[Prepared for the inclusion in this Prospectus]

Horwath

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The Board of Directors
Efficient E-Solutions Berhad
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Dear Sirs

EFFICIENT E-SOLUTIONS BERHAD ("EFFICIENT" OR "THE COMPANY")
ACCOUNTANTS' REPORT

1. PURPOSE OF REPORT

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of EFFICIENT to be dated 30 November 2004 in connection with the Public Issue of 30,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.63 per share and the listing of and quotation for the entire enlarged issued and paid-up share capital of EFFICIENT comprising 120,000,020 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities").

2. DETAILS OF EFFICIENT, ITS SUBSIDIARIES AND ASSOCIATES ("EFFICIENT GROUP" OR "THE GROUP")

2.1 THE COMPANY

The Company was incorporated in Malaysia on 27 October 2003 under the Companies Act, 1965 as a private limited company with the name of Efficient E-Solutions Sdn. Bhd. On 10 February 2004, EFFICIENT was converted to a public company with the name of Efficient E-Solutions Berhad. It is principally engaged in the business of investment holding.

2.2 RESTRUCTURING AND LISTING SCHEME

The following transactions form an integral part of the listing of EFFICIENT on the MESDAQ Market of Bursa Securities:-

(a) Split of 9,000,002 ordinary shares of RM1.00 each per share in EFFICIENT to 90,000,020 ordinary shares of RM0.10 each ("Share Split");

(b) Public issue of 30,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.63 per share which will be allocated in the following manner ("Public Issue"):-

   (i) 3,000,000 new ordinary shares of RM0.10 each available for application by the Malaysian public;

   (ii) 6,000,000 new ordinary shares of RM0.10 each available for application by directors and eligible employees of EFFICIENT and its subsidiaries, and persons who have contributed to the success of EFFICIENT and its subsidiaries; and

   (iii) 21,000,000 new ordinary shares of RM0.10 each by way of private placement.

(c) Listing of and quotation for the entire enlarged issued and paid-up share capital of EFFICIENT comprising 120,000,020 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

In conjunction with the aforesaid flotation scheme, EFFICIENT established an employees' share option scheme ("ESOS") for the granting of options to executive directors and eligible employees of EFFICIENT and its subsidiaries to subscribe for new shares representing not more than 10% of the issued and paid-up share capital of EFFICIENT at any point in time during the duration of the scheme. The ESOS has been approved by the relevant authorities.

2.3 DETAILS OF THE SUBSIDIARIES AND ASSOCIATES

A summary of the details of the subsidiaries and associates of EFFICIENT, all of which are incorporated in Malaysia, as at the date of this report is as follows:-

Name	Date of incorporation	Issued and paid-up share capital RM	Effective equity interest %	Principal activities
Efficient MailCom Sdn. Bhd. ("EMC")	9 January 1982	9,000,000	100	Provision of integrated outsourcing solutions in DDP, ranging from data extraction, to conversion, formatting of documents, to data printing; as well as the preparation of printed documents for distribution via post. EBP services are also offered, ranging from electronic bill presentment subscription services to data extraction, creation, and delivery via electronic media.
Efficient SofTech Sdn. Bhd. ("SOFTEC")	9 October 2003	3	100	Provision of information technology services, primarily the development of proprietary applications for work-flow management, data conversion, and electronic distribution of documents.
Virtual Print International Sdn. Bhd. ("VPI")	4 January 2002	100,000	20	Dormant.
PrinteGrate Sdn. Bhd. ("PG") #	28 September 2000	100,000	20	Supplier of computer forms for digital and other specialised printing.

\# - *Held through EMC*

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3. SHARE CAPITAL

As at the date of this report, the authorised share capital of EFFICIENT is RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital of EFFICIENT as of the date of this report is RM9,000,002 comprising 90,000,020 ordinary shares of RM0.10 each.

The changes in the issued and paid-up share capital of the Company since the date of incorporation are as follows:-

Date of Allotment	Number of ordinary shares issued	Resultant number of ordinary shares in issue	Par value RM	Consideration/ Type of issue	Cumulative issued and paid-up ordinary share capital RM
27 October 2003	2	2	1.00	Subscribers' shares	2
19 January 2004	9,000,000	9,000,002	1.00	Issued as consideration for the acquisition of EMC	9,000,002
20 August 2004	-	90,000,020	0.10	Split of par value from RM1.00 to RM0.10 per ordinary share	9,000,002

Upon completion of the Public Issue as detailed in paragraph 2.2, the issued and fully paid-up share capital of EFFICIENT will be enlarged to RM12,000,002 comprising 120,000,020 ordinary shares of RM0.10 each.

