

Unless otherwise stated, all abbreviations contained in this Abridged Prospectus ("AP") are defined in the Definitions section of this AP.

THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your shares in Eduspec, you should at once hand this AP together with the NPA and the RSF (Collectively, the "Documents") to the agent or broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants should be addressed to our Share Registrar, Tricor Investor Services Sdn Bhd (Company No. 118401-V), Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The Documents are only despatched to our shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on Entitlement Date at their registered address in Malaysia or who have provided our Share Registrar with a registered address in Malaysia not later than 5.00 p.m. on Friday, 29 November 2013. The Documents are not intended to be and will not be issued, circulated or distributed, and the Rights Issue with Warrants is not intended to be and will not be made or offered or deemed to be made or offered for purchase or subscription, in any countries or jurisdictions other than the laws of Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. No action has been or will be taken under the requirements of the laws or regulations or of the legal or regulatory authorities of any jurisdiction other than Malaysia for filing and/or registration of the Documents. The Rights Issue with Warrants to which this AP relates is only available to persons receiving this AP and the RSF electronically or otherwise within Malaysia. The Documents does not constitute an offer, solicitation or invitation to subscribe for the Rights Issue with Warrants in any jurisdictions other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Malaysia where shareholders may have their registered addresses, this Documents has not been and will not be despatched to shareholders with a registered addresses outside Malaysia unless they have provided an address in Malaysia for the service of this Documents by the entitlement date as set out below. However, nothing shall preclude Foreign Addressed Shareholders from collecting this Documents, in person, at the office of our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to this Rights Issue with Warrants. It shall be the sole responsibility of the Entitled Shareholders and/or their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither the Company nor MIDF Investment nor any other advisers to the Rights Issue with Warrants shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation of the provisional allotment of the Rights Shares made by Shareholder(s) of Eduspec whose names appear in the Record of Depositors of Eduspec on the Entitlement Date and/or their renouncee(s) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction in which the Entitled Shareholders and/or their renouncee(s) is a resident.

A copy of the Documents has been registered with the Securities Commission Malaysia ("SC"). The registration of the Documents should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Documents. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of the Documents.

Approval for this Rights Issue with Warrants has been obtained from our shareholders at the Extraordinary General Meeting held on 27 September 2013. Approval has been obtained from Bursa Securities via its letter dated 16 August 2013 for the admission of the Warrants on the Official List of Bursa Securities, the listing of and quotation for the Rights Shares and Warrants to be issued under the Rights Issue with Warrants and new Eduspec Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. Admission of the Warrants to the Official List of the ACE Market of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and the new Eduspec Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. The admission of Warrants to the Official List and the listing of and quotation for the Rights Shares, Warrants and the new Eduspec Shares to be issued upon exercise of the Warrants on the ACE Market of Bursa Securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all CDS Accounts of the successful Entitled Shareholders and/or their renouncee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Neither the SC nor Bursa Securities takes any responsibility for the correctness of statements made or opinions expressed herein.

Our Board has seen and approved all the documentation relating to the Rights Issue with Warrants in the Documents. They individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in the Documents false or misleading.

MIDF Investment, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.



EDUSPEC HOLDINGS BHD (646756-X)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 255,166,667 NEW ORDINARY SHARES OF RM0.10 EACH IN EDUSPEC HOLDINGS BERHAD ("EDUSPEC SHARES") ("RIGHTS SHARE(S)") TOGETHER WITH 382,750,000 NEW FREE DETACHABLE WARRANTS ("WARRANT(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE AND ONE POINT FIVE (1.5) FREE WARRANTS FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.10 EACH IN EDUSPEC HELD AS AT 5.00 P.M. ON 29 NOVEMBER 2013 AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE ("RIGHTS ISSUE WITH WARRANTS")

Principal Adviser

midf
INVESTMENT
MIDF AMANAH INVESTMENT BANK BERHAD (22879-X)

IMPORTANT RELEVANT DATES AND TIME

Entitlement Date	:	Friday, 29 November 2013 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of rights	:	Friday, 6 December 2013 at 5.00 p.m.
Transfer of provisional allotment of rights	:	Wednesday, 11 December 2013 at 4.00 p.m.
Acceptance and payment	:	Monday, 16 December 2013 at 5.00 p.m.*
Excess application and payment	:	Monday, 16 December 2013 at 5.00 p.m.*

**or such later date and time as our Board and Principal Adviser may decide and announce not less than two (2) market days before the stipulated date and time*

This Abridged Prospectus is dated 29 November 2013

THE SC AND BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE CORPORATION AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

SHAREHOLDERS/INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, SHAREHOLDERS/INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE WITH WARRANTS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP, the NPA and the RSF.

“Act”	: Companies Act, 1965
“Acquisition”	: Acquisition by Eduspec of 100,000 ordinary shares of RM1.00 each in MTM representing 100% of the issued and paid-up share capital of MTM for a total purchase consideration of RM3,600,000 to be satisfied via Cash Consideration and the issuance of the Consideration Shares. The acquisition was completed on 12 November 2013
“AP”	: This Abridged Prospectus dated 29 November 2013
“BNM”	: Bank Negara Malaysia
“Board”	: Board of Directors of Eduspec
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“Market Day(s)”	: A day on which the stock market of Bursa Securities is open for trading in securities
“Cash Consideration”	: Cash payment of RM900,000 to the Vendors as part of the purchase consideration for the Acquisition
“CDS”	: Central Depository System
“CDS Account(s)”	: Account established by Bursa Depository for a depositor to record transactions of securities and dealings in such securities by the depositor
“Central Depositories Act”	: Securities Industry (Central Depositories) Act 1991
“Closing Date”	: 16 December 2013 at 5.00 p.m., being the last date and time for the acceptance and payment for the Rights Shares in accordance with this AP and the RSF or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time
“CMSA”	: Capital Markets and Services Act, 2007
“Code”	: Malaysian Code on Take-Overs and Mergers, 2010
“Consideration Shares”	: 27,000,000 new Eduspec Shares to be issued at an issue price of RM0.10 each to the Vendors as part of the Purchase Consideration for the Acquisition
“Corporate Exercises”	: Acquisition, Private Placement, Rights Issue with Warrants, IASC and M&A Amendment, collectively
“Deed Poll”	: The deed poll constituting the Warrants and includes the Schedules of the Deed Poll (as the same may from time to time be modified or altered in accordance with the provisions of the Deed Poll) and any deed or document executed in accordance with the provisions of the Deed Poll (as may from time to time be modified or altered as aforesaid) and expressed to be supplemental to the Deed Poll

DEFINITIONS (Cont'd)

“Director(s)”	:	A director of the Group, whether in an executive or non-executive capacity
“Documents”	:	This AP together with the NPA and RSF
“Eduspec” or the “Company”	:	Eduspec Holdings Berhad (646756-X)
“Eduspec ESOS”	:	Eduspec’s Employees’ Share Option Scheme which was effective from 18 January 2012 for a period of three (3) years
“Eduspec Group” or the “Group”	:	Eduspec and its subsidiaries, collectively
“Eduspec Share(s)” or “Share(s)”	:	Ordinary share(s) of RM0.10 each in Eduspec or any other par value as revised from time to time
“EGM”	:	Extraordinary General Meeting
“Entitled Shareholder(s)”	:	Shareholder(s) of Eduspec whose name(s) appear in the Record of Depositors of Eduspec on the Entitlement Date
“Entitlement Basis”	:	The entitlement basis on which the Entitled Shareholders are able to subscribe for the Rights Shares together with Warrants pursuant to the Rights Issue with Warrants
“Entitlement Date”	:	5.00 p.m. on 29 November 2013, being the date and time on which shareholders must be registered in the Record of Depositors of Eduspec in order to be entitled to participate in the Rights Issue with Warrants
“EPS”	:	Earnings per share
“Exercise Price”	:	RM0.18, the exercise price of the Warrants, subject to the adjustments in accordance with the Deed Poll
“Excess Rights Shares with Warrants”	:	Rights Share(s) with Warrant(s) which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s) prior to the Excess Rights Shares with Warrants Application
“Excess Rights Shares with Warrants Application(s)”	:	Application(s) for Excess Rights Share(s) with Warrants in excess of an Entitled Shareholder’s entitlement under the Rights Issue with Warrants as set out in Section 3.8 of this AP
“Foreign Shareholder(s)”	Addressed	Foreign shareholders of Eduspec on the Entitlement Date who have not provided an address in Malaysia for the service of documents to be issued for purposes of the Rights Issue with Warrants
“FPE”	:	Financial period ended/ending as the case may be
“FYE”	:	Financial year ended/ending as the case may be
“Government”	:	Government of Malaysia
“IASC”	:	Increase in the authorised share capital of Eduspec from RM50,000,000 comprising 500,000,000 Eduspec Shares to RM200,000,000 comprising 2,000,000,000 Eduspec Shares
“ICT”	:	Information and communications technology

DEFINITIONS (Cont'd)

