - page 33.

balance sheets

as at 30 June 2003

	Notes	Group RM	Company RM
Current assets			
Cash and cash equivalents	12	38,867,154	27,603,922
Trade and other receivables	13	1,482,386	274
Amounts due from customers on contracts	14	3,277,642	-
Amount due from ultimate holding company	15	910,881	22,592
Amount due from related parties	15	12,956,818	-
		57,494,881	27,626,788
Non-current assets			
Property, plant and equipment	16	1,308,334	6,025
Software development expenditure	17	1,802,087	-
Investment in subsidiary	18	-	18,440,705
		3,110,421	18,446,730
Total assets		60,605,302	46,073,518
Current liabilities			
Amounts due to customers on contracts	14	573,028	-
Amount due to subsidiary	15	-	1,988,623
Trade and other payables	19	1,452,606	509,751
Current tax	11	398,596	2,500
Hire-purchase and finance lease liabilities	20	98,604	-
Allowance for unutilised leave	21	292,246	-
		2,815,080	2,500,874
Non-current liabilities			
Hire-purchase and finance lease liabilities	20	156,264	-
Deferred tax	11	471,000	-
		627,264	-
Total liabilities		3,442,344	2,500,874
Net assets		57,162,958	43,572,644
Financed by:			
Share capital		21,701,105	21,701,105
Share premium		21,659,716	21,659,716
Retained earnings carried forward		13,802,137	211,823
Shareholders' equity		57,162,958	43,572,644

The accompanying notes form an integral part of these financial statements.
Auditors' report - page 33.

statements of changes in shareholders' equity

for financial period from 29 July 2002 (date of incorporation) to 30 June 2003

The movement in shareholders' equity for the financial period ended 30 June 2003 is as follows:

	Notes	Non-distributable		Distributable	Total RM
		Share capital RM	Share premium RM	Retained earnings RM	
Group					
At date of incorporation	22	18,440,705	-	9,216,101	27,656,806
Net profit and total recognised gains for the financial period		-	-	15,997,937	15,997,937
Dividend	27	-	-	(11,411,901)	(11,411,901)
Issue of shares	22	3,260,400	25,505,337	-	28,765,737
Share issue costs		-	(3,845,621)	-	(3,845,621)
Balance at 30 June 2003		21,701,105	21,659,716	13,802,137	57,162,958
Company					
At date of incorporation		45,600	-	-	45,600
Net profit and total recognised gains for the financial period		-	-	3,621,324	3,621,324
Dividend	27	-	-	(3,409,501)	(3,409,501)
Issue of shares		21,655,505	25,505,337	-	47,160,842
Share issue costs		-	(3,845,621)	-	(3,845,621)
Balance at 30 June 2003		21,701,105	21,659,716	211,823	43,572,644

The accompanying notes form an integral part of these financial statements.
Auditors' report - page 33.

consolidated cash flow statement

for the financial period from 29 July 2002 (date of incorporation) to 30 June 2003

	Group RM
Cash flows from operating activities	
Profit before tax	16,728,437
Adjustments for:	
Depreciation and amortisation	386,081
Allowance for doubtful trade receivables	4,000
Write back of allowance for doubtful trade receivables	(27,400)
Allowance for unutilised leave carried forward	92,246
Interest expense	32,816
Interest income	(104,854)
Loss on disposal of property, plant and equipment	523
Operating cash flow before working capital change	17,111,849
Change in operating assets and liabilities:	
Trade and other receivables	560,478
Net movement in amount due from customers on contracts	820,402
Amount due from ultimate holding company	(442,803)
Amount due from related parties	(125,960)
Trade and other payables	516,592
Cash generated from operations	18,440,558
Income tax paid	(662,546)
Interest paid	(32,816)
Net cash inflow from operating activities	17,745,196
Cash flows from investing activities	
Payments for property, plant and equipment	(140,037)
Payments for software development expenditure	(724,892)
Interest received	104,854
Proceeds from disposal of property, plant and equipment	200
Net cash outflow from investing activities	(759,875)

The accompanying notes form an integral part of these financial statements.
Auditors' report - page 33.

consolidated cash flow statement (continued)

	Notes	Group RM
Cash flows from financing activity		
Proceeds from issuance of shares		28,765,737
Share issue costs		(3,845,621)
Payments of dividends		(11,411,901)
Repayment of hire-purchase and finance lease liabilities		(141,989)
Net cash inflow from financing activity		13,366,226
Net increase in cash and cash equivalents held		
Cash and cash equivalents at the beginning of the financial period		8,515,607
Cash and cash equivalents at the end of the financial period	12	38,867,154

The accompanying notes form an integral part of these financial statements.
Auditors' report - page 33.

notes to the financial statements

1. General

The company was incorporated in Bermuda on 29 July 2002 under the Companies Act 1981 of Bermuda as an exempt company with limited liability. It became the holding company of the Group pursuant to its restructuring exercise for the purpose of the listing of the Company on the Singapore Exchange Securities Trading Limited Dealing in Automated Quotation System ("SGX - SESDAQ").