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4. RELEVANT FINANCIAL PERIOD

The relevant financial period for the purpose of this report ("Relevant Financial Period") is as follows:-

Company	Relevant Financial Period
EFFICIENT	Financial period from 27 October 2003 (date of incorporation) to 31 December 2003, and 5-month period ended 31 May 2004.
EMC	Financial years ended 31 December 1999 to 2003, and 5-month period ended 31 May 2004.
SOFTEC	Financial period from 9 October 2003 (date of incorporation) to 31 May 2004.

5. ACCOUNTING STANDARDS AND POLICIES

5.1 BASIS OF PREPARATION

The financial statements of the EFFICIENT Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed under significant accounting policies below. The financial statements comply with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

5.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of this report are as follows:-

(a) Basis of Consolidation

The proforma consolidated financial statements include the financial statements of the Company and all its subsidiaries.

A subsidiary is defined as a company in which the Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation (Cont'd)

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(b) Goodwill or Negative Goodwill on Consolidation

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition. Negative goodwill represents the excess of the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition over the fair value of the purchase consideration.

Goodwill is stated net of negative goodwill and is retained in the consolidated balance sheet. The carrying value of the goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the consolidated income statement.

(c) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(d) Investments

Investments in subsidiaries and associates are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Associates

An associate is an enterprise in which the Company has significant influence over the financial and operating policies and which is neither a subsidiary nor a joint venture of the Company.

The Group's share of profits or losses of the associates is included in the consolidated income statements. The Group's share of post-acquisition retained profits and reserves are added to the cost of investment in the consolidated balance sheets. The results of the associates are based on the latest available audited financial statements and management financial statements of the associates.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Long leasehold land and buildings	over the lease period of 90 years
Office equipment	20% to 40%
Electrical fittings	20%
Furniture and fittings	20%
Machinery	10%
Motor vehicles	10%
Renovation	10%
Signboard	10%

The group changed its depreciation rates during the financial year ended 31 December 2001. The financial effect arising from the change in depreciation rates is disclosed in Section 7.3(j) to the Accountants' Report.

(g) Impairment of Assets

The carrying values of assets, other than those to which MASB 23 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment of Assets (Cont'd)

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on a same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(h) Software Development Expenditure

Software development expenditure comprises qualifying expenditure incurred for the development of software applications, which are expected to generate future economic benefits. The software development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the software development expenditure is written down to their recoverable amounts.

(i) Assets under Finance Lease and Hire Purchase

Leases of plant and equipment where substantially all the benefits and risks of ownership are transferred to the Company are classified as finance leases.

Plant and equipment acquired under finance lease and hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5.2(f) above. Each lease and hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective lease and hire purchase agreements.

Plant and equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Company, the assets are depreciated over the shorter of the lease terms and their useful lives.

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5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(k) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(l) Payables

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

(m) Taxation

Taxation for the period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Taxation (Cont'd)

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(n) Interest-bearing Borrowings

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

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

(o) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(p) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling as of that date. All exchange differences are taken to the income statement.

(q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Revenue Recognition

(i) Sale of Goods

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(ii) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Interest Income

Interest income is recognised on an accrual basis.

5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

There were no changes in the significant accounting policies adopted by the Group during the Relevant Financial Period except for the change effected for the accounting policy on deferred taxation in the financial year ended 31 December 2003. The change was made so that the accounting policy is in compliance with MASB 25 - Income Taxes, as MASB 25 becomes effective for accounting period beginning from or after 1 July 2002. The change in the accounting policy on deferred taxation however does not have any material effects on the results of the Group for the Relevant Financial Period.

6. AUDITORS AND AUDIT REPORTS

6.1 AUDITORS

The financial statements of EFFICIENT, EMC and SOFTEC were audited by another firm of accountants.

6.2 AUDIT REPORTS

The financial statements of EFFICIENT, EMC and SOFTEC for the Relevant Financial Period were reported upon without any qualification.