“Issue Price”	:	RM0.10 for each Rights Share subscribed
“JV Company”	:	Joint-venture company
“KSSR”	:	Kurikulum Standard Sekolah Rendah
“Listing Requirements”	:	ACE Market Listing Requirements of Bursa Securities
“LPD”	:	12 November 2013, being the latest practicable date prior to the issuance of this AP
“M&A”	:	Memorandum & Articles of Association
“M&A Amendment”	:	Amendment to the M&A of Eduspec
“Market Day(s)”	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
“Maximum Scenario”	:	Assuming all Entitled Shareholders subscribe in full for their entitlements under the Rights Issue with Warrants after the Private Placement is implemented
“MIDF Investment” or “Principal Adviser”	:	MIDF Amanah Investment Bank Berhad (23878-X)
“Minimum Subscription Level”	:	Minimum level of subscription for the Rights Issue with Warrants of 68,283,607 Rights Shares together with 102,425,411 Warrants pursuant to the Undertakings after the Private Placement and Acquisition are implemented
“MOE”	:	Ministry of Education of Malaysia
“MTM”	:	Multiple Technology MSC Sdn Bhd (700853-U)
“NA”	:	Net assets
“NPA”	:	Notice of Provisional Allotment pursuant to the Rights Issue with Warrants
“NTA”	:	Net tangible assets
“Official List”	:	A list specifying all securities listed on the ACE Market of Bursa Securities
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“Placement Shares”	:	100,000,000 new Eduspec Shares issued pursuant to the Private Placement
“Price-Fixing Date”	:	11 November 2013, being the date on which we determined and announced the Issue Price and the Exercise Price
“Private Placement”	:	Private placement of 100,000,000 new Eduspec Shares which was completed on 22 October 2013

DEFINITIONS (Cont'd)

“R&D”	: Research and development
“Record of Depositors”	: A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository
“Reporting Accountants”	: Messrs Crowe Horwath (Firm No. AF 1018)
“Rights Issue with Warrants”	: Renounceable rights issue of 255,166,667 Rights Shares at an issue price of RM0.10 together with 382,750,000 new Warrants on the basis of one (1) Rights Share and one point five (1.5) free Warrants for every two (2) existing Shares held on Entitlement Date
“Rights Shares”	: 255,166,667 new Eduspec Shares to be issued pursuant to the Rights Issue with Warrants
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“RPS”	: Redeemable preference shares
“RSF”	: Rights Subscription Form pursuant to the Rights Issue with Warrants
“Rules”	: Rules of the Bursa Depository and any appendices to the same
“SC”	: Securities Commission Malaysia
“SICDA”	: Securities Industry (Central Depositories) Act, 1991 as may be amended from time to time and any re-enactment thereof
“Share Registrar”	: Tricor Investor Services Sdn Bhd (Company No. 118401-V)
“SSA”	: Share sale agreement between Eduspec and the Vendors in relation to the Acquisition dated 20 December 2012
“TERP”	: Theoretical ex-right price of Eduspec Shares
“Undertakings”	: Letter of irrevocable undertakings from VSH and VSM to subscribe in full for its entitlement under the Rights Issue with Warrants
“USD”	: United States Dollar
“Vendors”	: Bey Tiang See and Tan Ah Yan
“VSH”	: Victory Solutions Holdings Sdn Bhd (824133-X)
“VSM”	: Victory Solutions (M) Sdn Bhd (688573-K)
“VWAMP”	: Volume weighted average market price
“Warrant(s)”	: 382,750,000 new free detachable warrant(s) to be issued pursuant to the Rights Issue with Warrants

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DEFINITIONS (*Cont'd*)

All references to “our Company” in this AP are to Eduspec, references to “our Group” are to our Company and our subsidiaries. All references to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, our Group. All references to “you” in this AP are references to our Entitled Shareholder(s) and/or where the context otherwise requires, their renouncee(s) and/or transferee(s).

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this AP shall be a reference to Malaysian time, unless otherwise stated.

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TABLE OF CONTENTS

	PAGE
CORPORATE DIRECTORY	viii
LETTER TO THE ENTITLED SHAREHOLDERS OF EDUSPEC:	
1. INTRODUCTION	1
2. RIGHTS ISSUE WITH WARRANTS	4
2.1 Details of the Rights Issue with Warrants	4
2.2 Basis of determining the Issue Price of the Rights Shares	5
2.3 Basis of determining the Exercise Price of the Warrants	5
2.4 Renunciation of the Rights Shares and the Warrants	5
2.5 Excess Rights Shares with Warrants	6
2.6 Ranking of the Rights Shares and new Eduspec Shares to be issued pursuant to the exercise of the Warrants	6
2.7 Salient terms of the Warrants	6
2.8 Details of other corporate proposals	9
3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATIONS FOR THE RIGHTS ISSUE WITH WARRANTS	9
3.1 General	9
3.2 NPA	9
3.3 Last date and time for acceptance and payment	9
3.4 Procedures for full acceptance and payment	9
3.5 Procedures for part acceptance	11
3.6 Procedures for sale or transfer of provisional allotment of Rights Shares with Warrants	12
3.7 Procedures for acceptance by renouncee	13
3.8 Procedures for application for Excess Rights Shares with Warrants	13
3.9 Procedures for refund	14
3.10 Splitting	15
3.11 Form of issuance	15
3.12 Foreign Addressed Shareholders	15
4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS	18
5. UTILISATION OF PROCEEDS	18
6. RISK FACTORS	27
6.1 Risks relating to Eduspec Group	27
6.2 Risks relating to the Rights Issue with Warrants	31
7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS	32
7.1 Overview and outlook of the Malaysian economy	32
7.2 Overview and outlook of the education/training industry	33
7.3 Prospects of our Group	37
8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS	37
8.1 Share capital	37
8.2 NA and gearing	38
8.3 Earnings and EPS	42
9. SHAREHOLDERS' UNDERTAKINGS AND MINIMUM SUBSCRIPTION LEVEL	42

TABLE OF CONTENTS (Cont'd)

10.	WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS	43
10.1	Working Capital	43
10.2	Borrowings	43
10.3	Contingent Liabilities	44
10.4	Material Commitments	44
11.	TERMS AND CONDITIONS	44
12.	FURTHER INFORMATION	44

APPENDICES

APPENDIX I	CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM HELD ON 27 SEPTEMBER 2013	45
APPENDIX II	BACKGROUND INFORMATION ON EDUSPEC	47
APPENDIX III	PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF EDUSPEC AS AT 30 SEPTEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON	62
APPENDIX IV	AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 SEPTEMBER 2012 TOGETHER WITH THE AUDITOR'S REPORT THEREON	82
APPENDIX V	UNAUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR THE NINE (9) MONTHS FPE 30 JUNE 2013	180
APPENDIX VI	DIRECTORS' REPORT	190
APPENDIX VII	FURTHER INFORMATION	191

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/ (Designation)	Address	Nationality	Occupation
Lim Een Hong (Chief Executive Officer/ Director)	C-26-5 Villa Angsana Condo 56 Jalan Krian Off Jalan Ipoh 51000 Kuala Lumpur	Malaysian	Company Director
Lim Soon Seong (Executive Director)	No.5, Jalan 5B/4A1 Bandar Kinrara 47100 Puchong Selangor Darul Ehsan	Malaysian	Company Director
Lim Beng Weh (Independent Non-Executive Director)	1, Jalan SS1/32 Kampung Tunku 47300 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Datuk Yaacob Bin Wan Ibrahim (Independent Non-Executive Director)	31, Jalan BU 2/7 Bandar Utama Damansara 47800 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Dato' Mohd Ariff Bin Araff (Independent Non-Executive Director)	1-5-3, Pantai Panorama Jalan 112H Bukit Kerinchi 59200 Kuala Lumpur	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Lim Beng Weh	Audit Committee Chairman	Independent Non-Executive Director
Datuk Yaacob Bin Wan Ibrahim	Member	Independent Non-Executive Director
Dato' Mohd Ariff Bin Araff	Member	Independent Non-Executive Director

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CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARIES	:	<p>Wong Youn Kim (MAICSA 7018778) 1041, Jalan Kuang Gunung 4 Taman Kepong 52100 Kuala Lumpur</p> <p>Sin May Peng (MAICSA 7018354) 70, Jalan SS24/2 Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan</p>
REGISTERED OFFICE	:	<p>Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur</p> <p>Tel: 603-2241 5800 Fax: 603-2282 5022</p>
CORPORATE OFFICE	:	<p>Level 2, Pacific Office Building No.18, Jalan Pemaju U1/15 Hicom-Glenmarie Industrial Park Section U1, 40150 Shah Alam Selangor Darul Ehsan</p> <p>Tel: 603-5569 0150 Fax: 603-5569 0396</p> <p>Email: smchang@eduspec.com.my Website: www.eduspec.com.my</p>
SHARE REGISTRAR	:	<p>Tricor Investor Services Sdn Bhd (Company No. 118401-V) Level 17, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur</p> <p>Tel: 603-2264 3883 Fax: 603- 2282 1886</p>
AUDITORS	:	<p>Crowe Horwath (Firm No. AF 1018) Chartered Accountants Level 16, Tower C Megan Avenue II 12, Jalan Yap Kwan Seng 50450 Kuala Lumpur</p> <p>Tel: 603-2788 9999 Fax: 603-2788 9998</p>
REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE WITH WARRANTS	:	<p>Crowe Horwath (Firm No. AF 1018) Chartered Accountants Level 16, Tower C Megan Avenue II 12, Jalan Yap Kwan Seng 50450 Kuala Lumpur</p> <p>Tel: 603-2788 9999 Fax: 603-2788 9998</p>

CORPORATE DIRECTORY (Cont'd)

**SOLICITORS FOR THE RIGHTS
ISSUE WITH WARRANTS** : Messrs Lee Choon Wan & Co.
No. 12, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Tel: 603-2093 0078
Fax: 603-2094 1750

PRINCIPAL BANKERS : Malayan Banking Berhad (3813-K)
G01, West Tower, Ground Floor
Wisma Consplant 1, 2
Jalan SS16/4
47500 Subang Jaya, Selangor

Tel: 603-5632 5092
Fax: 603-5632 5096

CIMB Bank Berhad (13491-P)
Lot 8B
Jalan Pensyarah U1/28
Glenmarie 8 Business Park
40150 Shah Alam, Selangor

Tel: 603-5567 9144
Fax: 603-5567 9141

PRINCIPAL ADVISER : MIDF Amanah Investment Bank Berhad (23878-X)
Level 8, 9, 10, 11 & 12, Menara MIDF
82, Jalan Raja Chulan
50200 Kuala Lumpur

Tel: 603-2173 8888
Fax: 603-2173 8277

STOCK EXCHANGE LISTING : ACE Market of Bursa Securities

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EDUSPEC HOLDINGS BHD (646756-X)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

29 November 2013

Board of Directors

Lim Een Hong (*Chief Executive Officer / Director*)
Lim Soon Seong (*Executive Director*)
Lim Beng Weh (*Independent Non-Executive Director*)
Datuk Yaacob bin Wan Ibrahim (*Independent Non-Executive Director*)
Dato' Mohd Ariff bin Araff (*Independent Non-Executive Director*)

To: The Entitled Shareholders of Eduspec

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 255,166,667 RIGHTS SHARES TOGETHER WITH 382,750,000 WARRANTS ON THE BASIS OF ONE (1) RIGHTS SHARE AND ONE POINT FIVE (1.5) FREE WARRANTS FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.10 EACH IN EDUSPEC HELD AS AT 5.00 P.M. ON 29 NOVEMBER 2013 AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE

1. INTRODUCTION

On 20 December 2012, MIDF Investment, on behalf of our Board, announced that we proposed to undertake the Acquisition, Private Placement, Rights Issue with Warrants, IASC and M&A Amendment.