The address of its registered office is as follows:

Clarendon House
2, Church Street
Hamilton HM11
Bermuda

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiary are the developing and marketing of computer software and hardware products, the provision of customised software solutions, and maintenance and enhancement services of computer systems.

2. Basis of Preparation

The financial statements have been prepared in accordance with Singapore Statements of Accounting Standard. The Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are expressed in Ringgit Malaysia and have been prepared in accordance with the historical cost convention and in accordance with the accounting policies of the Group as set out in Note 3.

3. Summary of Significant Accounting Policies

The significant accounting policies which have been consistently applied in the preparation of the financial statements of the Company and the consolidated financial statements of the Group are as follows:

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to the end of the financial period. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

The subsidiary is consolidated based on the merger method of accounting. Under the merger method of accounting, the results of the subsidiary are presented as if the merger has been affected throughout the current financial period since the date of incorporation of the Company. On consolidation, the difference between the cost of merger and the nominal value of the shares acquired is adjusted against retained earnings.

notes to the financial statements (continued)

3. Summary of Significant Accounting Policies (Continued)

(b) Foreign currencies

Foreign currency transactions are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the Company and consolidated income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	30.06.2003 RM
1 US Dollar (USD)	3.8000
1 Singapore Dollar (SGD)	2.1635

(c) Revenue recognition

Revenue of hardware products is recognised upon delivery of products and customer acceptance, net of discounts.

Revenue relating to sales of customised software solutions is accounted for under the percentage of completion method; the stage of completion is measured by reference to the actual cost for work performed to date to the estimated total costs for each contract.

Revenue on maintenance and enhancement services is recognised over the contractual period or performance of services.

Other operating income that is recognised as interest income is accrued on a day to day basis.

Dividend income is accrued when the Group's right to receive payment is established.

(d) Income recognition on contracts

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised when incurred.

When the outcome of a contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively.

notes to the financial statements (continued)

3. Summary of Significant Accounting Policies (Continued)

(d) Income recognition on contracts (Continued)

The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period; the stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract. Contract cost includes staff costs, allowances and other directly attributed cost. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/(loss) recognised on each contract is compared against the progress billings up to the end of the financial period. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as "Amount due from customers on contracts". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as "Amount due to customers on contracts".

(e) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from unamortised software development expenditure, depreciation on property, plant and equipment, depreciation on plant and equipment under hire-purchase and finance lease arrangement. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(g) Trade receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end.

notes to the financial statements (continued)

3. Summary of Significant Accounting Policies (Continued)

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Property, plant and equipment are depreciated on a straight line method to write off the cost of each property, plant and equipment to their residual values over their estimated useful lives. The principal annual depreciation rates are as follows:

Office premises	4%
Office equipment	15% - 20%
Furniture and fittings	15%
Motor vehicles	15%

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in Company and consolidated income statement.

Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its recoverable amount.

(i) Software development expenditure

Software development expenditure represents cost incurred on software development and is capitalised and amortised using the straight line method over a time period (to the maximum of 10 years) which the software is expected to be sold or used. Software development expenditure comprises manpower and related overhead costs incurred directly in the development of computer software.

Costs incurred in the development of software which are not or have ceased to be commercially viable are written off in that financial year to the Company and consolidated income statement.

(j) Investments in subsidiary

Investment in subsidiary is stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

(k) Accounting for hire-purchases and leases

A distinction is made between hire-purchases and finance leases which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

notes to the financial statements (continued)

3. Summary of Significant Accounting Policies (Continued)

(k) Accounting for hire-purchases and leases (Continued)

Hire-purchases and finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of return on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period. Plant and equipment acquired under hire-purchases and finance leases is depreciated over the useful life of the asset or the lease term.

Operating lease payments are charged to the Company and consolidated income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(l) Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Pension obligation

The Group's obligation, in regard to the defined contribution plans, is limited to the amount it contributes to the Employees Provident Fund. These expenses are disclosed under staff costs (Note 10).

(m) Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rate risks, credit risks and liquidity risks.

Risk management is carried out under the guidance of the Board of Directors. The Board provides guidelines for overall risk management, as well as policies covering specific areas.