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7. SUMMARISED INCOME STATEMENTS

7.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF EFFICIENT GROUP

The summarised proforma consolidated results of the EFFICIENT Group for the Relevant Financial Period have been prepared on the assumption that EFFICIENT Group had been in existence throughout the Relevant Financial Period. The proforma consolidated income statements are prepared for illustration purposes only and should be read in conjunction with the notes hereto:-

	Year ended 31 December					Period from 1.1.2004 to 31.5.2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Turnover	1,450	4,510	6,752	8,278	18,201	10,415
Cost of sales	(449)	(2,053)	(3,701)	(4,572)	(10,077)	(5,997)
Gross profit	1,001	2,457	3,051	3,706	8,124	4,418
Other operating income	-	47	-	3	24	6
	1,001	2,504	3,051	3,709	8,148	4,424
Administrative and other operating expenses	(715)	(1,553)	(2,103)	(2,724)	(3,286)	(1,526)
Profits from operation	286	951	948	985	4,862	2,898
Finance costs	(93)	(113)	(279)	(389)	(412)	(197)
Share of associate profit	-	-	-	-	-	68
Profit before taxation ("PBT")	193	838	669	596	4,450	2,769
Depreciation	252	282	771	892	1,429	671
Interest expense	93	113	279	389	412	197
Earnings before interest, depreciation, tax and amortisation ("EBIDTA")	538	1,233	1,719	1,877	6,291	3,637
Depreciation	(252)	(282)	(771)	(892)	(1,429)	(671)
Interest expense	(93)	(113)	(279)	(389)	(412)	(197)
PBT	193	838	669	596	4,450	2,769
Taxation	-	(305)	(155)	(223)	(1,446)	(808)
Profit after taxation ("PAT")	193	533	514	373	3,004	1,961
Number of ordinary shares of RM0.10 each in issue ('000)	90,000	90,000	90,000	90,000	90,000	90,000
Gross earnings per share ("EPS") (sen)	0.21	0.93	0.74	0.66	4.94	# 3.08
Net EPS (sen)	0.21	0.59	0.57	0.41	3.34	# 2.18

- *The Gross EPS and Net EPS computed were not annualised. Had the computation been annualised, the Gross EPS and Net EPS would have been 7.38 sen and 5.23 sen respectively.*

7.1 PROFORMA CONSOLIDATED INCOME STATEMENTS OF EFFICIENT GROUP (CONT'D)

Notes to the proforma consolidated income statements of EFFICIENT Group:-

(a) The proforma consolidated income statements are presented for illustrative purposes only and are prepared based on the audited financial statements of EFFICIENT, EMC and SOFTEC for the Relevant Financial Period. The proforma consolidated income statements are prepared on the basis that the acquisition of the entire issued and paid-up capital of EMC and SOFTEC by EFFICIENT had been in effect throughout the Relevant Financial Period;

(b) The proforma consolidated income statements for the Relevant Financial Period have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of the EFFICIENT Group;

(c) The difference between the effective tax rate and the statutory tax rate is explained in the notes to the income statements of each individual company;

(d) There were no extraordinary or exceptional items during the Relevant Financial Period under review;

(e) The proforma gross EPS is computed by dividing the profit before taxation by the number of ordinary shares assumed in issue after Share Split but before the Public Issue;

(f) The proforma net EPS is computed by dividing the profit after taxation by the number of ordinary shares assumed in issue after Share Split but before the Public Issue; and

(g) All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

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7.2 INCOME STATEMENT OF EFFICIENT

The summarised results of EFFICIENT based on its audited financial statements for the Relevant Financial Period are set out below:-

	Period from 27.10.2003 to 31.12.2003 RM'000	**Period from 1.1.2004 to 31.5.2004 RM'000**
Turnover	-	-
Administrative expenses	(3)	(31)
Loss before taxation ("LBT")	(3)	(31)
Taxation	-	-
Loss after taxation ("LAT")	(3)	(31)
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	*	9,000
Gross loss per share ("LPS") (sen)	# 150,000	# 0.34
Net LPS (sen)	# 150,000	# 0.34

The losses incurred by EFFICIENT for the Relevant Financial Period were mainly due to preliminary expenses and professional fees incurred such as audit fee and secretarial fee.

* - *Issued and fully paid-up capital of RM2 comprising 2 ordinary shares of RM1.00 each.*

- *The Gross LPS and Net LPS computed were not annualised. Had the computation been annualised, the Gross LPS and Net LPS would have been 150,000 sen and 0.83 sen for the period ended 2003 and 2004.*

Notes to the income statements of EFFICIENT:-

(a) EFFICIENT incorporated on 27 October 2003 and has not commenced commercial operations as of 31 May 2004;

(b) The Company is not subject to tax as it is in a loss position;

(c) There was no exceptional or extraordinary item in the Relevant Financial Period under review;

(d) The gross LPS is computed by dividing the loss before taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period; and

(e) The net LPS is computed by dividing the loss after taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period.