On 26 December 2012, MIDF Investment, on behalf of our Board, announced to further clarify on the proposed proceeds to be utilised for the working capital of the Group. The proceeds proposed to be utilised for working capital of the Group include expenses required for the Group's day-to-day operations to support its existing business operations, amongst others, administrative expenses, management and staff salaries. The working capital may also include business development expenditures such as advertisement and promotion activities in respect of the Group's product offerings.

On 19 February 2013, MIDF Investment, on behalf of our Board, announced that the application to the relevant authorities are expected to be submitted within three (3) months from the date of the said announcement.

Eduspec and the Vendors had, vide a letter dated 19 March 2013, mutually agreed to extend the Stipulated Period (as defined herein) for a further period of three (3) months from 19 March 2013 to 19 June 2013 to facilitate the fulfillment of the Conditions Precedent (as defined herein). Subsequently, the Stipulated Period (as defined herein) was further extended for a further three (3) months to 19 September 2013.

On 11 April 2013, MIDF Investment, on behalf of our Board, announced that the controller of Foreign Exchange of BNM had, vide its letter dated 8 April 2013 (which was received on 11 April 2013), approved the issuance of the Warrants to the entitled non-resident shareholders of Eduspec pursuant to the Rights Issue with Warrants. In view that part of the proceeds from the Rights Issue with Warrants will be utilised for overseas investments, Eduspec will be subjected to the Rules of Foreign Exchange Administration of BNM in relation to Investment in Foreign Currency Assets by Residents.

On 16 August 2013, MIDF Investment, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 16 August 2013, granted the following:

- (i) listing of and quotation for the 27,000,000 new Eduspec Shares to be issued pursuant to the Acquisition;
- (ii) listing of and quotation for up to 100,000,000 new Eduspec Shares to be issued pursuant to the Private Placement;
- (iii) listing of and quotation for up to 255,166,667 new Eduspec Shares to be issued pursuant to the Rights Issue with Warrants;
- (iv) admission to the Official List and the listing of and quotation for up to 382,750,000 Warrants, to be issued pursuant to the Rights Issue with Warrants; and
- (v) listing of and quotation for up to 382,750,000 new Eduspec Shares to be issued pursuant to the exercise of the Warrants.

The approval of Bursa Securities for the Acquisition is subject to the following conditions:

Conditions imposed	Status of compliance
(i) Eduspec and MIDF Investment must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Acquisition;	Complied
(ii) Eduspec and MIDF Investment to inform Bursa Securities upon the completion of the Acquisition;	Complied
(iii) Eduspec and MIDF Investment to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders approving the Acquisition; and	Complied
(iv) Eduspec to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Acquisition is completed.	Complied

The approval of Bursa Securities for the Private Placement is subject to the following conditions:

Conditions imposed	Status of compliance
(i) Eduspec and MIDF Investment must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Private Placement;	Complied
(ii) Eduspec and MIDF Investment to inform Bursa Securities upon the completion of the Private Placement;	Complied
(iii) Eduspec and MIDF Investment to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders approving the Private Placement; and	Complied
(iv) Eduspec to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Private Placement is completed.	Complied

The approval of Bursa Securities for the Rights Issue with Warrants is subject to the following conditions:

Conditions imposed	Status of compliance
(i) Eduspec and MIDF Investment must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants;	To be complied
(ii) Eduspec and MIDF Investment to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be complied
(iii) Eduspec and MIDF Investment to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders approving the Rights Issue with Warrants respectively prior to the quotation;	To be complied
(iv) Eduspec to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed; and	To be complied
(v) Eduspec is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed (pursuant to the exercise of the Warrants), as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

The admission of the Warrants on the Official List of Bursa Securities and the listing of and quotation for the Rights Shares and the Warrants to be issued pursuant to the Rights Issue with Warrants will take place two (2) Market Days after, amongst others, the receipt of the application for quotation of the Warrants and Rights Shares by Bursa Securities. The listing of and quotation of the new Eduspec Shares to be issued pursuant to the exercise of the Warrants will commence on the next Market Day after, amongst others, receipt of confirmation from Bursa Depository that the additional new Shares are ready for crediting into the respective account holders.

Eduspec and the Vendors had, vide a letter dated 19 September 2013, mutually agreed to further extend the Stipulated Period (as defined herein) for a further period of three (3) months from 19 September 2013 to 19 December 2013 to facilitate the fulfillment of the Conditions Precedent (as defined herein).

On 27 September 2013, MIDF Investment had, on behalf of our Board, announced that our shareholders had approved all the ordinary resolutions as set out in the notice of EGM dated 27 September 2013. A certified true extract of the ordinary resolution pertaining to the Rights Issue with Warrants passed at the said EGM is set out in Appendix I of this AP.

On 21 October 2013, MIDF Investment had, on behalf of our Board, announced in accordance to Paragraph 12.2 of GN 17 that the Placement Shares has been listed on 22 October 2013, marking the completion of the Private Placement.

On 11 November 2013, MIDF Investment had, on behalf of our Board, announced the following:

- (i) the Issue Price had been fixed at RM0.10; and
- (ii) the Exercise Price had been fixed at RM0.18.

On 12 November 2013, MIDF Investment had, on behalf of our Board, announced that the conditions for completion under the SSA have been fulfilled and the completion of the Acquisition, following the listing of and quotation for 27,000,000 Consideration Shares on the same date.

On 15 November 2013, MIDF Investment had, on behalf of our Board, announced the Entitlement Date and other relevant dates pertaining to the Rights Issue with Warrants.

On 19 November 2013, MIDF Investment had, on behalf of our Board, announced that Eduspec had on even date, executed the Deed Poll constituting 382,750,000 Warrants to be issued pursuant to the Rights Issue with Warrants.

No person is authorised to give any information or make any representation not contained in this AP in connection with or in relation to the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us and/or MIDF Investment in connection with the Rights Issue with Warrants or any other proposal. The delivery of this AP shall under no circumstances constitute a representation or create any implication that there has been no material change in the affairs of our Company or any of our subsidiaries since the date of this AP.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

In accordance with the terms of the Rights Issue with Warrants as approved by the relevant authorities and our shareholders and subject to the terms of the Documents, we shall provisionally allot 255,166,667 Rights Shares together with 382,750,000 Warrants on the basis of one (1) Rights Share and one point five (1.5) free Warrants for every two (2) Eduspec Shares held by the Entitled Shareholders on the Entitlement Date.

In determining the entitlement to the provisional allotment of Rights Shares with Warrants under the Rights Issue with Warrants, any fractional entitlements under the Rights Issue with Warrants will be disregarded and shall be dealt with in such manner as our Board shall in its absolute discretion think expedient or in the best interests of our Company including, inter-alia, in a manner so as to minimise the number of odd lots for Rights Shares arising therefrom.

As the Rights Shares and Warrants are prescribed securities, the respective CDS Accounts of the Entitled Shareholders will be duly credited with the number of provisionally allotted Rights Shares with Warrants, which they are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. The Entitled Shareholders will find enclosed in this AP, the NPA notifying the Entitled Shareholders of the crediting of such securities into their respective CDS Accounts and the RSF to enable the Entitled Shareholders to subscribe for the provisionally allotted Rights Shares with Warrants, as well as to apply for excess Rights Shares with Warrants if the Entitled Shareholders choose to do so. The Rights Shares together with the Warrants that are not taken up for any reason, if any, will be made available for excess application as set out in Section 3.8 of this AP.

Any dealings in our securities will be subject to, amongst others, the provisions of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, Warrants and the new Eduspec Shares to be issued and allotted pursuant to the exercise of the Warrants will be credited directly into the respective CDS Accounts of successful applicants and exercising warrant holders (as the case may be). No physical share certificates or warrant certificates will be issued.

Notice of allotment will be despatched to the Entitled Shareholders and/or their renounee(s) (if applicable) within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities. The Rights Shares and Warrants to be issued pursuant to the Rights Issue with Warrants will be listed and quoted on the ACE Market of Bursa Securities within two (2) Market Days after the receipt of the application for the quotation of the Rights Shares and Warrants by Bursa Securities.

The Warrants will be issued together with the Rights Shares to the Entitled Shareholders and/or their renounee(s) (if applicable) who have successfully subscribed for the Rights Issue with Warrants at no cost. Successful applicants who subscribe for one (1) Rights Share will be entitled to one point five (1.5) Warrants. The Warrants are exercisable into new Eduspec Shares.