(i) Foreign exchange risk

The Group's business is exposed to foreign exchange risk arising from various currency exposures primarily with respect to sales, purchases and operating expenses denominated in US Dollar. The Group is also exposed to foreign currency risk in respect of its deposits and balances with banks in foreign currencies, mainly in Singapore Dollars and US Dollars. The Group monitors its foreign currency exchange risks closely and will take appropriate actions to minimise its exposures to foreign currency fluctuation when necessary.

notes to the financial statements (continued)

3. Summary of Significant Accounting Policies (Continued)

(m) Financial risk management (Continued)

(ii) *Interest rate risk*

The Group's exposure to changes in interest rates relates primarily to the Group's short term deposits with licensed bank. It has no significant interest bearing financial assets or liabilities other than the short term deposits. The short term deposits are placed with reputable banks.

(iii) *Credit risk*

There is significant concentration of credit risk on trade receivables from related parties as sales of products and services are made mainly via related parties to external customers. The Group monitors its credit risk closely and will take appropriate actions to minimise its credit risk and it does not expect any related parties trade receivables to fail to meet their obligations.

(iv) *Liquidity risk*

The Group maintains sufficient cash and has adequate credit lines available.

(n) Fair value estimation for disclosure purposes

In assessing the value of financial instruments, the Group and the Company make certain assumptions and apply the discounted cash flow method to discount future cash flow to determine the fair value of financial instruments. The fair value of financial liabilities are estimated by discounting future cash flows at current market interest rate available to the Group and the Company.

The fair value for the financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair value.

4. Revenue

	Group RM	Company RM
Sale of software and hardware products	38,185	-
Sale of customised software solutions	19,256,248	-
Maintenance and enhancement services	5,142,832	-
	24,437,265	-

notes to the financial statements (continued)

5. Cost of sales

	Group RM	Company RM
Software and hardware products	25,216	-
Customised software solutions	4,399,624	-
Maintenance and enhancement services	1,187,987	-
	5,612,827	-

6. Operating profit

	Group RM	Company RM
<u>Operating profit is arrived at after charging/(crediting):</u>		
Allowance for doubtful trade receivables	4,000	-
Allowance for unutilised leave carried forward	92,246	-
Amortisation of software development expenditure	136,505	-
Auditors' remuneration		
- current year	90,000	60,000
Depreciation of property, plant and equipment (note 16)		
- office premises	32,720	-
- furniture and fittings	52,220	-
- motor vehicles	89,911	-
- office equipment	74,725	1,063
Dividend income from subsidiary	-	(3,600,000)
Loss/(gain) on disposal of property, plant and equipment	523	-
Net exchange gain		
- unrealised	(69,155)	(119,744)
- realised	(2,624)	-
Rental of office premise	81,072	17,582
Write back of allowance for doubtful trade receivables	(27,400)	-

7. Finance income

	Group RM	Company RM
Interest income:		
- Deposits with licensed bank	104,854	33,563

notes to the financial statements (continued)

8. Finance cost

	Group RM	Company RM
Interest expense on:		
- Hire-purchase and finance lease	32,816	-

9. Directors' Remuneration

	Group	Company
Number of directors of the Group/Company in remuneration bands:		
Above RM200,000	1	-
Below RM199,999	-	-
Total	1	-

	Group RM	Company RM
Estimated money value of benefits-in-kind	44,890	-

10. Staff costs

	Group RM	Company RM
Wages and salaries	4,772,001	-
Employer's contribution to Employees Provident Fund	568,154	-
	5,340,155	-
Less: Staff costs capitalised of contract cost and software development	(575,229)	-
	4,764,926	-
Number of employees at the end of the financial period	104	-

notes to the financial statements (continued)

11. Tax

(a) Tax expense

	Group RM	Company RM
Tax expense attributable to profit is made up of:		
Current income tax provision - Malaysia	473,000	-
Current income tax provision - Singapore	2,500	2,500
Deferred tax	255,000	-
	730,500	2,500

The income tax expense on the results for the financial period varies from the amount of income tax determined by applying the respective Malaysia and Singapore standard rate of income tax to profit before taxation due to the following factors:

	Group RM	Company RM
Profit before tax	16,728,437	3,623,824
Dividend income exempt from tax	-	(3,600,000)
	16,728,437	23,824
Tax calculated at a tax rate of:		
- Malaysia 28%	4,683,962	-
- Singapore 22%	5,241	5,241
Exempt amount	(2,741)	(2,741)
Exempted income under pioneer status	(4,103,044)	-
Expense not deductible for tax purposes	147,082	-
	730,500	2,500

Dividend income of the Company is tax exempt dividend received from its subsidiary.