7.3 INCOME STATEMENTS OF EMC

The summarised results of EMC based on its audited financial statements for the Relevant Financial Period are set out below:-

	Year ended 31 December 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	Period from 1.1.2004 to 31.05.2004 RM'000
Turnover	1,450	4,510	6,752	8,278	18,201	10,395
Cost of sales	(449)	(2,053)	(3,701)	(4,572)	(10,077)	(5,997)
Gross profit	1,001	2,457	3,051	3,706	8,124	4,398
Other operating income	-	47	-	3	24	6
	1,001	2,504	3,051	3,709	8,148	4,404
Administrative and other operating expenses	(715)	(1,553)	(2,103)	(2,724)	(3,286)	(1,677)
Profits from operation	286	951	948	985	4,862	2,727
Finance costs	(93)	(113)	(279)	(389)	(412)	(197)
PBT	193	838	669	596	4,450	2,530
Depreciation	252	282	771	892	1,429	671
Interest expense	93	113	279	389	412	197
EBIDTA	538	1,233	1,719	1,877	6,291	3,398
Less : Depreciation	(252)	(282)	(771)	(892)	(1,429)	(671)
Interest expense	(93)	(113)	(279)	(389)	(412)	(197)
PBT	193	838	669	596	4,450	2,530
Taxation	-	(305)	(155)	(223)	(1,446)	(792)
PAT	193	533	514	373	3,004	1,738
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	317	625	1,000	1,000	1,000	9,000
Gross EPS per share (RM)	0.61	1.34	0.67	0.60	4.45	# 0.28
Net EPS (RM)	0.61	0.85	0.51	0.37	3.00	# 0.19

\# - *The Gross EPS and Net EPS computed were not annualised. Had the computation been annualised, the Gross EPS and Net EPS would have been 0.67 sen and 0.46 sen respectively.*

7.3 INCOME STATEMENTS OF EMC (CONT'D)

Notes to the income statements of EMC:-

(a) Turnover of EMC increased from RM1.45 million in the FY1999 to RM24.95 million on an annualised basis in FP2004, or 17 fold. The significant growth in EMC's turnover is attributed to the following:-

(i) outsourcing of data printing requirements by some major customers;
(ii) introduction of new products, such as pressure sealed forms; and
(iii) new customers, especially from the banking and telecommunication industries.

(b) PBT during the periods under review also improved from RM0.19 million in FY1999 to RM6.07 million on an annualised basis in FP2004, in tandem with the increase in turnover, except for FY2001 and 2002. The lower PBT in FY2001 and 2002 is attributed to higher operating overheads caused by a larger pool of staff and higher finance costs;

(c) No provision for tax was made for the profit for the FY1999 as the amount of tax payable was waived, in accordance with the provisions of the Income Tax (Amendment) Act, 1999;

(d) In FY2000 and FY2002, the effective tax rate were higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes;

(e) The effective tax rate recorded in FY2001 was lower than the statutory tax rate mainly due to the excess of capital allowances claimed over depreciation charged of approximately RM140,000;

(f) The effective tax rate recorded in FY2003 and FP2004 was lower than the statutory tax rate mainly due the utilisation of capital allowances;

(g) There was no exceptional or extraordinary item in the Relevant Financial Period under review;

(h) The gross EPS is computed by dividing the profit before taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period;

(i) The net EPS is computed by dividing the profit after taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period; and

7.3 INCOME STATEMENTS OF EMC (CONT'D)

(j) The financial effects of the change in depreciation rate in FY2001 as explained in Section 5.2(f) are as follows:-

FY 31.12.2001	*Prior to change in depreciation rate RM'000*	*Effect of change RM'000*	*As reported in the audited financial statements RM'000*
Profit before taxation	*423*	*246*	*669*
Profit after taxation	*268*	*246*	*514*

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7.4 INCOME STATEMENT OF SOFTEC

The summarised results of SOFTEC based on its audited financial statements for the Relevant Financial Period are set out below:-

	Period from 09.10.2003 to 31.5.2004 RM'000
Turnover	320
Administrative expenses	(119)
Profit before taxation ("PBT")	201
Taxation	-
Profit after taxation ("PAT")	201
Number of ordinary shares of RM1.00 each in issue	3
Gross EPS per share (RM'000)	# 67
Net EPS per share (RM'000)	# 67