Notice of allotment will be despatched to the exercising warrant holders within eight (8) Market Days after the date of receipt of the subscription form together with the requisite payment.

2.2 Basis of determining the Issue Price of the Rights Shares

On 11 November 2013, MIDF Investment had on behalf of our Board, announced that the Issue Price for each Rights Share has been fixed at RM0.10, being the par value of Eduspec Shares and the minimum issue price allowable under the Act. The Issue Price of RM0.10 per Rights Share represents a discount of approximately RM0.04 or 28.57% to the TERP of RM0.14, based on the five (5)-day VWAMP of Eduspec Shares, both up to and including 8 November 2013, being the last trading day immediately preceding the Price-Fixing Date of RM0.16.

The Issue Price for the Rights Shares was arrived after taking into consideration, amongst others, the prevailing uncertain market conditions, the par value of Eduspec Shares and the TERP of Eduspec Shares of RM0.14, which is calculated based on the five (5)-day VWAMP of Eduspec Shares up to and including 8 November 2013, being the last trading day immediately preceding the Price-Fixing Date, of RM0.16.

Entitled Shareholders and/or their renouncee(s) (if applicable) should note that the market price for Eduspec Shares is subject to vagaries market forces and other uncertainties in addition to the risk factors set out in Section 6 of this AP, which may affect the price of Eduspec Shares being traded.

Entitled Shareholders and/or their renouncee(s) (if applicable) should form their own views on the valuation of the Rights Shares and Warrants before deciding to invest in the Rights Shares and Warrants.

2.3 Basis of determining the Exercise Price of the Warrants

On 11 November 2013, MIDF Investment had on behalf of our Board, announced that the Exercise Price for each Warrant has been fixed at RM0.18. The Exercise Price of RM0.18 per Warrant represents a premium of approximately RM0.04 or 28.57% to the TERP of RM0.14, based on the five (5)-day VWAMP of Eduspec Shares, both up to and including 8 November 2013, being the last trading day immediately preceding the Price-Fixing Date of RM0.16.

The Exercise Price of the Warrants was determined after taking into consideration the TERP based on the then prevailing market prices of Eduspec Shares and the par value of Eduspec Shares. Eduspec Shares were trading between a high of RM0.17 and a low of RM0.16 per Share from 1 November 2013 to 8 November 2013, being the five (5) Market Days prior to the Price-Fixing Date.

Entitled Shareholders and/or their renouncee(s) (if applicable) should note that the market price for Eduspec Shares is subject to vagaries market forces and other uncertainties in addition to the risk factors set out in Section 6 of this AP, which may affect the price of Eduspec Shares being traded.

Entitled Shareholders and/or their renouncee(s) (if applicable) should form their own views on the valuation of the Rights Shares and Warrants before deciding to invest in the Rights Shares and Warrants.

2.4 Renunciation of the Rights Shares and the Warrants

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. The Entitled Shareholders who renounce all or any part of their entitlements to the Rights Shares provisionally allotted to them under the Rights Issue with Warrants will simultaneously relinquish any accompanying entitlement to the Warrants. If Entitled Shareholders decide to accept only part of their Rights Shares entitlement, they shall be entitled to the Warrants in the proportion of their acceptance of their Rights Shares entitlement.

For avoidance of doubt, the Warrants are attached to the Rights Shares without any cost and will only be issued to the Entitled Shareholders and/or their renouncee(s) (if applicable) who subscribe for the Rights Shares. The Rights Shares and the Warrants are not separately renounceable. The Warrants will be detached from the Rights Shares immediately upon issuance and be traded separately on the ACE Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll.

2.5 Excess Rights Shares with Warrants

The Excess Rights Shares with Warrants shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s) (if applicable). It is the intention of our Board to allot the Excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following priority:

- (i) to minimise the incidence of odd lots;
- (ii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration their respective shareholdings in our Company as at the Entitlement Date on a board lot basis;
- (iii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application; and
- (iv) on a pro-rata basis to the renouncee(s) who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares with Warrants applied for under Part I(b) of the RSF in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in Section 2.5(i) to (ii) of this AP are achieved. Our Board also reserves the right to accept any Excess Rights Shares with Warrants Application, in full or in part, without assigning any reason.

2.6 Ranking of the Rights Shares and new Eduspec Shares to be issued pursuant to the exercise of the Warrants

The Rights Shares and new Eduspec Shares to be issued arising from the exercise of the Warrants, if any, shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and fully paid-up Eduspec Shares save and except that they will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the allotment date of the Rights Shares or the new Eduspec Shares to be issued pursuant to the exercise of the Warrants.

2.7 Salient terms of the Warrants

Issue size	:	382,750,000 new Warrants to be issued in conjunction with the Rights Issue with Warrants.
Form and denomination	:	The free detachable Warrants, which are issued with the Rights Shares will be immediately detached upon issue and separately traded and listed on the ACE Market of Bursa Securities. The free detachable Warrants will be issued in registered form and constituted by a Deed Poll to be executed by the Company.
Board lot	:	For purpose of trading on Bursa Securities, a board lot of Warrants shall be 100 units of Warrants, unless otherwise revised by the relevant authorities.
Exercise rights	:	Each Warrant entitles the registered holder to subscribe for one (1) new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with provisions of the Deed Poll governing the Warrants.
Tenure of Warrants	:	Five (5) years from the date of issuance of the Warrants.

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Exercise Period	:	<p>The Warrants may be exercised at any time within a period of five (5) years commencing on and including the date of issue of the Warrants and ending on the close of business at 5.00 p.m. (Malaysian time) on the Market Day immediately before the fifth (5th) anniversary from the date of issue.</p> <p>Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose.</p>
Expiry Date	:	A date being five (5) years from and including the date of issue of the Warrants.
Exercise Price	:	RM0.18 for each new Eduspec Share.
Voting rights of Warrants	:	The holders of the Warrants are not entitled to any voting rights or to participate in any rights, allotment, distribution and/or offer of further securities in the Company until and unless such holder of the Warrants are issued with new Shares arising from the exercise of the Warrants.
Status of new Shares arising from the exercise of the Warrants	:	The new Shares to be issued upon exercise of the Warrants shall, upon allotment and issuance, rank <i>pari passu</i> in all respects with the then existing Shares, except that the new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment and issue of the new Shares arising from the exercise of the Warrants.
Adjustments to the Exercise Price and number of Warrants	:	The Exercise Price of the Warrants and the number of Warrants in issue may be subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.
Modification	:	<p>Save as expressly provided in the Deed Poll, no modification, alteration to and abrogation of the provisions of the Deed Poll may be made without the passing of an ordinary resolution other than modifications which in the opinion of the Company:</p> <p>(a) are not materially prejudicial to the interest of the warrant holders; or</p> <p>(b) are to correct a manifest error or to comply with mandatory provisions of Malaysian law or to comply with the rules of the Bursa Depository, the Central Depositories Act, the Listing Requirements and/or provisions of Malaysian laws (in respect of which each warrant holder shall sign any document or do any act which the Company may reasonably require for the purpose of complying with such rules or laws).</p>
Rights of the holders of the Warrants in the event of winding-up, compromise and/or arrangement	:	Where a resolution has been passed for a members' voluntary winding-up of the Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or for the amalgamation of the Company with one or more companies:

Rights of the holders of the Warrants in the event of winding-up, compromise and/or arrangement
(Cont'd)

- (a) for the purpose of such winding-up, compromise or arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants or some persons designated by them for such purposes by special resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and
- (b) in any other case, every holder of the Warrants shall be entitled at any time within six (6) weeks after the passing of such resolution or the granting of the court order, by irrevocable surrender of his Warrants to the Company together with payment of the relevant subscription monies to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the subscription rights represented by such Warrants and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.

Subject to the foregoing, if the Company is wound up or an order has been granted for such compromise or arrangement, all subscription rights which have not been exercised within six (6) weeks of the passing of such resolution or the court order shall lapse and the Warrants will cease to be valid for any purpose.

- Transferability : The transfer of the Warrants shall be subject to, and be carried out in accordance with, the provisions of this Deed Poll and the relevant regulations. Subject to the provisions of, and unless otherwise disclosed in accordance with the relevant regulations, each warrant holder shall be deemed to remain the holder of the Warrants deposited in his CDS Account until such Warrants are debited from the said CDS Account. Subject to the provisions of the relevant regulations, no person shall be recognised by the Company as having title to the Warrants entitling the holder thereof to subscribe for a fractional part of a new Share or otherwise than as the sole holder of the entirety of such new Share. The warrant holders may transfer the Warrants in any manner provided under the Central Depositories Act and the Rules of Bursa Depository.
- Issue of further Warrants : The Company shall have the right at any time and from time to time (but subject always to Clause 6.2 of the Deed Poll) without the consent of the warrant holders to create and issue further warrants either identical and/or not identical in all respects and so that the same, which may or may not, be consolidated and form a single series with the Warrants issued hereunder, or upon such terms and conditions as to exercise and otherwise as the Company may think fit.
- Further issues of Shares : Subject to the Conditions of the Deed Poll, the Company shall be at liberty to issue new Shares either for cash or as a bonus distribution and further Exercise Rights upon such terms and conditions as the Company sees fit but the warrant holders shall not have any participating rights in such issue unless otherwise resolved by the Company in general meeting.

- Deed Poll : The Warrants will be constituted by the Deed Poll to be executed by the Company.
- Governing Law : The Warrants and the Deed Poll shall be governed by the laws of Malaysia.