A subsidiary of the Group is a Multimedia Super Corridor Status company and enjoys the incentives, rights and privileges provided for under the Bill of Guarantees. The subsidiary was awarded the pioneer status for a period of five years effective from 1 May 2000.

notes to the financial statements (continued)

11. Tax (Continued)

(b) Movements in provision for current tax

	Group RM	Company RM
Balance at the date of incorporation	585,642	-
Income tax paid	(662,546)	-
Current financial tax expense on profit	475,500	2,500
Balance at end of financial period	398,596	2,500

(c) The movements in deferred tax assets and liabilities prior to offsetting of balances during financial period are as follows:

Deferred tax liabilities

	Group		
	Accelerated tax depreciation RM	Software development expenditure RM	Total RM
At date of incorporation	9,348	339,836	349,184
Charged to consolidated income statement	70,246	51,570	121,816
At end of financial period	79,594	391,406	471,000

Deferred tax assets

	Property, plant and equipment under hire- purchase and finance lease		
	Allowance for doubtful receivables RM	RM	Total RM
At date of incorporation	(22,064)	(111,120)	(133,184)
Charged to consolidated income statement	22,064	111,120	133,184
At end of financial period	-	-	-

notes to the financial statements (continued)

11. Tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group RM	Company RM
Deferred tax assets	-	-
Deferred tax liabilities	471,000	-
	471,000	-
The amounts shown in the balance sheet including the following:		
Deferred tax assets to be recovered after more than 12 months	-	-
Deferred tax liabilities to be settled after more than 12 months	471,000	-

12. Cash and cash equivalents

	Group RM	Company RM
Cash at bank	7,457,100	3,772,292
Deposit with licensed bank	31,410,054	23,831,630
	38,867,154	27,603,922

The deposits with licensed banks has a maturity of 7 days.

The weighted average interest rates of deposit with licensed banks are 0.375% p.a.

13. Trade and other receivables

	Group RM	Company RM
Trade receivables	1,390,365	-
Less: Allowance for doubtful trade receivables	(55,400)	-
	1,334,965	-
Other receivables	23,457	274
Deposits	115,359	-
Prepayment	8,605	-
	147,421	274
	1,482,386	274

Included in deposits are club memberships amounting to RM65,990.

notes to the financial statements (continued)

13. Trade and other receivables (Continued)

Movements in allowance for doubtful trade receivables are as follows:

	The Group RM	Company RM
At beginning of financial period	78,800	-
Allowance made during financial period (note 6)	4,000	-
Write back of allowance for doubtful trade receivables	(27,400)	-
At end of financial period	55,400	-

14. Amount due from customers on contracts

	Group RM	Company RM
Aggregate costs incurred and recognised profits to date	31,302,061	-
Progress billings	(28,597,447)	-
	2,704,614	-
Amount due from customers on contracts	3,277,642	-
Amount due to customers on contracts	(573,028)	-
	2,704,614	-

15. Amount due from/(to) related parties

	Group RM	Company RM
Amount due from/(to):		
Ultimate holding company		
- trade	888,289	-
- non trade	22,592	22,592
	910,881	22,592
Subsidiary (non trade)	-	(1,988,623)
Related parties		
- trade	12,935,494	-
- non trade	21,324	-
	12,956,818	-

notes to the financial statements (continued)

16. Property, plant and equipment

Group	Office premises RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Total RM
<u>2003</u>					
<u>Cost</u>					
At date of incorporation	818,000	319,883	599,409	459,206	2,196,498
Additions	-	28,252	-	111,785	140,037
Disposals	-	-	-	(850)	(850)
At end of financial period	818,000	348,135	599,409	570,141	2,335,685
<u>Accumulated depreciation</u>					
At date of incorporation	228,560	101,994	179,911	267,438	777,903
Depreciation charge	32,720	52,220	89,911	74,725	249,576
Disposals	-	-	-	(128)	(128)
At end of financial period	261,280	154,214	269,822	342,035	1,027,351
Net book value					
At end of financial period	556,720	193,921	329,587	228,106	1,308,334
Company				Office equipment RM	Total RM
<u>2003</u>					
<u>Cost</u>					
At date of incorporation				-	-
Additions				7,088	7,088
At end of financial period				7,088	7,088
<u>Accumulated depreciation</u>					
At date of incorporation				-	-
Depreciation charge				1,063	1,063
At end of financial period				1,063	1,063
Net book value					
At end of financial period				6,025	6,025

notes to the financial statements (continued)

16. Property, plant and equipment (Continued)

At the balance sheet date, details of assets included under hire-purchase and finance lease agreements:

	Group RM	Company RM
Net book value at the end of financial period		
- Office equipment	-	-
- Motor vehicles	329,587	-
	329,587	-