\# - *The Gross EPS and Net EPS computed was not annualised. Had the computation been annualised, the Gross EPS and Net EPS would has been RM101,000.*

Notes to the income statements of SOFTEC:-

(a) SOFTEC commenced its operations in 2003. The turnover for the financial period comprised license and design fees;

(b) SOFTEC is a MSC Status company and was granted Pioneer Status under the Promotion of Investment Act, 1986 (PIA 1986) for the period from April 2004 to March 2009, whereby the statutory income derived from qualifying activities is tax-exempt;

(c) There was no exceptional or extraordinary item in the Relevant Financial Period under review;

(d) The gross EPS is computed by dividing the profit before taxation by the number of ordinary shares in issue, for the respective Relevant Financial Period; and

(e) The net EPS is computed by dividing the profit after taxation by the number of ordinary shares in issue, for the respective Relevant Financial Period.

7.5 SIGNIFICANT RELATED PARTY TRANSACTION

	RM'000
Purchases from associate	1,156

8. SUMMARISED BALANCE SHEETS

8.1 EFFICIENT

The summarised balance sheets of EFFICIENT based on its audited financial statements as at the end of the Relevant Financial Period are as follows:-

	At 31 December 2003 RM'000	At 31 May 2004 RM'000
Investment in subsidiaries	-	9,000
Investment in associate	-	20
	-	9,020
Current asset	55	461
Current liabilities	(58)	(514)
Net current liabilities	(3)	(53)
	(3)	8,967
(Represented)/Financed by:-		
Share capital	*	9,000
Accumulated losses	(3)	(33)
Shareholders' equity	(3)	8,967

* - *Issued and fully paid-up capital of RM2 comprising 2 ordinary shares of RM1.00 each.*

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8.2 EMC

The summarised balance sheets of EMC based on its audited financial statements as at the end of the Relevant Financial Period are as follows:-

	At 31 December					At 31 May
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Property, plant and equipment	2,322	5,323	7,088	10,069	11,853	12,204
Investment in associate	-	-	-	-	-	300
Investment	-	281	281	181	16	-
	2,322	5,604	7,369	10,250	11,869	12,504
Current assets	664	1,571	2,334	2,808	7,677	8,485
Current liabilities	(1,539)	(3,226)	(4,670)	(5,942)	(7,256)	(6,637)
Net current (liabilities)/assets	(875)	(1,655)	(2,336)	(3,134)	421	1,848
	1,447	3,949	5,033	7,116	12,290	14,352
Financed by:-						
Share capital	500	1,000	1,000	1,000	1,000	9,000
Retained profits	470	533	1,048	1,421	4,425	1,998
Share application monies	-	-	-	-	3,055	-
Shareholders' equity	970	1,533	2,048	2,421	8,480	10,998
Non-current liabilities	477	2,416	2,985	4,695	3,810	3,354
	1,447	3,949	5,033	7,116	12,290	14,352
NTA per ordinary share (RM)	1.94	1.53	2.05	2.42	8.48	1.22

8.3 SOFTEC

The summarised balance sheet of SOFTEC based on its audited financial statements as at the end of the Relevant Financial Period is as follows:-

	At 31 May 2004 RM'000
Current assets	206
Current liabilities	(5)
Net current assets	201
Financed by:-	
Share capital	*
Retained profit	201
Shareholders' equity	201
NTA per ordinary share (RM'000)	67

* - *Issued and fully paid-up capital of RM3 comprising 3 ordinary shares of RM1.00 each.*

9. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD

EFFICIENT, EMC and SOFTEC have not paid or declared any dividend during the Relevant Financial Period.

10. AUDITED AND PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

The audited and proforma statements of assets and liabilities of the EFFICIENT Group at 31 May 2004 are prepared based on the audited financial statements of EFFICIENT, EMC and SOFTEC as at 31 May 2004.

The Proforma Group's statements of assets and liabilities are provided for illustrative purposes only to show the effects of the Share Split and Public Issue and the utilisation of the proceeds as if these transactions had been completed as at 31 May 2004.

The Proforma Group's statements of assets and liabilities should be read in conjunction with the accompanying notes thereon.

