

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



6 November 2006

The Board of Directors
My E.G. Services Berhad
C15-1 Level 15 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

Dear Sirs

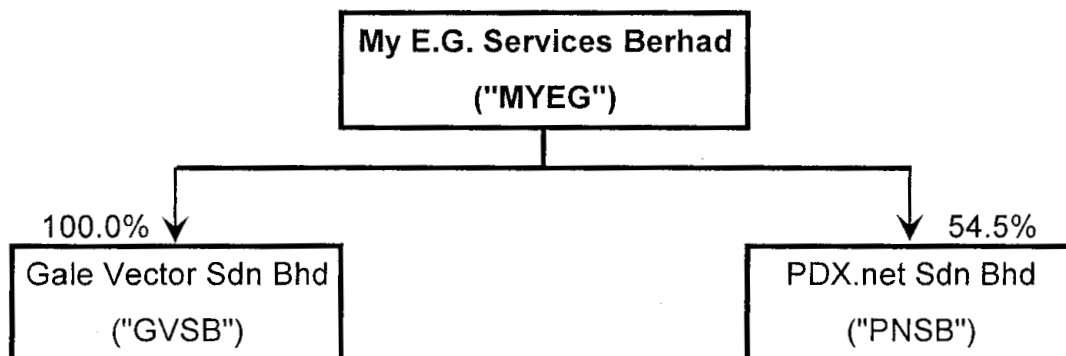
MY E.G. SERVICES BERHAD ("MYEG" or "the Company") ACCOUNTANTS' REPORT

1. PURPOSE OF REPORT

This Report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of MYEG to be dated 30 November 2006 in connection with the Public Issue (details of which are set out on paragraph 3 of this report) of 25,500,000 new ordinary shares of RM0.10 each in MYEG at an issue price of RM0.55 per share and the listing of and quotation for the entire enlarged issued and paid-up share capital of MYEG comprising 126,250,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

2. GROUP STRUCTURE

The group structure of MYEG and its subsidiaries ("MYEG Group") is as follows: -



MYEG acquired 100.0% and 54.5% equity interests in GVSB and PNSB respectively during the financial year ended 30 June 2005. Prior to the acquisition of GVSB and PNSB, MYEG had no subsidiaries.

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3. LISTING SCHEME

In conjunction with and as an integral part of the listing of MYEG on the MESDAQ Market of Bursa Securities, MYEG will undertake the following transactions which have been approved by the relevant authorities: -

- (i) public issue of 25,500,000 new ordinary shares of RM0.10 each in MYEG ("MYEG Share") to the public, selected investors, eligible directors and employees of MYEG at an issue price of RM0.55 per MYEG Share ("Public Issue"); and
- (ii) listing of and quotation for the entire enlarged issued and paid-up share capital of MYEG comprising 126,250,000 MYEG Shares on the MESDAQ Market of Bursa Securities.

4. RELEVANT FINANCIAL PERIOD AND AUDITORS

The relevant financial period of MYEG Group for the purpose of this report ("Relevant Financial Period") and the auditors of the respective companies for the Relevant Financial Period are set out below: -

Company	Relevant Financial Period	Auditors	Auditors' Report
MYEG	- Financial year ended 30 June 2006 ("FY2006")	Horwath	Appendix I
	- Financial year ended 30 June 2005 ("FY2005")	Horwath	Appendix II
	- Financial year ended 30 June 2004 ("FY2004")	Horwath	Appendix III
GVSB	- Financial year ended 30 June 2006	Horwath	
	- Financial year ended 30 June 2005	Horwath	
	- Financial period from 1 November 2003 to 30 June 2004	Horwath	
PNSB	- Financial year ended 30 June 2006	Horwath	
	- Financial period from 1 January 2005 to 30 June 2005	Horwath	
	- Financial year ended 31 December 2004	Ler Lum & Co	
	- Financial year ended 31 December 2003	Ler Lum & Co	

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4. RELEVANT FINANCIAL PERIOD AND AUDITORS (CONT'D)

This report deals with the audited consolidated financial statements of MYEG Group for the FY2005 and FY2006 and the audited financial statements of MYEG for the FY2004. MYEG's results accounted for more than 75% of MYEG Group's profit before tax throughout the Relevant Financial Period.

The individual audited financial statements of GVSB and PNSB, for the Relevant Financial Period are not presented in this report as they are not material in relation to MYEG Group and MYEG.