17. Software development expenditure

	Group RM	Company RM
<u>Cost</u>		
At the date of incorporation	1,311,569	-
Incurred during the financial period	724,892	-
At end of financial period	2,036,461	-
<u>Accumulated amortisation</u>		
At the date of incorporation	97,869	-
Charge for the financial period	136,505	-
At end of financial period	234,374	-
Net book value	1,802,087	-

The carrying value of development expenditure is expected to be recovered from probable future economic benefits that are expected to be generated by the commercial exploitation of products, applications and processes that are developed by the Group.

notes to the financial statements (continued)

18. Investment in subsidiary

	Company RM
Investment in equity share - At cost, unquoted	18,440,705

Details of the subsidiary is as follows:

Name of company/ (Country of incorporation)	Principal activities	Country of Business	Equity holding %
Axis Systems Sdn Bhd (Malaysia) *	Sales and maintenance services for customised software	Malaysia	100

* Audited by PricewaterhouseCoopers, Malaysia

Acquisition of subsidiary

On 13 January 2003, the Company acquired the entire issued and paid up capital of Axis Systems Sdn. Bhd. ("ASSB") comprising 500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM18,440,705 satisfied through the issuance of 4,840,817 ordinary shares of USD1.00 each in the Company and the crediting as fully paid up of 12,000 ordinary shares of USD1.00 each which were previously issued nil paid.

The acquisition of ASSB meets the definition of internal group reorganisation and is consolidated using principles of merger accounting. Accordingly, the consolidated financial statements of the Group are prepared as if the internal re-organisation was in place throughout the current financial period since the date of incorporation of the Company.

Details of the acquisition are as follows:

	At date of acquisition RM
Net assets/(liabilities) of subsidiary acquired*:	
Plant and equipment	1,418,596
Software development expenditure	1,213,700
Receivables	18,843,416
Cash and bank balances	8,515,607
Payables	(1,136,014)
Allowance for income tax	(585,642)
Deferred tax liabilities	(216,000)
Hire purchase and finance lease obligations	(396,857)
	27,656,806
Merger deficit adjusted against retained earnings	(9,216,101)
Purchase consideration of ASSB through issuance of shares	18,440,705

notes to the financial statements (continued)

18. Investment in subsidiary (Continued)

Included in fees of approximately RM900,000 paid to the reporting accountants (including the auditors), in connection with the Initial Public Offering and due diligence services for the acquisition.

* The consideration was based on the book NTA of ASSB as at 30 June 2002.

19. Trade and other payables

	Group RM	Company RM
Trade payables	78,574	-
Maintenance fees received in advance	633,387	-
Other payables and accruals	740,645	509,751
	1,452,606	509,751

20. Hire-purchase and finance lease liabilities

The minimum lease payments under the hire-purchase and finance lease liabilities are payable as follows:

	Group RM	Company RM
Not later than one financial year	124,931	-
Later than one financial year but not later than five financial years	194,949	-
	319,880	-
Less: Future finance charges	(65,012)	-
Present value of hire-purchase and finance lease liabilities	254,868	-
Representing hire-purchase and finance lease liabilities:		
Current	98,604	-
Non-current	156,264	-
	254,868	-

notes to the financial statements (continued)

21. Allowance for unutilised leave

	Group RM	Company RM
At date of incorporation	200,000	-
Charged to income statement	92,246	-
At end of financial period	292,246	-

22. Share capital of Axis Systems Holdings Limited

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 300 million shares with par value of USD0.02 per share.

(b) Issued ordinary share capital

	Company Shares	Company RM
At date of incorporation	12,000	45,600
Issue of shares pursuant to the restructuring exercise	4,840,817	18,395,105
	4,852,817	18,440,705
Sub-division of each ordinary shares of USD1.00 each in the Company's authorised and issued share capital into 50 ordinary shares of USD0.02 each	237,788,033	-
Issue of shares during the initial public issue	42,900,000	3,260,400
At end of financial period	285,540,850	21,701,105

During the financial period, pursuant to the written resolutions in lieu of a Special General Meeting dated 9 January 2003:

- (i) The authorised share capital was increased from USD12,000 divided into 12,000 ordinary shares of USD1.00 each to USD6,000,000 divided into 6,000,000 ordinary shares of USD1.00 each;
- (ii) The Company issued 4,840,817 ordinary shares of USD1.00 each pursuant to the Restructuring Exercise;
- (iii) The authorised and issued ordinary shares of USD1.00 each in the capital of the Company were sub-divided into fifty ordinary shares of USD0.02 each; and

notes to the financial statements (continued)

22. Share capital of Axis Systems Holdings Limited (Continued)

(iv) The Company issued 42,900,000 new ordinary shares of USD0.02 each at a premium of approximately USD0.16 per share pursuant to the invitation to the public to subscribe for shares in the Company. The shares issued in connection with the Invitation to the public rank pari passu in all respects with the existing issued and fully paid up shares.