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10. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

As at 31 May 2004	Notes	The Group (Audited) RM'000	Proforma I RM'000
Non-current assets			
Property, plant and equipment	10.1	12,204	18,204
Investment in associates	10.2	372	372
		12,576	18,576
Current assets			
Inventories held for resale	10.3	396	396
Trade receivables	10.4	5,317	5,317
Other receivables, deposits and prepayments	10.5	1,284	823
Fixed deposits with licensed banks	10.6	290	290
Cash and bank balances		1,500	13,261
Total current assets		8,787	20,087
Current liabilities			
Trade payables	10.7	2,197	2,197
Other payables and accruals	10.8	1,290	1,290
Hire purchase payables	10.9	868	868
Short term borrowings	10.10	762	762
Bank overdrafts	10.11	407	407
Provision for taxation		1,267	1,267
Total current liabilities		6,791	6,791
Net current assets		1,996	13,296
		14,572	31,872
Financed by:-			
Share capital	10.12	9,000	12,000
Share premium	10.13	-	14,300
Negative goodwill	10.14	259	259
Retained profits		1,959	1,959
Shareholders' equity		11,218	28,518
Non-current liabilities			
Hire purchase payables	10.9	721	721
Long term borrowings	10.15	1,627	1,627
Deferred taxation	10.16	1,006	1,006
		14,572	31,872
Number of ordinary shares in issue ('000)			
- RM1.00 each		9,000	-
- RM0.10 each		-	120,000
NTA per ordinary share (RM)		1.25	0.24

10. AUDITED AND PROFORMA STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

Notes to the Audited and Proforma Statements of Assets and Liabilities:-

10.1 PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Long leasehold land and buildings	1,437	(146)	1,291
Motor vehicles	1,638	(189)	1,449
Machinery	12,001	(3,362)	8,639
Office equipment	917	(476)	441
Furniture and fittings	108	(45)	63
Electrical fittings	212	(58)	154
Renovation	252	(92)	160
Signboard	9	(2)	7
	16,574	(4,370)	12,204

PROFORMA I	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land and buildings	6,000	-	6,000
Long leasehold land and buildings	1,437	(146)	1,291
Motor vehicles	1,638	(189)	1,449
Machinery	12,001	(3,362)	8,639
Office equipment	917	(476)	441
Furniture and fittings	108	(45)	63
Electrical fittings	212	(58)	154
Renovation	252	(92)	160
Signboard	9	(2)	7
	22,574	(4,370)	18,204

Proceeds from the Public Issue utilised to acquire and build the Group's new facility of RM6 million have been included as freehold land and buildings in Proforma I.

The long leasehold land and buildings and certain machineries of the Group have been pledged to licensed banks as securities for bank overdrafts, Islamic financing and term loans facilities granted to the Group.

10.1 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in plant and equipment of the Company are the following assets acquired under hire puchases, finance lease and Islamic financing facilities:-

	RM'000
Machinery	4,471
Motor vehicles	1,444
Office equipment	12
	5,927

10.2 INVESTMENT IN ASSOCIATES

	The Group/ Proforma I RM'000
Unquoted shares, at cost	320
Share of associate profit	52
	372
Represented by:-	
Share of net assets	71
Share of goodwill in associates	301
	372

Details of the associates, which are all incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest	Principal Activities
VPI	20%	Dormant.
PG #	20%	Supplier of computer forms for digital and other specialised printing.

\# - *Held through EMC.*

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10.3 INVENTORIES

	The Group/ Proforma I RM'000
At cost:-	
Finished goods	396

There were no inventories stated at net realisable value at the balance sheet date.

10.4 TRADE RECEIVABLES

The Group's normal credit terms of trade receivables range from 14 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

10.5 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group RM'000	Proforma I RM'000
Other receivables	706	245
Deposits	515	515
Prepayments	63	63
	1,284	823

10.6 FIXED DEPOSITS WITH LICENSED BANKS

	The Group/ Proforma I RM'000
Security deposits, on-lien	290

The deposits comprise:-

(a) Security deposits of RM179,866, are invested in accordance with the Syariah principle of Al Mudharabah General Investment Account (GIA) as security deposits in respect of Islamic banking facilities granted to a subsidiary;

(b) Security deposit of RM50,000 was performance bond granted to a subsidiary company for automailing service agreement; and

(c) Security deposit of RM60,000 was pledged for bank guarantee facility granted to a subsidiary.

The deposits and interests accrued thereon are pledged to the banks in the form of lien.

10.7 TRADE PAYABLES

The Group's normal credit terms of trade payables range from 30 to 60 days.