The audited financial statements for MYEG, GVSB and PNSB for the Relevant Financial Period were reported upon without any audit qualification.

5. ACCOUNTING STANDARDS AND POLICIES

5.1 BASIS OF PREPARATION

The financial statements of MYEG Group have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in the summary of significant accounting policies below. The financial statements and the information presented in this Report have been prepared in accordance with applicable approved accounting standards in Malaysia for the Relevant Financial Period.

5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the relevant financial year ends of the Company.

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.

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.

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11. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Consolidation (Cont'd)

Minority interest is measured at the minority's share of the post acquisition fair value of the identifiable assets and liabilities of the acquiree. Separate disclosure is made for minority interest.

(b) 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 expense 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.

(c) Equipment

Equipment is 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:-

Motor vehicles	16%
Office and communication equipment	12%
Office furniture and renovation	10%
Computers	20%
Software	20%

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**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) 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 subsidiary at the date of acquisition.

Goodwill is reviewed annually, and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the income statement.

(e) Development Costs

Development costs comprise expenditure incurred on the development and integration of the Group's software systems used for the provision of Electronic Government Services. Costs incurred on development projects are capitalised to the extent that such expenditure is expected to generate future economic benefits.

Other development expenditure is recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial service of the product to which they relate on a straight line basis over the period of their expected benefits but not exceeding 20 years.

(f) Impairment of Assets

The carrying amounts of assets, other than those to which FRS 136 - Impairment of Assets (formerly known as MASB 23) 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 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.

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**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) 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 the 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.

(g) Asset under Hire Purchase

Equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in 5.2(c) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the periods of the respective hire purchase agreements.

(h) 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.

(i) 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.

(j) Interest-bearing Borrowings

The interest-bearing borrowings 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.

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**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(k) 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 treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

(l) 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.

(m) Employee Benefits**(i) Short-term Benefits**

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of MYEG Group.

(ii) Defined Contribution Plans

MYEG Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, MYEG Group has no further liability in respect of the defined contribution plans.

(n) Taxation

Taxation for the year comprises current and deferred tax.

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

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11. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(n) Taxation (Cont'd)**

Deferred taxation 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.

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.

(o) Revenue Recognition

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.

11. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES**

There were no significant changes in the accounting policies adopted by MYEG and MYEG Group during the Relevant Financial Period except for the change in accounting policy adopted by MYEG with respect to deferred tax in the financial year ended 30 June 2003. The change in the accounting policy was to comply with FRS 112 – Income Taxes (formerly known as MASB 25) which became effective from 1 July 2002. The change in this accounting policy had no effect on the financial statements of MYEG and MYEG Group for the Relevant Financial Period.

The MASB standards nomenclature has been changed to Financial Reporting Standards ("FRS") nomenclature for financial periods beginning on or after 1 January 2005. This change to the new nomenclature did not result in any significant change in the accounting policies adopted by the Group and has no financial effects on the financial statements of the Group and of the Company for the financial year ended 30 June 2006.

6. AUDITED FINANCIAL STATEMENTS

The following are the consolidated financial statements of MYEG Group for the FY2005 and FY2006, and the financial statements of MYEG for the FY2004, presented based on the audited financial statements of MYEG and its subsidiaries, modified as appropriate, for the purpose of this Report.

All information is extracted from the audited financial statements except those in italics which are prepared based on calculations and/or representations and explanations provided by the management.

MYEG Group only existed in the FY2005, hence there are no consolidated financial statements for FY2004.

The individual audited financial statements of the subsidiaries, GVSB and PNSB, for the Relevant Financial Period are not presented as the results of MYEG itself form more than 75% of the MYEG Group's profit before taxation.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 INCOME STATEMENTS