The movement in the share premium account are set out in the statement of changes in equity.

23. Fair value of financial assets and liabilities

The carrying amounts of the following financial assets and financial liabilities approximate to their fair value at balance sheet date: cash and cash equivalents, trade and other receivables, amounts due from customers on contracts, amount due from ultimate holding company, amount due from related parties, amounts due to customers on contracts, amount due to subsidiary, trade and other payables, and hire-purchase and finance lease liabilities.

24. Significant Related Party Disclosures

In the normal course of business, the Group undertakes on agreed terms, transactions with its related parties.

In addition to related party disclosures mentioned elsewhere in the Company and consolidated financial statements, set out below are other significant related party transactions.

The following related parties which the Group had transacted with during the financial period are deemed to be related by a common director, Goh Peng Ooi or a common shareholder, Silverlake System Sdn. Bhd.:

Company	Relationship	Country of incorporation
Silverlake System Sdn. Bhd.	Ultimate holding company	Malaysia
Intelligentsia Limited	Immediate holding company	Bermuda
Axis Systems Sdn. Bhd.	Subsidiary	Malaysia
Silverlake (Thailand) Limited	Common director	Thailand
Silverlake System Inc.	Common director	Philippines
PT Silverlake Informatikatama	Common director	Indonesia
Silverlake Sistem Sdn. Bhd.	Common director	Brunei
Kalix Sdn. Bhd.	Common director	Malaysia
Silverlake (Beijing) Co. Limited	Common director	China

notes to the financial statements (continued)

24. Significant Related Party Disclosures (Continued)

Silverlake System Marketing Sdn. Bhd. and its subsidiary companies, including Silverlake Systems Pte Ltd, are deemed to be related to the Group by virtue of Goh Peng Ooi's substantial equity interest in Silverlake System Marketing Sdn. Bhd.

	Group RM
(a) <u>Sale of goods and services</u>	
(i) Customised software solutions	
Silverlake System Sdn. Bhd.	1,397,248
Silverlake (Thailand) Limited	5,283,188
Silverlake System Inc.	512,792
PT Silverlake Informatikatama	9,696,365
Silverlake Sistem Sdn. Bhd.	1,160,295
	18,049,888
(ii) Maintenance and enhancement services	
Silverlake (Thailand) Limited	138,727
Silverlake System Sdn. Bhd.	641,400
Silverlake System Inc.	336,301
PT Silverlake Informatikatama	3,186,799
Kalix Sdn. Bhd.	9,600
	4,312,827
(b) <u>Others</u>	
Accounting and administration cost paid to the ultimate holding company	60,000

25. Retained earnings

Subject to agreement by the Inland Revenue Board, the subsidiary has sufficient tax credits under Section 108 of the Malaysian Income Tax Act, 1967 to frank up to approximately RM7,766,000 of its retained earnings if paid out as dividends. In addition, the subsidiary has tax exempt income account available to frank tax exempt dividends amounting to approximately RM25,850,000.

notes to the financial statements (continued)

26. Earnings per share

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders of RM15,997,937 by the weighted average number of shares in issue during the financial period of 257,765,850 shares.

As there are no share options granted, the basic and fully diluted earnings per share are the same.

27. Dividends

Final dividends proposed and paid by the Group and subsidiary are as follows:

	Gross dividend per share RM	Amount of dividend, net of tax RM
In respect of the financial period ended 30 June 2003		
Interim dividend paid per share, tax exempt	0.02	3,409,501
By the subsidiary prior to the acquisition		
Final dividends per share, tax exempt	13.60	6,800,000
Final dividend per share, paid net of tax at 28%	3.34	1,202,400
		11,411,901

The directors now propose the payment of a final dividend of Singapore cents 0.55 per ordinary shares amounting to a total of RM3,409,501 tax exempt, to be approved by the shareholders' at the forthcoming Annual General Meeting.

28. Segment reporting

(a) Geographical segments

The Group is organised on a world-wide basis into the following geographical segments, Malaysia, Indonesia, Thailand, Vietnam, Singapore and others.