The foreign currency exposure profile of trade payables of the Group/Proforma I is as follows:-

	The Group/ Proforma I RM'000
Singapore Dollar	1

10.8 OTHER PAYABLES AND ACCRUALS

	The Group/ Proforma I RM'000
Other payables	1,085
Accruals	205
	1,290

The foreign currency exposure profile of other payables of the Group/Proforma I is as follows:-

	RM'000
Australia Dollar	10

10.9 HIRE PURCHASE PAYABLES

	The Group/ Proforma I RM'000
Future minimum hire purchase payments:	
- Not later than one year	979
- Later than one year and not later than five years	862
	1,841
Future finance charges	(252)
Present value of hire purchase payables	**1,589**

10.9 HIRE PURCHASE PAYABLES (CONT'D)

	The Group/ Proforma I RM'000
The net hire purchase payables are repayable as follows:-	
Current:	
- Not later than one year	868
Non-current:	
- Later than one year but not later than five years	721
	1,589

The effective interest rates for hire purchase payables of the Group/Proforma I range from 6.2% to 10.2% per annum.

10.10 SHORT TERM BORROWINGS

	The Group/ Proforma I RM'000
Islamic financing facilities (Note 10.15)	421
Term loans (Note 10.15)	296
Long term payables (Note 10.15)	45
	762

The Islamic financing facilities are granted in accordance with the Syariah principle of Al Bai' Bithaman Ajil, and are repayable in 60 monthly instalments commencing August 2001 and June 2003 respectively. The effective interest rates for the Islamic financing facilities range from 8.9% to 9.6% per annum. These facilities are secured as follows:-

(i) the Asset Purchase & Sale Agreement for the amount of facilities approved;

(ii) first fixed charge over machinery under finance by way of execution of debenture over the said machinery;

(iii) pledge of security deposits with interest accrued invested in Al Mudharabah General Investment Account by executing a Memorandum of Deposit and Letter of Set-Off; and

(iv) joint and several guarantee by certain directors of a subsidiary company.

10.10 SHORT TERM BORROWINGS (CONT'D)

The term loans are repayable commencing August 1996 and February 2002 over 60 to 144 instalments respectively. The weighted average interest rate for term loans is 8.0% per annum. These term loans are secured as follows:-

(i) by way of first and second charges over the leasehold properties of a subsidiary company; and

(ii) by the joint and several guarantee of certain directors of a subsidiary company.

The long term payables are unsecured, interest-free and repayable in 4 monthly and 5 yearly instalments respectively, commencing 2004 and 2001 respectively.

10.11 BANK OVERDRAFTS

The bank overdrafts bear a weighted average interest rate of 8.0% per annum. These facilities are secured as follows:-

(i) by way of first, second and third legal charges respectively over the leasehold properties of a subsidiary company; and

(ii) by the joint and several guarantee by certain directors of a subsidiary company.

10.12 SHARE CAPITAL

At the date of this report, EFFICIENT has an authorised share capital of RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each and an issued and paid-up share capital of RM9,000,002 comprising 90,000,020 ordinary shares of RM0.10 each.

The movements in the authorised share capital of EFFICIENT during the financial period are as follows:-

	Par Value RM	Number of Ordinary Shares	RM'000
At 27 October 2003 (date of incorporation)	1.00	1,000,000	1,000
Increase during the period	1.00	9,000,000	9,000
At 31 May 2004	1.00	10,000,000	10,000
Split of par value from RM1.00 to RM0.10 per ordinary share	0.10	100,000,000	10,000
Increase during the period	0.10	150,000,000	15,000
	0.10	250,000,000	25,000

10.12 SHARE CAPITAL (CONT'D)

The movements in the issued and paid-up share capital of EFFICIENT during the financial period are as follows:-

	Par Value RM	Number of Ordinary Shares	RM'000
At 27 October 2003 (date of incorporation)	1.00	2	#
Allotment during the period	1.00	9,000,000	9,000
At 31 May 2004	1.00	9,000,002	9,000
Split of par value from RM1.00 to RM0.10 per ordinary share	0.10	90,000,020	9,000
Public Issue	0.10	30,000,000	3,000
As per Proforma I	0.10	120,000,020	12,000

\# - *Issued and fully paid-up capital of RM2 comprising 2 ordinary shares of RM1.00 each.*

10.13 SHARE PREMIUM

	RM'000
At 31 May 2004	-
Arising from Public Issue	15,900
Estimated listing expenses written off	(1,600)
As per Proforma I	14,300

10.14 NEGATIVE GOODWILL

This arose from the Acquisitions and is not distributable by way of dividends.