	NOTE	MYEG Group		MYEG
		FY2006	FY2005	FY2004
		RM'000	RM'000	RM'000
Revenue	6.5	19,263	12,080	9,706
Cost of sales		(13,175)	(7,619)	(6,184)
Gross profit		6,088	4,461	3,522
Administrative and operating expenses		(1,376)	(1,308)	(783)
Earnings before interest, depreciation, tax and amortisation ("EBITDA")		4,712	3,153	2,739
Depreciation		(302)	(400)	(370)
Amortisation		(252)	(191)	(173)
Interest expense		(40)	(22)	(41)
Profit before taxation ("PBT")	6.6	4,118	2,540	2,155
Taxation	6.7	(42)	(17)	-
Profit after taxation ("PAT")		4,076	2,523	2,155
Pre-acquisition profit		-	(4)	-
Minority Interest ("MI")		(57)	(14)	-
PAT after MI		4,019	2,505	2,155
<i>Gross profit margin (%)</i>		31.6	36.9	36.3
<i>PBT margin (%)</i>		21.4	21.0	22.2
<i>PAT after MI margin (%)</i>		20.9	20.7	22.2
<i>Effective tax rate (%)</i>		1.0	0.7	N/A
<i>Interest coverage (times)</i>		104.0	116.5	53.6
<i>Weighted average number of ordinary shares of RM0.10 each in issue ('000)</i>		100,750	90,616	50,631
<i>Gross earnings per share ("EPS") (sen)</i>		4.0	2.8	4.3
<i>Net EPS (sen)</i>		4.0	2.8	4.3
<i>Net dividend rate (%)</i>		-	-	-

Note: -

N/A – Not Applicable

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11. ACCOUNTANTS' REPORT (Cont'd)

**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 INCOME STATEMENTS (CONT'D)**

Commentary: -

- (a) *There were neither extraordinary nor exceptional items during the Relevant Financial Period under review. There was also no share of profits and losses of associated corporations and joint ventures during the Relevant Financial Period under review. MYEG does not have any associated corporations or joint venture arrangements as at the date of this Report.*
- (b) *The gross EPS is calculated by dividing the PBT net of MI by the weighted average number of ordinary shares in issue after adjusting retrospectively for the sub-division of share for the Relevant Financial Period.*
- (c) *The net EPS is calculated by dividing the PAT net of MI by the weighted average number of ordinary shares in issue after adjusting retrospectively for the sub-division of share for the Relevant Financial Period.*
- (d) *All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*
- (e) *No consolidated income statements for the financial year ended 30 June 2004 is presented as the first set of consolidated income statement prepared by MYEG Group was for the financial year ended 30 June 2005.*
- (f) *MYEG is principally engaged in the business of development and implementation of the Electronic Government Services project and the provision of other related services for the Electronic Government Services project, as well as investment holding.*
- (g) *Revenue of MYEG for FY2004 increased by 221.5% as compared to FY2003 mainly due to additional E-Service Centres in Peninsular Malaysia which provided better access and coverage nationwide. This resulted from the increases in both Government to Citizen ("G2C") and Government Enterprise Solutions ("GES") transactions and revenues. In addition, the increase in sales of the enterprise solutions also boosted the revenue for the FY2004. MYEG achieved a PBT of approximately RM2.16 million due to the significant increase in revenue.*
- (h) *Group revenue of MYEG was approximately 20.0% higher in the FY2005 as compared to FY2004, mainly due to higher revenue of 109.7% and 25.8% contributed by G2C and GES respectively. However, this was offset by lower sales of enterprise solutions by 63.4%. The increase in revenue has resulted higher PBT for the FY2005 by 17.3% compared to FY2004.*

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**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 INCOME STATEMENTS (CONT'D)**

Commentary (Cont'd): -

- (i) *Group revenue for FY2006 increased by 59.5% contributed by higher G2C and GES revenue of 165.1% and 12.6% respectively. The increase was primarily due to additional revenue generated by the launch of a new service under Jabatan Insolvency Malaysia in the FY2006, whilst existing services continued to post higher revenue on a year-on-year basis. The increase in revenue has contributed to improvement in PAT.*

- (j) *The effective tax rate is lower than the statutory tax rate as MYEG has been granted the Multimedia Super Corridor status and enjoys pioneer status under the Promotion of Investments Act, 1986, for which 100% of its statutory income from pioneer activities is tax exempted for a period of 5 years from 18 July 2001 to 17 July 2006.*