	RM
Revenue:	
Malaysia	2,965,028
Indonesia	12,218,164
Thailand	5,421,915
Vietnam	2,036,153
Singapore	16,322
Others	1,779,683
Group	24,437,265

notes to the financial statements (continued)

28. Segment reporting (Continued)

(a) Geographical segments (Continued)

	RM
Segmental results:	
Malaysia	2,107,303
Indonesia	9,872,680
Thailand	4,776,631
Vietnam	989,858
Singapore	14,503
Others	1,063,463
	18,824,438
Unallocated cost	(2,168,039)
Finance income	104,854
Finance expenses	(32,816)
Profit before taxation	16,728,437
Taxation	(730,500)
Profit after taxation	15,997,937
<u>Other information</u>	
Segmental assets	
Malaysia	17,461,431
Indonesia	8,644,726
Thailand	4,685,250
Vietnam	-
Singapore	27,603,922
Others	1,636,945
Group	60,032,274
Segmental liabilities	
Malaysia	2,869,316
Indonesia	-
Thailand	-
Vietnam	-
Singapore	-
Others	-
Group	2,869,316

notes to the financial statements (continued)

28. Segment reporting (Continued)

(a) Geographical segments (Continued)

	RM
Capital expenditure*	
Malaysia	140,047
Indonesia	-
Thailand	-
Vietnam	-
Singapore	-
Others	-
Group	140,047
Depreciation and amortisation	
Malaysia	386,081
Indonesia	-
Thailand	-
Vietnam	-
Singapore	-
Others	-
Group	386,081

* Capital expenditure comprises of additions to property, plant and equipment during the period.

(b) Business segments

The Group's core business is the sale of customised software solutions and maintenance services and there are no meaningful figures and analysis available for segmentation by activities.

29. Rental lease commitments

Commitments in relation to non-cancellation rental lease contracted at the reporting date but not recognised as liabilities, are payable as follows:

	Group RM	Company RM
Not later than 1 financial year	60,000	-
Later than 1 financial year but not later than 5 financial years	50,000	-
Later than 5 financial years	-	-
	110,000	-

notes to the financial statements (continued)

30. Comparative figures

There are no comparative figures prepared for the Group and Company as the Company was only incorporated on 29 July 2002.

31. Events occurring after balance sheet

Share options

The Axis Employee Share Option Scheme 2003 (the "ESOS Scheme") was approved by the shareholders on 9 January 2003 in conjunction with the Company's listing on the SGX-SESDAQ.

Subsequent to the end of the financial period under review, the following options were granted to the employees of the subsidiary under the ESOS Scheme:

Date of grant	Exercise period	Subscription price	Number of ordinary shares granted under the options
15.09.2003	15.09.2004 to 15.09.2008	SGD0.71	3,415,000

The above options have been granted at Market Price. The acceptance period of the grant will expire on 14 October 2003.

No options were granted to the Directors and controlling shareholders of the Company or their associates, or to the directors and employees of the ultimate holding company and its subsidiaries since the commencement of the ESOS Scheme. None of the participants have been granted 5% or more of the total number of options under the ESOS Scheme.

32. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Axis Systems Holdings Limited on 6 October 2003.

statistics of shareholdings

as at 6 October 2003

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	-	-	-	-
1,000 - 10,000	265	50.96	1,833,000	0.64
10,001 - 1,000,000	241	46.35	15,216,000	5.33
1,000,001 and above	14	2.69	268,491,850	94.03
Total	520	100.00	285,540,850	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Intelligentsia Holding Ltd	172,183,666	60.30
2	Wong Chew Ming	39,645,916	13.88
3	Lyn Hian Woon	14,411,268	5.05
4	Waterworth Pte Ltd	12,500,000	4.38
5	HSBC (Singapore) Nominees Pte Ltd	7,817,000	2.74
6	BNP Paribas Nominees Singapore Pte Ltd	4,825,000	1.69
7	HL Bank Nominees (S) Pte Ltd	3,832,000	1.34
8	Capital Intelligence Limited	3,763,000	1.32
9	DBS Nominees Pte Ltd	2,426,000	0.85
10	OCBC Securities Private Ltd	2,091,000	0.73
11	Raffles Nominees Pte Ltd	1,618,000	0.57
12	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,200,000	0.42
13	United Overseas Bank Nominees Pte Ltd	1,122,000	0.39
14	G K Goh Stockbrokers Pte Ltd	1,057,000	0.37
15	Ng Kek Seng	892,000	0.31
16	Saw Su Kee	873,000	0.31
17	Phillip Securities Pte Ltd	623,000	0.22
18	Ng Boon Bee	580,000	0.20
19	Kim Eng Securities Pte Ltd	557,000	0.20
20	Kok Tuck Cheong	368,000	0.13
Total		272,384,850	95.40

statistics of shareholdings (continued)

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 6 October 2003

Name	No. of Ordinary shares of USD0.02 each			
	Direct Interest	%	Indirect interest	%
Intelligentsia Holding Ltd	172,183,666	60.30	-	-
Wong Chew Ming	39,645,916	13.88	-	-
Lyn Hian Woon	14,411,268	5.05	-	-
Silverlake System Sdn Bhd	-	-	172,183,666	60.30
Goh Peng Ooi	-	-	172,183,666	60.30

Note :

Intelligentsia Holding Ltd is wholly-owned by Silverlake System Sdn Bhd, which in turn, is approximately 99.9%-owned by Goh Peng Ooi. Silverlake System Sdn Bhd and Goh Peng Ooi are therefore deemed to be interested in the 172,183,666 shares held by Intelligentsia Holding Ltd.