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10.15 LONG TERM BORROWINGS

	The Group/ Proforma I RM'000
Islamic financing facilities	1,579
Term loans	725
Long term payables	85
	2,389
Less: Portion repayable within twelve months (Note 10.10)	(762)
	1,627

The Islamic financing facilities, term loans and long term payables are repayable as follows:-

Not later than one year (Note 10.10)	762
Later than one year and not later than five years	1,627
	2,389

Details of the term loans outstanding at the balance sheet date are as follows:-

Term loan I	251
Term loan II	474
	725

10.16 DEFERRED TAXATION

The deferred taxation relates to temporary differences between depreciation and capital allowances on qualifying cost of plant and equipment.

10.17 CAPITAL COMMITMENT

Authorised capital expenditure not provided for in the financial statements:-

	RM'000
Contracted for	4,028

Analysed as follows:-

Property	4,028

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11. AUDITED CONSOLIDATED CASH FLOW STATEMENT

The audited consolidated cash flow statement of EFFICIENT Group set out below is based on the audited financial statements of EFFICIENT, EMC and SOFTEC for the financial period from 1 January 2004 to 31 May 2004.

	Note	Period from 1.1.2004 to 31.5.2004 RM'000
Cash Flows From Operating Activities		
Profit before taxation		2,769
Adjustments for:-		
Depreciation of property, plant and equipment		671
Interest expense		197
Loss on disposal of investments		1
Interest income		(4)
Share of associate profit		(68)
Operating profit before working capital changes		3,566
Decrease in inventories		26
Decrease in trade and other receivables		859
Decrease in trade and other payables		(162)
Cash From Operations		4,289
Interest paid		(197)
Income tax paid		(233)
Net Cash From Operating Activities		3,859
Cash Flows For Investing Activities		
Interest received		4
Acquisition of subsidiary net of cash acquired		(9,482)
Purchase of property, plant and equipment		(1,023)
Purchase of investments		(320)
Proceeds from disposal of investments		15
Net Cash For Investing Activities		(10,806)
Cash Flows From Financing Activities		
Proceeds from issuance of shares		9,000
Repayment of hire purchase obligations		(150)
Repayment of term loans and other borrowings		(348)
Repayment of lease payables		(172)
Net Cash From Financing Activities		8,330
Net Increase In Cash And Cash Equivalents		1,383
Cash And Cash Equivalents At Beginning Of The Financial Period		*
Cash And Cash Equivalents At End Of The Financial Period	11.1	1,383

* - *The cash and cash equivalents at beginning of the financial period was RM2.*

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11. AUDITED CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

Notes to the Audited Consolidated Cash Flow Statement:-

11.1 ANALYSIS OF CASH AND CASH EQUIVALENTS

	RM'000
Fixed deposits with licensed banks	290
Cash and bank balances	1,500
Bank overdrafts	(407)
	1,383

12. NET TANGIBLE ASSETS PER ORDINARY SHARE

The net tangible assets cover of EFFICIENT based on the Proforma Group's statements of assets and liabilities as at 31 May 2004 as set out in Paragraph 10 above is illustrated below:-

	RM'000
Net tangible assets of EFFICIENT Group before the Public Issue	11,218
Proceeds from Public Issue	18,900
Less: Estimated listing expenses	(1,600)
Proforma I net tangible assets	28,518

Number of ordinary shares in EFFICIENT that are in issue:-

	Number of ordinary shares '000
Existing ordinary shares of RM1.00 each in issue	9,000
Ordinary shares of RM0.10 each:	
- Share Split	90,000
- Public Issue	30,000
Enlarged issued and paid-up share capital	120,000

On the basis of the enlarged issued and paid-up share capital of 120,000,020 ordinary shares of RM0.10 each in EFFICIENT, the Group's net tangible assets cover per ordinary share of EFFICIENT is approximately RM0.24.

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13. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, on 23 June 2004, a subsidiary acquired office equipment for a cash consideration of RM351,000 in its ordinary course of business.

14. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 May 2004 for the EFFICIENT Group.

Yours faithfully

Horwath
Firm No : AF 1018
Chartered Accountants

Onn Kien Hoe
Approval No : 1772/11/06 (J/PH)
Partner