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BALANCE SHEETS

As at 30 June	NOTE	MYEG Group		MYEG
		2006 RM'000	2005 RM'000	2004 RM'000
NON-CURRENT ASSETS				
Development costs	6.8	4,601	4,203	4,142
Equipment	6.9	3,946	4,027	3,956
Goodwill on consolidation	6.10	2,600	2,600	-
		<u>11,147</u>	<u>10,830</u>	<u>8,098</u>
CURRENT ASSETS				
Trade receivables	6.11	1,199	1,107	1,887
Other receivables	6.12	4,454	2,199	368
Amount owing by a shareholder	6.13	-	4	-
Cash and bank balances		2,277	987	46
		<u>7,930</u>	<u>4,297</u>	<u>2,301</u>
CURRENT LIABILITIES				
Trade payables	6.14	547	89	190
Other payables		1,225	1,710	946
Amount owing to a director	6.15	9	33	-
Amount owing to a shareholder	6.13	-	-	100
Amount owing to a related party	6.16	-	4	332
Provision for taxation		38	22	4
Short-term borrowings	6.17	33	95	231
		<u>1,852</u>	<u>1,953</u>	<u>1,803</u>
NET CURRENT ASSETS		<u>6,078</u>	<u>2,344</u>	<u>498</u>
		<u>17,225</u>	<u>13,174</u>	<u>8,596</u>

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 BALANCE SHEETS (CONT'D)

As at 30 June	NOTE	MYEG Group		MYEG
		2006	2005	2004
		RM'000	RM'000	RM'000
FINANCED BY: -				
Share capital	6.20	10,075	10,075	5,350
Retained profits	6.21	7,071	3,052	547
SHAREHOLDERS' EQUITY		17,146	13,127	5,897
MINORITY INTERESTS		66	9	-
NON-CURRENT LIABILITIES				
Amount owing to a related party	6.16	-	-	2,500
Term loan	6.18	-	38	160
Hire purchase payables	6.19	-	-	39
Deferred taxation	6.22	13	-	-
		17,225	13,174	8,596
<i>Number of ordinary shares in issue ('000)</i>		100,750	100,750	53,500
<i>Net assets per share (sen)</i>		17.1	13.0	11.0
<i>Net tangible assets per share (sen)</i>		9.9	6.3	3.3
<i>Trade receivables turnover period (days)</i>		23	33	71
<i>Trade payables turnover period (days)</i>		15	4	11
<i>Gearing ratio (times)</i>		#	#	0.1

Note: -

- Negligible, less than 0.05

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.3 CASH FLOW STATEMENTS

		MYEG Group		MYEG
		FY2006	FY2005	FY2004
	NOTE	RM'000	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation		4,118	2,540	2,155
Adjustments for: -				
Allowance for doubtful debts		-	8	-
Amortisation of development costs		252	191	172
Bad debts written off		-	1	-
Depreciation of equipment		302	400	371
Interest expense		40	22	41
Pre-acquisition profit		-	4	-
Operating profit before working capital changes		4,712	3,166	2,739
Increase in trade and other receivables		(2,347)	(1,005)	(1,625)
(Decrease)/Increase in trade and other payables		(27)	597	279
CASH FLOW FROM OPERATIONS		2,338	2,758	1,393
Income tax paid		(13)	-	-
Interest paid		(40)	(22)	(41)
CASH FLOW FROM OPERATING ACTIVITIES		2,285	2,736	1,352
CASH FOR INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired	6.23	-	(600)	-
Additions of development costs		(650)	(252)	(188)
Purchase of equipment	6.24	(221)	(471)	(3,283)
NET CASH FOR INVESTING ACTIVITIES		(871)	(1,323)	(3,471)
BALANCE CARRIED FORWARD		1,414	1,413	(2,119)

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)
6.3 CASH FLOW STATEMENTS (CONT'D)

NOTE	MYEG Group		MYEG
	FY2006 RM'000	FY2005 RM'000	FY2004 RM'000
BALANCE BROUGHT FORWARD	1,414	1,413	(2,119)
CASH FLOW FOR FINANCING ACTIVITIES			
Advances from/(Repayment to) a director	(24)	33	(543)
Net (repayment to)/advances from shareholders	3	(104)	100
Proceeds from issuance of shares	-	225	350
Repayment of hire purchase obligations	(32)	(90)	(61)
Repayment of term loan	(67)	(207)	(54)
(Repayment to)/Advances from a related party	(4)	(329)	2,254
NET CASH FOR FINANCING ACTIVITIES	<u>(124)</u>	<u>(472)</u>	<u>2,046</u>
NET INCREASE IN CASH AND BANK BALANCES	1,290	941	(73)
CASH AND BANK BALANCES AT BEGINNING OF YEAR	<u>987</u>	<u>46</u>	<u>119</u>
CASH AND BANK BALANCES AT END OF YEAR	<u>2,277</u>	<u>987</u>	<u>46</u>

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)
6.4 STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Retained Profits RM'000	Total RM'000
MYEG Group			
Balance at 1.7.2004	5,350	547	5,897
Issuance of shares	4,725	-	4,725
Profit for the financial year	-	2,505	2,505
Balance at 30.6.2005/1.7.2005	10,075	3,052	13,127
Profit for the financial year	-	4,019	4,019
Balance at 30.6.2006	10,075	7,071	17,146
MYEG			
Balance at 1.7.2003	5,000	(1,608)	3,392
Issuance of shares	350	-	350
Profit for the financial year	-	2,155	2,155
Balance at 30.6.2004	5,350	547	5,897

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6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.5 REVENUE

Revenue of MYEG Group and MYEG represents the invoiced value of goods sold less discounts.