2.8 Details of other corporate proposals

Save for the Rights Issue with Warrants, our Board confirms that there is no other outstanding corporate proposal announced but not completed by the Company as at the LPD.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATIONS FOR THE RIGHTS ISSUE WITH WARRANTS

3.1 General

As an Entitled Shareholder of our Company, your CDS account will be duly credited with the number of provisionally allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants (fractional entitlement, if any, having been disregarded). You will find enclosed with this AP, the NPA notifying you of the crediting of such provisionally allotted Rights Shares with Warrants into your CDS account and the RSF to enable you to subscribe for the Rights Shares with Warrants provisionally allotted to you, as well as to apply for Excess Rights Shares with Warrants if you choose to do so. This AP and the RSF are also available on the website of Bursa Securities (<http://www.bursamalaysia.com>).

3.2 NPA

The provisionally allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisionally allotted Rights Shares with Warrants will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renouncee(s) (if applicable) are required to have valid and subsisting CDS accounts when making your applications.

3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the Rights Shares is 5.00 p.m. on Monday, 16 December 2013, or such later date and time as our Board in their absolute discretion may decide. Where the closing date of the acceptance and payment is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

3.4 Procedures for full acceptance and payment

Acceptance of and payment for the Rights Shares with Warrants provisionally allotted must be made on the RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not strictly conform to the terms and conditions of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT AS WELL AS EXCESS RIGHTS SHARES WITH WARRANTS APPLICATION ARE SET OUT IN THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN. YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you wish to accept the Rights Shares with Warrants provisionally allotted to you either in full or in part, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST, COURIER or DELIVERED BY HAND (at your own risk) to our Share Registrar at the following address:

Tricor Investor Services Sdn Bhd (Company No. 118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel: 603-2264 3883
Fax: 603- 2282 1886

so as to arrive not later than 5.00 p.m. on Monday, 16 December 2013, being the last time and date for acceptance of and payment (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time).

One (1) RSF can only be used for acceptance of the provisionally allotted Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of provisionally allotted Rights Shares with Warrants standing to the credit of more than one (1) CDS Account. If successful, the Rights Shares with Warrants subscribed by you will be credited into the respective CDS Account(s) where the provisionally allotted Rights Shares with Warrants are standing to the credit.

Successful applicants of the Rights Shares will be given the Warrants on the basis of one point five (1.5) Warrants for every one (1) Rights Share successfully subscribed for. The minimum number of Rights Shares with Warrants that can be subscribed for and accepted is one (1) Rights Share, which will be accompanied by one point five (1.5) Warrant. However, you should take note that a trading board lot comprises 100 Eduspec Shares. Fractions of a Rights Share and/or Warrant arising from the Rights Issue with Warrants will be disregarded and dealt with as our Board may at its absolute discretion deem fit and expedient and in the best interest of our Company.

A reply envelope is enclosed with this AP. In order to facilitate the processing of the RSF(s) by our Share Registrar for the Rights Shares and Warrants, you are advised to use one (1) reply envelope for each completed RSF.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares with Warrants accepted in the form of Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and made payable to "EDUSPEC RIGHTS SHARES ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side with your name, address and your CDS Account number in block letters, which must be received by our Share Registrar by 5.00 p.m. on Monday, 16 December 2013, being the last time and date for acceptance and payment, (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time). The payment must be made in the exact amount. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment are not acceptable.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, THE RIGHTS SHARES WITH WARRANTS WILL BE ALLOTTED AND A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

PROOF OF POSTAGE SHALL NOT CONSTITUTE PROOF OF RECEIPT BY OUR SHARE REGISTRAR OR COMPANY.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

YOU SHOULD NOTE THAT ALL RSF(S) AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS.

ALL RIGHTS SHARES AND WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES AND THE WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATES OR WARRANT CERTIFICATES WILL BE ISSUED.

If acceptance of and payment for the Rights Shares with Warrants provisionally allotted to you (whether in full or in part, as the case may be) are not received by our Share Registrar by 5.00 p.m. on Monday, 16 December 2013, being the last time and date for acceptance and payment (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time), such provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

In the event that the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to applicants applying for the Excess Rights Shares with Warrants in the manner as set out in Section 3.8 of this AP.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbroker, Bursa Securities' website (<http://www.bursamalaysia.com>) or our Share Registrar.

3.5 Procedures for part acceptance

You are entitled to accept part of your entitlement of the provisionally allotted Rights Shares with Warrants. The minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share which will be accompanied with one point five (1.5) Warrants.

WHEN YOU ACCEPT ONLY PART OF YOUR PROVISIONALLY ALLOTTED RIGHTS SHARES WITH WARRANTS, YOU WILL AUTOMATICALLY BE ACCEPTING BOTH THE RIGHTS SHARES AND WARRANTS IN THE PROPORTION OF ONE (1) RIGHTS SHARE WITH ONE POINT FIVE (1.5) WARRANTS. YOU CANNOT ACCEPT THE PROVISIONALLY ALLOTTED RIGHTS SHARES WITH WARRANTS IN ANY OTHER PROPORTIONS. IN DETERMINING THE ENTITLEMENT TO THE PROVISIONAL ALLOTMENT OF RIGHTS SHARES WITH WARRANTS UNDER THE RIGHTS ISSUE OF SHARES WITH WARRANTS, ANY FRACTIONAL ENTITLEMENTS UNDER THE RIGHTS ISSUE OF SHARES WITH WARRANTS WILL BE DISREGARDED AND SHALL BE DEALT WITH IN SUCH MANNER AS OUR BOARD IN ITS ABSOLUTE DISCRETION DEEMS FIT, EXPEDIENT AND IN THE BEST INTERESTS OF OUR COMPANY.

You must complete both Part I(a) of the RSF by specifying the number of Rights Shares with Warrants which you are accepting, and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the same manner as set out in Section 3.4 of this AP.

The portion of the provisionally allotted Rights Shares with Warrants that has not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the provisional allotment of the Rights Shares with Warrants.

3.6 Procedures for sale or transfer of provisional allotment of Rights Shares with Warrants

The provisional allotment of Rights Shares with Warrants is renounceable and will be traded on Bursa Securities commencing 2 December 2013 up to and including 6 December 2013. As such, you and/or your renounee(s) (if applicable) may sell/transfer all or part of your entitlement to the Rights Shares with Warrants.

As the provisionally allotted Rights Shares with Warrants are prescribed securities, you and/or your renounee(s) (if applicable) who wish to sell/transfer all or part of your entitlements to the Rights Shares with Warrants to one (1) or more than one (1) person(s) may do so immediately through your stockbrokers for the period up to the last time and date for sale or transfer of the provisionally allotted Rights Shares with Warrants (in accordance with the Rules of Bursa Depository) without first having to request for a split of the provisionally allotted Rights Shares with Warrants standing to the credit of your CDS account. To sell/transfer all or part of your provisionally allotted Rights Shares with Warrants, you and/or your renounee(s) (if applicable) may sell such entitlements in the open market of Bursa Securities for the period of up to the last day and time for sale of the provisionally allotted Rights Shares with Warrants (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period of up to the last day and time for transfer of the provisionally allotted Rights Shares with Warrants (in accordance with the Rules of Bursa Depository).

In selling/transferring all or part of your provisionally allotted Rights Shares with Warrants, you and/or your renounee(s) (if applicable) need not deliver any document (including the RSF), to any stockbroker in respect of the portion of the provisional allotment sold/transferred. However, you and/or your renounee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares with Warrants standing to the credit of your CDS account that are available for settlement of the sale/transfer.

Renounee(s) or transferee(s) of the provisional Rights Shares with Warrants may obtain a copy of this AP and the RSF from their stockbrokers or from our Share Registrar or at our Registered Office. This AP and the RSF are also available on Bursa Securities website at (<http://www.bursamalaysia.com>).

If you and/or your renounee(s) (if applicable) have sold/transferred only part of your provisionally allotted Rights Shares with Warrants, you may still accept the balance of the entitlements of the Rights Shares with Warrants by completing Parts I(a) and II of the RSF and forwarding the RSF together with the full amount payable on the balance of the Rights Shares with Warrants applied for to our Share Registrar in accordance with the instructions set out in Section 3.4 of this AP.

ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

ENTITLED SHAREHOLDERS WHO DISPOSE OF OR TRANSFER THEIR PROVISIONALLY ALLOTTED RIGHTS SHARES WITH WARRANTS WILL AUTOMATICALLY BE DISPOSING OR TRANSFERRING THEIR ENTITLEMENTS TO BOTH THE RIGHTS SHARES AND ATTACHED WARRANTS IN THE PROPORTION OF ONE (1) RIGHTS SHARE WITH ONE POINT FIVE (1.5) WARRANTS. THEY CANNOT RETAIN THE PROVISIONALLY ALLOTTED RIGHTS SHARES WHILE DISPOSING OF OR TRANSFERRING THE ATTACHED WARRANTS, OR VICE VERSA, NOR CAN THEY DISPOSE OF OR TRANSFER THEIR ENTITLEMENTS IN ANY PROPORTION OTHER THAN THAT STATED ABOVE.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

3.7 Procedures for acceptance by renounee

As a renounee, the procedures for acceptance, selling or transferring of provisionally allotted Rights Shares with Warrants, applying for the Excess Rights Shares with Warrants and/or payment is the same as that which is applicable to the Entitled Shareholders as described in Sections 3.4, 3.5 and 3.6 of this AP. Please refer to the relevant sections for the procedures to be followed.

Renounees who wish to accept the provisionally allotted Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar or at our Registered Office or from Bursa Securities' website (<http://www.bursamalaysia.com>) and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

RENOUNEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND RSF.

3.8 Procedures for application for Excess Rights Shares with Warrants

If you wish to apply for additional Rights Shares with Warrants in excess of your entitlement, you may do so by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forwarding it (together with a separate remittance made in RM for the full amount payable in respect of the Excess Rights Shares with Warrants applied for), to our Share Registrar at the address set out in Section 3.4 above, not later than 5.00 p.m. on Monday, 16 December 2013, being the last time and date for acceptance and payment (or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time).