FREE FLOAT

As at 6 October 2003, approximately 20.7% of the issued share capital of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with the Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of AXIS SYSTEMS HOLDINGS LIMITED will be held at The Executives' Club, 65 Chulia Street, OCBC Centre #33-01, Singapore 049513 on the 12th day of November 2003 at 10.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Accounts for the financial period ended 30 June 2003 together with the Directors' Report and Auditors' Report thereon. **Resolution 1**
2. To declare a final dividend of Singapore cents 0.55 per share, tax exempt for the financial period ended 30 June 2003 as recommended by the Directors. **Resolution 2**
3. To approve Directors' fees of S\$70,000 for the financial period ended 30 June 2003. **Resolution 3**
4. To re-elect Mr Goh Peng Ooi who is retiring under Bye-law 86(1) of the Bye-laws. **Resolution 4**
5. To re-elect YBhg. Tan Sri Dato' Dr Lin See-Yan who is retiring under Bye-law 86(1) of the Bye-laws. **Resolution 5**
6. To re-appoint Messrs PricewaterhouseCoopers as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**
7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:-

8. IT WAS RESOLVED THAT approval be and is hereby given to the Directors to offer and grant options under the Axis Employee Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15 per cent of the total issued share capital of the Company from time to time. **Resolution 7**
9. IT WAS RESOLVED THAT the Directors be and is hereby authorised to issue shares and convertible securities from time to time provided that aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed fifty percent (50%) of the issued share capital of the Company at any time, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders does not exceed twenty percent (20%) of the issued share capital of the Company for the time being (the percentage of issued share capital is based on the Company's maximum potential share capital at the time the mandate is passed after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time that the mandate is passed, and any subsequent consolidation or subdivision of shares). Unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, provided that any approval may be revoked or varied by the Company in a general meeting. **Resolution 8**

notice of annual general meeting (continued)

NOTICE IS ALSO HEREBY GIVEN THAT the Transfer Book and the Register of Members of the Company will be closed on 1 December 2003 for the purpose of preparing dividend warrants. Duly completed transfers received by the Company's Registrar, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 up to 5.00 p.m. on 28 November 2003 will be registered to determine shareholders' entitlement to the proposed dividend. The final dividend of Singapore cents 0.55 per share, tax exempt, if approved at the Annual General Meeting, will be paid on 19 December 2003.

BY ORDER OF THE BOARD

TAN MIN-LI
HOONG LAI LING
COMPANY SECRETARIES

Date : 27 October 2003

SINGAPORE

Notes :-

- (i) If a Depositor whose name appears in the Depository Register holding Shares through the CDP wishes: (a) to attend and vote at the Annual General Meeting, he/it should complete the Proxy Form accompanying this Circular appointing himself/itself as proxy; or (b) to appoint a proxy/proxies who shall be natural persons to attend and vote in his or its place as proxy/proxies for CDP, he/it should complete the Proxy Form to appoint such proxy/proxies, in accordance with the instructions printed thereon and deposit the duly completed Proxy Form at the office of the Singapore Shares Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315, at least 48 hours before the time of the Annual General Meeting.

If a Shareholder wishes to appoint a proxy/proxies, then the Proxy Form accompanying this Circular must be completed in accordance with the instructions printed thereon and deposited at the office of the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315, at least 48 hours before the time of the Annual General Meeting.

- (ii) If re-elected under Resolution 4, Mr Goh Peng Ooi will remain as the Chairman of the Company.
- (iii) If re-elected under Resolution 5, YBhg. Tan Sri Dato' Dr Lin See-Yan will remain a member of the Audit Committee and will be considered an independent non-executive Director of the Company.
- (iv) Resolution 7 above, if passed, will empower the Directors to issue shares pursuant to the Axis Employee Share Option Scheme (the "Scheme"), which was approved at the Employee Share Option Scheme Committee Meeting on 25 August 2003 (of up to an amount not exceeding in total of 15% of the issued share capital of the Company for the time being pursuant to the exercise of the options under the Scheme. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
- (v) Resolution 8, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty per cent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty per cent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

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