6.6 PROFIT BEFORE TAXATION

	MYEG Group		MYEG
	FY2006	FY2005	FY2004
	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging: -			
Allowance for doubtful debts	-	8	-
Amortisation of development costs	252	191	172
Audit fee:			
- for the current financial year	13	12	5
- underprovision in prior year	1	1	-
Bad debts written off	-	1	-
Depreciation of equipment	302	400	371
Directors' fee	96	56	28
Directors' non-fee emoluments	46	30	-
Interest expense:			
- hire purchase	1	9	10
- term loan	8	13	31
- others	31	-	-
Rental expenses:			
- motor vehicles parking	9	7	6
- motor vehicle	62	42	41
- equipment	6	15	15
- premises	362	343	308
Staff costs	1,412	1,402	822

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.7 TAXATION

	MYEG Group		MYEG
	FY2006	FY2005	FY2004
	RM'000	RM'000	RM'000
Current taxation:			
- for the current financial year			
Deferred taxation:	29	17	-
- for the current financial year (Note 6.22)	13	-	-
	<u>42</u>	<u>17</u>	<u>-</u>

MYEG has been granted MSC status which qualifies MYEG for the pioneer status incentive with no tax on the MYEG's income from pioneer activities during the pioneer period from 18 July 2001 to 17 July 2006. The pioneer status incentive may be extended for another 5 years.

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

	MYEG Group		MYEG
	FY2006	FY2005	FY2004
	RM'000	RM'000	RM'000
Profit/(Loss) before tax	<u>4,118</u>	<u>2,540</u>	<u>2,155</u>
Tax at the applicable statutory tax rate of 28%	1,153	711	603
Tax effects of: -			
Non-deductible expenses	28	82	14
Utilisation of deferred tax assets not recognised in prior years	(896)	(717)	(625)
Deferred tax liabilities not recognised due to pioneer status	(227)	(52)	-
Deferred tax assets not recognised	-	-	8
Differential in tax rates	(16)	(7)	-
	<u>42</u>	<u>17</u>	<u>-</u>

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.8 DEVELOPMENT COSTS

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
At Cost:			
At beginning of the financial year	4,686	4,434	4,246
Additions	650	252	188
At end of the financial year	<u>5,336</u>	<u>4,686</u>	<u>4,434</u>
Less: Accumulated Amortisation			
At beginning of the financial year	(483)	(292)	(119)
Amortisation for the financial year	(252)	(191)	(173)
At end of the financial year	<u>(735)</u>	<u>(483)</u>	<u>(292)</u>
	<u>4,601</u>	<u>4,203</u>	<u>4,142</u>
Staff costs capitalised as development costs during the financial year	<u>225</u>	<u>252</u>	<u>188</u>

6.9 EQUIPMENT

MYEG Group Net Book Value	Motor vehicles RM'000	Office and communi- cation equipment RM'000	Office furniture and renovation RM'000	Computers RM'000	Software RM'000	Total RM'000
At 1.7.2004	1	67	514	3,372	2	3,956
Additions	-	18	214	239	-	471
Depreciation charge	(#)	(50)	(74)	(275)	(1)	(400)
At 30.6.2005/1.7.2005	1	35	654	3,336	1	4,027
Additions	-	72	24	119	6	221
Depreciation charge	(#)	(23)	(86)	(191)	(2)	(302)
At 30.6.2006	<u>1</u>	<u>84</u>	<u>592</u>	<u>3,264</u>	<u>5</u>	<u>3,946</u>

Horwath Offices in Malaysia:

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11. ACCOUNTANTS' REPORT (Cont'd)