Payment for the Excess Rights Shares with Warrants applied for should be made in the same manner described in Section 3.4 of this AP except that the Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and made payable to "**EDUSPEC EXCESS RIGHTS SHARES ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name, address and your CDS Account number in block letters, which must be received by our Share Registrar by the stipulated date and time for acceptance and payment. The payment must be made in the exact amount. Any excess or insufficient payment may be rejected at the absolute discretion of our Board. Cheques or other mode(s) of payment are not acceptable.

It is the intention of our Board to allot the Excess Rights Shares with Warrants in the following priority:

- (i) to minimise the incidence of odd lots; and
- (ii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration their respective shareholdings in our Company as at the Entitlement Date on a board lot basis;
- (iii) on a pro-rata basis to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application; and
- (iv) on a pro-rata basis to the renounee(s) who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares with Warrants applied for under Part I(b) of the RSF in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out above are achieved. Our Board also reserves the right to accept any Excess Rights Shares with Warrants Application, in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR THE APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, THE RIGHTS SHARES WITH WARRANTS WILL BE ALLOTTED AND A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT THE RSF(S) AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DAY FOR ACCEPTANCE OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>) or our Share Registrar.

3.9 Procedures for refund

In respect of unsuccessful or partially successful Excess Rights Shares with Warrants Applications, the full amount or the balance of the application monies, as the case may be, will be refunded without interest and will be despatched to the applicants by ordinary post to the address as shown in our Record of Depositors at your own risk within fifteen (15) Market Days from the last date for acceptance of and payment for the Excess Rights Shares with Warrants.

Further, as set out in Section 6.2 below, the Rights Issue with Warrants is exposed to risks that it may be aborted or delayed on the occurrence of any circumstances which are beyond the control of our Company, arising prior to the implementation of the Rights Issue with Warrants. In addition, as stated in Section 9 below, our Company has procured the written irrevocable Undertakings from VSH and VSM to subscribe in full for their respective entitlements to the Rights Shares with Warrants in respect of their direct shareholdings in Eduspec.

In the event that the Rights Issue with Warrants is not successful, the application monies will be refunded to Entitled Shareholders and/or their renouncee(s) (if applicable) who have applied and paid for the subscription of the Rights Shares with Warrants. All application monies will be refunded in accordance with Section 243 of the CMSA except for the costs of purchasing the provisional allotment of the Rights Shares and any expenses associated therewith.

Our Board will take all necessary steps to start the refund process immediately to ensure that Entitled Shareholders and/or their renouncee(s) (if applicable) receive the application monies as soon as reasonably practicable.

3.10 Splitting

Under the CDS environment, the processes of splitting, nomination and renunciation are generated by electronic book-entries made in the CDS Accounts of the Entitled Shareholders and the new purchaser. The provisional allotment of Rights Shares with Warrants will be credited into your CDS Account. You will be notified of the crediting via the NPA which is enclosed with this AP. You may sell part of or all of the Rights Shares with Warrants provisionally allotted to you.

3.11 Form of issuance

Bursa Securities has already prescribed the Eduspec Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares and Warrants as well as the new Shares to be issued arising from the exercise of the Warrants are prescribed securities and as such, all dealings in the said securities will be by book entry through CDS Accounts and will be governed by the SICDA, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. You are required to have valid and subsisting CDS Accounts in order to subscribe for the Rights Shares.

Failure to comply with these specific instructions for applications or inaccuracy of the CDS Account number may result in your application being rejected. Your subscription for the Rights Shares with Warrants shall mean consent to receive such Rights Shares and Warrants as deposited securities which will be credited directly into your CDS Account. No physical share certificates or warrant certificates will be issued. Instead, the Rights Shares with Warrants will be credited directly into your CDS Accounts. The notices of allotment will be issued and forwarded to you by ordinary post to address shown in the Record of Depositors at your own risk within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants, or such other period as may be prescribed by Bursa Securities.

Any person who intends to subscribe for the Rights Shares with Warrants as a renouncee by purchasing the provisional allotment of Rights Shares with Warrants from an Entitled Shareholder will have his Rights Shares and Warrants credited directly as prescribed securities into his/her CDS Account. The Excess Rights Shares with Warrants, if allotted to the successful applicant who applied for Excess Rights Shares with Warrants will be credited directly as prescribed securities into his/her CDS Account.

If you have multiple CDS Accounts into which the provisional allotment of the Rights Shares with Warrants have been credited, you cannot use a single RSF for subscription of all these provisional allotment of the Rights Shares with Warrants. Separate RSF(s) must be used for separate CDS Accounts. If successful, the Rights Shares and Warrants that you subscribed for will be credited into the CDS Accounts where the provisional allotment of the Rights Shares with Warrants are standing to the credit. You may not request for the Rights Shares or Warrants accepted/applied for in a particular CDS Account to be credited into more than one (1) CDS Account.

3.12 Foreign Addressed Shareholders

The Documents have not been and will not be made to comply with the laws of any foreign country or jurisdiction and have not been and will not be lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The Documents are not intended to be and will not be issued, circulated or distributed and the Rights Issue with Warrants will not be made or offered or deemed made or offered, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue with Warrants to which this AP relates is only available to persons receiving this AP, the NPA and the RSF or otherwise within Malaysia.

The distribution of the Documents, as well as the acceptance of the provisionally allotted Rights Shares with Warrants and the subscription for or the acquisition of the Rights Shares with Warrants may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdictions under the relevant laws of those countries or jurisdictions.

If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/or their renounees (if applicable) in any jurisdiction other than Malaysia.

As a result, the Documents have not been and will not be sent to our Foreign Addressed Shareholders. Accordingly, the Documents will only be sent to Entitled Shareholders who have provided a registered address or an address for service of documents in Malaysia at the Entitlement Date. However, the Foreign Addressed Shareholders may collect the Documents from our Share Registrar, Tricor Investor Services Sdn Bhd (Company No. 118401-V) at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these Documents.

No action has been taken to ensure that the Rights Issue with Warrants and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue with Warrants to which the Documents relate to is only available to persons receiving the Documents within Malaysia. The Documents do not constitute and may not be used for the purpose of an offer to sell, solicitation or invitation of an offer to subscribe for the Rights Shares in any countries or jurisdiction outside Malaysia or to any person to whom it would be unlawful to make such offer, solicitation or invitation.

If you are a Foreign Addressed Shareholder, we will not make or be bound to make any enquiry as to whether you have an address or an address for service in Malaysia if not otherwise stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. We will assume that the Rights Issue with Warrants and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue with Warrants and would not be in breach of the laws of any jurisdiction. We will further assume that you had accepted the Rights Issue with Warrants in Malaysia and will at all applicable times be subject to the laws of Malaysia.

The foreign Entitled Shareholders and/or their renounee(s) (if applicable) may only accept or renounce all or any part of their entitlement and exercise any other rights in respect of the Rights Issue with Warrants to the extent that it would be lawful to do so. Eduspec, our Board and officers, MIDF Investment and/or other experts ("Parties") would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/or their renounee(s) (if applicable) is or might be subject to. The foreign Entitled Shareholders and/or their renounee(s) (if applicable) who are residing in countries or jurisdictions other than Malaysia should therefore immediately consult their legal or other professional adviser as to whether the acceptance, renunciation, sale or transfer (as the case may be) of their entitlements to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions in which the Entitled Shareholders and/or their renounee(s) (if applicable) is a resident. The Parties shall not accept any responsibility or liability in the event that any acceptance or renunciation or sale or transfer made by any foreign Entitled Shareholder and/or his renounee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. The foreign Entitled Shareholder and/or his renounee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of their entitlement or to any net proceeds thereof.

The foreign Entitled Shareholders and/or their renouncee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renouncee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay.

We reserve the right, in our absolute discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The provisionally allotted Rights Shares with Warrants relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights Shares with Warrants available for excess application by the other Entitled Shareholders and/or their renouncee(s) (if applicable).

Each person, by accepting the delivery of this AP, the NPA and the RSF, accepting any provisionally allotted Rights Shares with Warrants by signing any of the forms accompanying this AP or subscribing for or acquiring the Rights Shares with Warrants will be deemed to have represented, warranted, acknowledged and declared in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:

- (i) Our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are or might be subject to;
- (ii) the foreign Entitled Shareholder and/or their renouncee(s) (if applicable) has complied with the laws to which the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are or might be subject to in connection with the acceptance or renunciation;
- (iii) the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance of renunciation of the provisionally allotted Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or might be subject to;
- (iv) the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) are aware that the Rights Share and Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) has obtained a copy of this AP and has had access to such financial and other information and has been provided the opportunity to ask such questions to the representatives of the parties and receive answers thereto as the foreign Entitled Shareholders and/or their renouncee(s) (if applicable) deem necessary in connection with the foreign Entitled Shareholder and/or their renouncee's (if applicable) decision to subscribe for or purchase the Rights Shares with Warrants; and
- (vi) the foreign Entitled Shareholder and/or their renouncee(s) (if applicable) has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares and Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares and Warrants.

NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN ENTITLED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE THERETO. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS SHARES AND WARRANTS UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.

4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

The Rights Issue with Warrants are undertaken to raise funds for the purposes as stated in Section 5 below.