6. AUDITED FINANCIAL STATEMENTS (CONT'D)
6.9 EQUIPMENT (CONT'D)

MYEG Group FY2006	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Motor vehicles	2	(1)	1
Office and communication equipment	174	(90)	84
Office furniture and renovation	864	(272)	592
Computers	4,310	(1,046)	3,264
Software	58	(53)	5
	5,408	(1,462)	3,946
FY2005			
Motor vehicles	2	(1)	1
Office and communication equipment	102	(67)	35
Office furniture and renovation	840	(186)	654
Computers	4,191	(855)	3,336
Software	52	(51)	1
	5,187	(1,160)	4,027

Horwath Offices in Malaysia:

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.9 EQUIPMENT (CONT'D)

MYEG Net Book Value	Motor vehicles RM'000	Office and communi- cation equipment RM'000	Office furniture and renovation RM'000	Computers RM'000	Software RM'000	Total RM'000
At 1.7.2003	2	51	437	369	2	861
Additions	-	26	136	3,302	2	3,466
Depreciation charge	(1)	(10)	(59)	(298)	(3)	(371)
At 30.6.2004	1	67	514	3,373	1	3,956

MYEG FY2004	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Motor vehicles	2	(1)	1
Office and communication equipment	85	(18)	67
Office furniture and renovation	626	(112)	514
Computers	3,952	(579)	3,373
Software	51	(50)	1
	4,716	(760)	3,956

At the balance sheet dates, the following assets were acquired under hire purchase terms:

Net book value	MYEG Group		MYEG
	2006 RM'000	2005 RM'000	2004 RM'000
Computers	-	106	185

Horwath Offices in Malaysia:

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.10 GOODWILL ON CONSOLIDATION

At 30 June	MYEG Group	
	2006	2005
	RM'000	RM'000
Arising from the acquisition of:		
- GVSB	2,594	2,594
- PNSB	6	6
At end of the financial year	<u>2,600</u>	<u>2,600</u>

6.11 TRADE RECEIVABLES

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Trade receivables	1,207	1,115	1,887
Allowance for doubtful debts	(8)	(8)	-
	<u>1,199</u>	<u>1,107</u>	<u>1,887</u>

MYEG Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

6.12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments are the following items:

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Advanced payments for the purchase of equipment	2,154	-	-
Performance bond to a gateway provider	1,453	1,732	-
	<u>1,453</u>	<u>1,732</u>	<u>-</u>

6.13 AMOUNT OWING BY/(TO) A SHAREHOLDER

The amounts owing are unsecured, interest-free and not subject to fixed terms of repayment.

Horwath Offices in Malaysia:

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.14 TRADE PAYABLES

The normal trade credit term granted to MYEG Group is 30 days.

6.15 AMOUNT OWING TO A DIRECTOR

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

6.16 AMOUNT OWING TO A RELATED PARTY

A related party refers to a company in which the directors have substantial financial interests.

The amount owing is unsecured, interest free and is repayable as follows:

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Current:			
- repayable within 12 months	-	4	332
Non-current:			
- repayable after 12 months	-	-	2,500
	<u>-</u>	<u>4</u>	<u>2,832</u>

6.17 SHORT-TERM BORROWINGS

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Term loans (Note 6.18)	33	63	148
Hire purchase payables (Note 6.19)	-	32	83
	<u>33</u>	<u>95</u>	<u>231</u>

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.18 TERM LOANS

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Current:			
- repayable within one year (Note 6.17)	33	63	148
Non-current:			
- repayable between one to two years	-	38	120
- repayable between two to five years	-	-	40
	-	38	160
	<u>33</u>	<u>101</u>	<u>308</u>

Details of term loans are as follows:

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Term loan I	-	30	202
Term loan II	33	71	106
	<u>33</u>	<u>101</u>	<u>308</u>

Details of repayment terms are as follows: -

	Number of Monthly Instalments	Monthly Instalment RM	Date of Commencement of Repayment
Term loan I	60	10,612	January 2001
Term loan II	48	3,300	July 2003

The term loans are secured by the joint and several guarantees of a director and a third party.

11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.18 TERM LOANS (CONT'D)

The term loans bore interests at the following rates: -

At 30 June	MYEG Group		MYEG
	2006	2005	2004
Weighted average effective interest rate at the balance sheet date	8.50%	10.47%	8.19%

6.19 HIRE PURCHASE PAYABLES

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Minimum hire purchase payments:			
- not later than one year	-	34	92
- later than one year but not later than five years	-	-	40
	-	34	132
Less: Future finance charges	-	(2)	(10)
Present value of hire purchase payables	-	32	122

The hire purchase payables is repayable as follows:

Current:

- not later than one year (Note 6.17)

Non-current:

- later than one year but not later than five years

- not later than one year (Note 6.17)	-	32	83
- later than one year but not later than five years	-	-	39
	-	32	122

The hire purchase payables bore interest as follows: -

At 30 June	MYEG Group		MYEG
	2006	2005	2004
Weighted average effective interest rate at the balance sheet date	N/A	5.13%	5.13%

Note:

N/A – Not Applicable

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.20 SHARE CAPITAL

	Par Value RM	Number of shares '000	RM'000
AUTHORISED: -			
At 1.7.2003	1.00	5,000	5,000
Sub-division of ordinary shares of RM1.00 each to RM0.10 each	0.10	45,000	-
Created during the financial year	0.10	50,000	5,000
At 30.6.2004/1.7.2004	0.10	100,000	10,000
Created during the financial year	0.10	150,000	15,000
At 30.6.2005/30.6.2006	0.10	250,000	25,000

	Par Value RM	Number of shares '000	RM'000
ISSUED AND FULLY PAID-UP: -			
At 1.7.2002	1.00	4,600	4,600
Allotment during the financial year	1.00	400	400
At 30.6.2003/1.7.2003	1.00	5,000	5,000
Sub-division of ordinary shares of RM1.00 each to RM0.10 each	0.10	45,000	-
Allotment during the financial year	0.10	3,500	350
At 30.6.2004/1.7.2004	0.10	53,500	5,350
Allotment during the financial year	0.10	47,250	4,725
At 30.6.2005/30.6.2006	0.10	100,750	10,075

6.21 RETAINED PROFITS

The Company does not have any tax credit under Section 108 of the Income Tax Act, 1967 or tax-exempt income to frank the payment of dividends out of its retained profits without incurring tax liabilities. The retained profits, if distributed as dividends, will incur additional tax payments.

Horwath Offices in Malaysia:

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.22 DEFERRED TAXATION

At 30 June	MYEG Group		MYEG
	2006	2005	2004
Recognised in Income Statement (Note 6.7)	13	-	-

The deferred tax liabilities relates to accelerated capital allowances.

6.23 ACQUISITION OF SUBSIDIARIES, NET OF CASH ACQUIRED

The effects of the acquisition of GVSB and PNSB on the financial results of MYEG Group for the FY2005 are as follows: -

	MYEG Group RM'000
Revenue	786
Cost of sales	(430)
Gross profit	356
Operating costs	(267)
Profit before taxation for the financial year	89
Taxation	(18)
Profit after taxation for the financial year	71
Pre-acquisition profit	(4)
Minority interests	(14)
Increase in net profit of the Group	53

The effects of the acquisition of GVSB and PNSB on the financial position of MYEG Group at the end of the FY2005 are as follows: -

	MYEG Group RM'000
Trade receivables	478
Cash and bank balances	83
Trade payables	(17)
Other payables and accruals	(141)
Provision for taxation	(19)
	384

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11. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.23 ACQUISITION OF SUBSIDIARIES, NET OF CASH ACQUIRED (CONT'D)

The details of net assets acquired and cash flow arising from the acquisition of GVSB and PNSB in the FY2005 are as follows: -

	RM'000
Trade receivables	306
Cash and bank balances	#
Other payables and accruals	(310)
Provision for taxation	(1)
Minority interest	5
Fair value of net assets acquired	<u>(#)</u>
Goodwill on consolidation	<u>2,600</u>
Total purchase consideration	2,600
Satisfied by the issuance of shares	<u>(2,000)</u>
Satisfied by cash consideration	600
Cash and bank balances acquired	<u>(#)</u>
Net cash outflow for acquisition of the subsidiaries	<u>600</u>

- Negligible, less than RM500

6.24 PURCHASE OF EQUIPMENT

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Cost of equipment purchased	221	471	3,466
Amount financed through hire purchase	-	-	(183)
Cash disbursed for purchase of equipment	<u>221</u>	<u>471</u>	<u>3,283</u>

6.25 NUMBER OF EMPLOYEES

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Number of employees at the balance sheet date	<u>73</u>	<u>72</u>	<u>65</u>

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11. ACCOUNTANTS' REPORT (Cont'd)


6. AUDITED FINANCIAL STATEMENTS (CONT'D)
6.26 CAPITAL COMMITMENT

At 30 June	MYEG Group		MYEG
	2006	2005	2004
	RM'000	RM'000	RM'000
Approved and not contracted for:			
- acquisition of equipment	1,221	-	-

6.27 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments: -

(a) Amounts Owning By/(To) A Shareholder/A Director/A Related Party

It is not practicable to estimate the fair values of the amounts owing by/(to) a shareholder/a director/a related party due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

(b) Cash and Bank Balances and Other Short-Term Receivables/Payables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

(c) Short-Term Borrowings

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

(d) Long-Term Borrowings

The carrying amounts approximated their fair values of these instruments. The fair value of long-term borrowings is determined by discounting the relevant cash flow using the prevailing market rates at the balance sheet date.