Our Board is of the view that, in tandem with the Private Placement, the Rights Issue with Warrants is currently the most appropriate avenue of fund raising after taking into consideration, amongst others, the following factors:

- (i) the shareholders of the Company will be provided with the opportunity to participate in the equity of the Company. The Rights Issue with Warrants will involve the issuance of new Eduspec Shares without diluting the existing shareholders' equity interest (assuming the shareholders subscribe fully for their respective entitlements);
- (ii) to raise immediate funds for Eduspec without incurring interest costs as compared to other means of financing such as through bank borrowings or the issuance of debt instruments;
- (iii) the issuance of Rights Shares together with Warrants will mitigate the immediate dilutive impact on the EPS of Eduspec, which would otherwise arise from a full equity issue, as the Warrants are expected to be exercised/converted over a period of time; and
- (iv) the Warrants, which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for their Rights Shares. The Warrants would also enable the Entitled Shareholders to benefit from the future growth of the Company and any potential capital appreciation arising from the exercise of the Warrants, which would depend on the future performance of Eduspec Shares.

5. UTILISATION OF PROCEEDS

Based on the full subscription level and Issue Price for Rights Issue with Warrants, the Rights Issue with Warrants will raise gross proceeds of up to approximately RM25.52 million and is expected to be utilised as follows:

	Minimum Subscription Level	Maximum Scenario	Expected time frame for utilisation
Proposed utilisation	RM '000	RM '000	
Expansion of existing business ⁽¹⁾	3,035	12,966	Within 36 months
Future business expansion ⁽²⁾	1,649	4,792	Within 36 months
R&D ⁽³⁾	937	6,552	Within 24 months
Working capital of the Group ⁽⁴⁾	407	407	Within 36 months
Estimated expenses for the Corporate Exercises ⁽⁵⁾	800	800	Within 3 months
Total	6,828	25,517	

The details of the utilisation of proceeds are as follows:

(1) Expansion of existing business

The total utilisation of proceeds for expansion of existing business is up to RM12,966 million.

(i) Overseas' investment

The proceeds of up to RM8.231 million will be utilised through the Company's wholly-owned subsidiary namely Eduspec Pte Ltd in Singapore, for the business expansion requirements in the joint venture companies, Pt Eduspec Indonesia in Indonesia and First Eduspec Inc in Philippines. Both of the companies are associates to our Group.

(a) Indonesia

Pt Eduspec Indonesia was incorporated in Indonesia on 10 January 2011. On 10 January 2011, Eduspec Pte Ltd, a wholly-owned subsidiary of Eduspec subscribed for 10,000 ordinary shares of USD1 each, which represents 40% of the shareholdings in Pt Eduspec Indonesia for a total subscription price of USD10,000. The principal activities of Pt Eduspec Indonesia are provision of IT learning as well as robotics classes and products in Indonesia.

The provision of IT learning includes various aspect of knowledge field such as computer literacy which provides three (3) course programmes, i.e. general computer knowledge, software and online application, and languages labs which currently focuses on English and Mandarin Language. The robotics classes provide a structured learning syllabus which expose and spearhead students to robotics learning tools such as writing simple programmes from the computer and download into a robot, and animate the robot to perform activities requested by the user.

As at LPD, the total issued and paid-up share capital of Pt Eduspec Indonesia is USD25,000 comprising of 25,000 ordinary shares of USD1.00 each. The details of shareholders of Pt Eduspec Indonesia are as follows:

Shareholders	No. of ordinary shares	%
Eduspec Pte Ltd	10,000	40.00
Pt Higher Learning International	10,000	40.00
Tuan Agustinus Nurindra Bhawono Charismiadjji	5,000	20.00
	25,000	100.00

Pt Eduspec Indonesia has rolled out two (2) pilot initiatives to schools, namely Lilin Bangsa International School and Sekolah Dasar Lab School Kaizen. As at LPD, Pt Eduspec Indonesia has secured contracts with additional six (6) schools namely Sekolah Global Manduri, Sekolah Dasar Perguruan Cikini, Sekolah Dasar Badan Pendidikan Kristen Penabur, Sekolah Dasar Badan Pendidikan Kristen Penabur Sentul, Sekolah Dasar Al-Azhar Kepala Gading and Sekolah Dasar Negeri Rintisan Sekolah Bertaraf Internasional Menteng 01 Pagi. The contracts secured with the relevant schools involve the introduction and teaching of robotics programmes via club membership. Currently the club has a total member of 92 students for all the schools stated above (excluding Lilin Bangsa International School which currently has no members enrolled in the club). The membership fees are collected from the students. Pt Eduspec Indonesia had commenced its operations in Lilin Bangsa International School and Sekolah Dasar Lab School Kaizen in July 2011.

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In addition to this product line, Eduspec has introduced English and Mandarin language lab learning programmes into these schools during the school semester in April 2013. Pt Eduspec Indonesia has secured contracts for English language lab with 15 secondary schools, namely Sekolah Menengah Atas Negeri 63 Jakarta, Sekolah Menengah Atas Negeri 35 Jakarta, Sekolah Menengah Atas Negeri 10 Jakarta, Sekolah Menengah Atas Negeri 25 Jakarta, Sekolah Menengah Atas Negeri 110 Jakarta, Sekolah Menengah Atas Negeri 30 Jakarta, Sekolah Menengah Atas Negeri 5 Jakarta, Sekolah Menengah Atas Negeri 50 Jakarta, Sekolah Menengah Atas Negeri 44 Jakarta, Sekolah Menengah Atas PGRI 2 Palembang, Sekolah Menengah Pertama Negeri 240 Jakarta, Sekolah Menengah Pertama Negeri 70 Jakarta, Sekolah Menengah Pertama Negeri 98 Jakarta, Sekolah Menengah Teknologi Industri Bandar Lampung and Sekolah Tinggi Keguruan dan Ilmu Pendidikan Kusuma Negara Jakarta. Pt Eduspec Indonesia had commenced the English language lab in the 15 secondary schools as stated above in July 2013. Pt Eduspec Indonesia had also commenced the Mandarin language lab in eight (8) secondary schools, namely Sekolah Menengah Atas Negeri 63 Jakarta, Sekolah Menengah Atas Negeri 35 Jakarta, Sekolah Menengah Atas Negeri 10 Jakarta, Sekolah Menengah Atas Negeri 44 Jakarta, Sekolah Menengah Atas PGRI 2 Palembang, Sekolah Menengah Pertama Negeri 240 Jakarta, Sekolah Menengah Teknologi Industri Bandar Lampung and Sekolah Tinggi Keguruan dan Ilmu Pendidikan Kusuma Negara Jakarta in October 2013. The operation of Mandarin language lab for the remaining seven (7) schools will commence in 2013.

Pt Eduspec Indonesia will continue to procure contracts for robotic programmes, English and Mandarin language labs via its available schools client base. These initiatives will require the setting up of proper classroom infrastructures, hardware and software to accommodate class operation, workforce expansion, i.e. trainers, teachers, marketing, sales and support staff for these projects and for anticipated expansion of similar initiatives to other schools.

Some of the classroom infrastructures needed for the robotics programmes includes LCD projectors, microphones, speakers, tables, chairs, cabinet, air condition system and security for proper classroom infrastructures. In addition, PT Eduspec Indonesia will also provide a structured curriculum syllabus, notebook computers, Lego sets, multimedia learning solution, model building instruction manual for hardware and software. The English and Mandarin language lab would require tables, chairs, projectors and renovation to classroom such as power sockets, networking, painting and iron grill. It would also require desktop computers, monitors, printers, headsets, networking and Windows 7 professional (a computer operating license).

The proceeds of up to RM4.849 million will be utilised for further investment into Pt Eduspec Indonesia. The injection of RM4.849 million will represent the contribution based on Eduspec Pte Ltd's 40% shareholdings. Accordingly, the other shareholders of Pt Eduspec Indonesia will proportionately contribute their respective investment requirements based on their 60% shareholding in Pt Eduspec Indonesia at USD1.00 per ordinary share. Subsequently, the total invested funds will be utilised to bring the existing pilot initiatives in Pt Eduspec Indonesia to the next level and to support similar future business expansions in Indonesia. With the proceeds of RM4.849 million, the share capital and the shareholdings of PT Eduspec Indonesia will eventually be as follows:

Shareholders	Existing no. of ordinary shares	Additional no. of ordinary shares invested ⁽¹⁾	Enlarged no. of ordinary shares	%
Eduspec Pte Ltd	10,000	1,564,194	1,574,194	40.00
Pt Higher Learning International	10,000	1,564,194	1,574,194	40.00
Tuan Agustinus Nurindra Bhawono Charismiadji	5,000	782,097	787,097	20.00
	25,000	3,910,485	3,935,485	100.00

Note:

⁽¹⁾ Based on the exchange rate of USD1:RM3.10

The contribution from each shareholder was determined after taking into account estimated setup cost for the targeted number of schools to be recruited by Pt Eduspec Indonesia and their respective percentage shareholdings. With the receipt of the total allotted funds from all the shareholders, Eduspec Pte Ltd will be able to expand in Indonesia, enabling Pt Eduspec Indonesia to roll out similar business operations plans to an estimate of 95 schools within the next three (3) years. As at to-date, Eduspec Pte Ltd has yet to secure the contracts with the 95 schools.

In the event that the above plan materialises, an announcement to Bursa Securities will be made and other relevant approvals including shareholders' approval will be sought (if required).

In the event the proceeds of up to RM4.849 million is not fully utilised for business expansion in Indonesia within the stipulated timeframe, the said proceeds will be channelled towards investment in Malaysia. If the Maximum Scenario is not achieved, Eduspec Group will reassess the original expansion plans and prioritise the critical initiatives that may be implemented using its internally generated funds and/or borrowings.

(b) Philippines

First Eduspec Inc was incorporated on 21 June 2012 pursuant to the announcement made by Eduspec on 5 July 2012. On 21 June 2012, Eduspec Pte Ltd, a wholly-owned subsidiary of Eduspec subscribed for 19,998 ordinary shares of P100 each, which represents approximately 40% of the shareholdings in First Eduspec Inc for a total subscription price of P1,999,800. The principal activities of First Eduspec Inc are to provide information technology outsourcing and consulting services to schools and educational institutions in Philippines.