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11. ACCOUNTANTS' REPORT (Cont'd)

**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.28 SEGMENTAL REPORTING**

Segmental reporting is not presented as MYEG Group is principally engaged in the development and implementation of the Electronic Government Services project and the provision of other related services for the Electronic Government Services project, which are substantially within a single business segment and operates wholly in Malaysia.

7. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD

MYEG Group has not paid or declared any dividend during the Relevant Financial Period.

8. RESTATEMENTS TO THE AUDITED FINANCIAL STATEMENTS

During the preparation of this Report, no restatements have been made to the audited consolidated financial statements of MYEG Group and the audited financial statements of MYEG.

9. SUBSEQUENT EVENTS


There were no significant subsequent events between the date of the last financial statements used in the preparation of this Report and the date of this Report which will affect materially the content of this Report.

10. AUDITED FINANCIAL STATEMENTS

As at the date of this Report, no audited financial statements have been prepared in respect of any period subsequent to 30 June 2006 for MYEG Group.

Yours faithfully


Horwath
Firm No.: AF 1018
Chartered Accountants


Lee Kok Wai
Approval No.: 2760/06/08 (J)
Partner

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11. ACCOUNTANTS' REPORT (Cont'd)

Appendix I



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**REPORT OF THE AUDITORS TO THE MEMBERS OF
MY E.G. SERVICES BERHAD**

(Incorporated in Malaysia)
Company No : 505639 - K

We have audited the financial statements set out on pages 9 to 37. The preparation of the financial statements is the responsibility of the Company's directors.

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

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 30 June 2006 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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11. ACCOUNTANTS' REPORT (Cont'd)

Appendix I (Cont'd)

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MY E.G. SERVICES BERHAD**

(Incorporated in Malaysia)
Company No : 505639 - K

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Section 174(3), of the Companies Act, 1965.

A handwritten signature in black ink, appearing to be "J. K.", written over a horizontal line.

Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur

8 August 2006

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

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

11. ACCOUNTANTS' REPORT (Cont'd)

Appendix II



Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
MY E.G. SERVICES BERHAD**

(Formerly known as My E.G. Services Sdn. Bhd.)
(Incorporated in Malaysia)
Company No : 505639 - K

We have audited the financial statements set out on pages 9 to 34. The preparation of the financial statements is the responsibility of the Company's directors.

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

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 30 June 2005 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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Horwath Offices in Malaysia:

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11. ACCOUNTANTS' REPORT (Cont'd)

Appendix II (Cont'd)

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MY E.G. SERVICES BERHAD**

(Formerly known as My E.G. Services Sdn. Bhd.)
(Incorporated in Malaysia)
Company No : 505639 - K

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Section 174(3), of the Companies Act, 1965.

A handwritten signature in black ink, appearing to be "J. Lee".

Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur

04 OCT 2005

A handwritten signature in black ink, appearing to be "Onn Kien Hoe".

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

11. ACCOUNTANTS' REPORT (Cont'd)

Appendix III

**Horwath** AF No 1018
Kuala Lumpur Office
Chartered AccountantsLevel 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur**REPORT OF THE AUDITORS TO THE MEMBERS OF
MY E.G. SERVICES SDN. BHD.**

Company No: 505639 - K

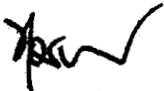

603.2166.0000 Main
603.2166.1000 Faxwww.horwath.com.my
horwath@po.jaring.my

We have audited the financial statements set out on pages 9 to 30. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
- (i) the state of affairs of the Company at 30 June 2004 and its results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.


Horwath
Firm No: AF 1018
Chartered Accountants
Onn Nien Hoe
Approval No: 1772/11/06 (J/PH)
Partner

Kuala Lumpur

13 DEC 2004

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Horwath Offices in Malaysia:

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