As at LPD, the total issued and paid-up share capital of First Eduspec Inc is P5,000,000 comprising of 50,000 ordinary shares of P100 each. The details of shareholders of First Eduspec Inc are as follows:

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Shareholders	No. of ordinary shares	%
First Datacorp	24,998	50.00
Eduspec Pte Ltd	19,998	40.00
Raymond L. Tap	5,000	10.00
Lim Een Hong	1	~*
Lim Soon Seong	1	~*
Jorge C. Buenaventura	1	~*
Noel F. Guerrero	1	~*
	50,000	100.00

Note:

* Negligible

First Eduspec Inc has successfully secured contracts with two (2) schools, namely San Beda College Alabang and Angelicum College of which First Eduspec Inc has initiated and operated the delivery of robotics programme. First Eduspec Inc had commenced its operations in San Beda College Alabang and Angelicum College with an average of 2,500 students in each school in March 2012 and May 2012, respectively. The robotics programme operated in the two (2) schools which forms part of the schools' curriculum and the fees are collected from these schools. These two (2) projects have so far contributed positively to First Eduspec Inc in terms of revenue stream and also benefited Eduspec Group in potential royalty income collection.

Similar robotic programme initiatives has been scheduled for future expansion plan and will require the setting up of proper classroom infrastructures within the schools, hardware and software to accommodate class operation, workforce expansion, i.e. trainers, teachers, marketing, sales and support staff for these projects and for these anticipated expansion. The classroom infrastructures, hardware and software includes projectors, microphones, speakers, tables, chairs, cabinet, air conditioning system and security for proper classroom infrastructures. It would also require a structured curriculum syllabus, notebook computers, Lego sets, multimedia learning solution, model building instruction manual for hardware and software.

The proceeds of up to RM3.382 million will be utilised for investment into First Eduspec Inc. The injections of RM3.382 million will represent the contribution based on Eduspec Pte Ltd's 40%. Accordingly, the other shareholders of First Eduspec Inc will proportionately contribute their respective investment requirements based on their 60% shareholding in First Eduspec Inc at P100 per ordinary share. Subsequently, the total invested funds will be utilised to bring the existing pilot initiatives in First Eduspec Inc to the next level and to support similar future business expansions in Philippines. With the proceeds of RM3.382 million, the share capital and the shareholdings of First Eduspec Inc will eventually be as follows:

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Shareholders	Existing no. of ordinary shares	Additional no. of ordinary shares invested ⁽¹⁾	Enlarged no. of ordinary shares	%
First Datacorp	24,998	570,724	595,722	50.00
Eduspec Pte Ltd	19,998	456,570	476,568	40.00
Raymond L. Tap	5,000	114,154	119,154	10.00
Lim Een Hong	1	23	24	_(2)
Lim Soon Seong	1	23	24	_(2)
Jorge C. Buenaventura	1	23	24	_(2)
Noel F. Guerrero	1	23	24	_(2)
	50,000	1,141,540	1,191,540	100.00

Notes:

⁽¹⁾ Based on the exchange rate of P13.5:RM1

⁽²⁾ Negligible

The contribution from each shareholder was determined after taking into account estimated setup cost for the targeted number of schools to be recruited by First Eduspec Inc and their respective percentage shareholdings. The total allotted funds from all the shareholders will enable First Eduspec Inc to duplicate similar business operations to an estimate of 36 schools within the next three (3) years. As at to-date, First Eduspec Inc has yet to secure the contracts with the 36 schools. The expected profit from these operations will boost Eduspec Group's bottom line.

In the event that the above plan materialises, an announcement to Bursa Securities will be made and other relevant approvals including shareholders' approval will be sought (if required).

In the event the proceeds of up to RM3.382 million is not utilised for business expansion in Philippines within the stipulated timeframe, the said proceeds will be channelled towards investment in Malaysia. If the Maximum Scenario is not achieved, Eduspec Group will reassess the original expansion plans and prioritise the critical initiatives that may be implemented using its internally generated funds and/or borrowings.

(ii) Investments in Malaysia

The proceeds of up to RM4.735 million will be channelled to finance its investment for the business expansion in Malaysia.

Eduspec is actively seeking further opportunities in enlarging its market share in Malaysia through joint project based initiatives and also any potential similar business investment which can complement Eduspec's existing operations.

Eduspec's core business in Malaysia is provisions of IT laboratory and teaching of additional complementary IT related programmes in schools. By investing in companies with similar business operations, Eduspec will be able to enhance its presence in Malaysia.

In the event that the above plan materialises, an announcement to Bursa Securities will be made and other relevant approvals including shareholders' approval will be sought (if required).

(2) Future business expansion

The total utilisation of proceeds for future business expansion is up to RM4.792 million.

The Group proposes to utilise the proceeds to finance its investment plans for expansion in China pursuant to its strategic market position and huge opportunities to gain access to broader markets in enhancing its revenue growth. Currently, the Group does not have any pilot project there. However, the Group's strategies are to explore potential expansion plans with business partners in this market and to maintain a strong branding and presence in China upon successful joint venture and/or partnerships. As at to-date, the Group has not yet identified any specific investment and/or business partner. Nevertheless, the Group plans to provide e-learning products and educational services which is similar to the Eduspec's business in Malaysia. In the event that the above plan materialises, an announcement on Bursa Securities will be made and other relevant approvals including shareholders' approval will be sought (if required).

The proceeds of RM114,000 will also be utilised for both pilot schools namely, Doan Thi Diem Primary School and Xuan Dinh Primary School in Hanoi, Vietnam and the proceeds of another RM114,000 will be utilised for providing English Language Lab, ICT Lab and robotics programmes to schools in Ho Chi Minh City. The English Language Lab, ICT Lab and robotics programmes will be offered to the primary schools. The pilot schools are the reference used for the first school which Eduspec will run their programmes to customise and further enhance the suitability of the relevant programmes in the school. The pilot schools will be set up and operated by a joint-venture company in Vietnam of which 40% of the joint-venture company will be held by Eduspec and the remaining 60% by other shareholders. The proceeds that will be allocated will be used to subscribe for shares in the joint venture company in proportion to Eduspec's percentage holdings. The joint-venture company will then use the proceeds from the subscription of shares in the joint-venture company to set up two (2) pilot schools, of which one (1) in Danang and another in Ho Chi Minh. As at LPD, the Company has yet to finalise the joint-venture agreement with DTT Technology Joint Stock Company and Viet Culture, Education and Knowledge Investment Consulting Company Limited, pending the funding requirement for the joint-venture company. An announcement will be made in due course after the finalisation of the joint-venture agreement.

As at to-date, save for the above, the detail breakdown of the remaining proceeds of RM4.564 million has yet to be determined. However, the remaining proceeds of RM4.564 million will be utilised for future setting up of English Language Lab, ICT Lab and Robotic Programmes in Ho Chi Minh City, Vietnam and potential pilot project in China.

The Company will monitor the exploratory initiatives progress and review its funding utilisation in a prudent manner for future business expansion in China and Vietnam.

In the event the proceeds of up to RM4.792 million is not utilised within the stipulated timeframe for future business expansion in China and Vietnam, the said proceeds will be channelled towards Eduspec's investment in Indonesia, Philippines and/or Malaysia. If the Maximum Scenario is not achieved, Eduspec Group will reassess the original expansion plans and prioritise the critical initiatives that may be implemented using its internally generated funds and/or borrowings.

(3) R&D

The Group intends to utilise approximately up to RM6.552 million of the proceeds for the R&D requirements for its ongoing product development and also for new products to be added on to its current product range that can further enhance Eduspec's competitiveness in Malaysia and also in countries within the region. The breakdown of utilisation of proceeds for R&D is as follows:

	Minimum Subscription Level RM '000	Maximum Scenario RM '000
Existing R&D ⁽ⁱ⁾	243	1,702
Future R&D ⁽ⁱⁱ⁾	694	4,850
	<u>937</u>	<u>6,552</u>

(i) Eduspec has budgeted yearly expenses for existing products R&D as detailed out below:

Products ^(a)	Commencement date	Expected completion date	Total development cost (RM)	Development cost that will be funded via the Rights Issue with Warrants (RM)	Potential customers/ countries
Cloud Base School Management ^(b)	3 rd Quarter 2012	4 th quarter 2014	1,500,000	1,002,000	Eduspec's existing customers in Malaysia
ICT Syllabus Workbook Teaching Material ^(c)	1 st Quarter 2013	4 th quarter 2013	500,000	300,000	Eduspec's existing customers in Malaysia and primary and secondary schools in Vietnam and Philippines
Robotic Programmes ^(d)	1 st Quarter 2013	4 th quarter 2013	500,000	400,000	Eduspec's existing customers in Malaysia and primary and secondary schools in Vietnam, Philippines and Indonesia

(a) For the last two (2) financial years, the R&D expenses for these products are approximately RM1.2 million each year. With the overseas expansion and the inclusion of these products in Indonesia and Philippines, there will be an increase in the R&D for customisation purposes.

(b) Cloud Base School Management is the next generation of School Management System offered by Eduspec that will enable the schools administration process to be managed via internet, whereby the schools' information is easily accessible. The total development cost is RM1,500,000, of which RM1,002,000 will be funded via the Rights Issue with Warrants and the remaining of RM498,000 will be funded via internally generated funds.

(c) ICT Syllabus Workbooks Teaching Material are the course programmes prepared by a group of dedicated and experienced teachers which includes three (3) aspects which comprises of General Knowledge, Software Application and Online Application to students. The total development cost is RM500,000, of which RM300,000 will be funded via the Rights Issue with Warrants and the remaining of RM200,000 will be funded via internally generated funds.

(d) Robotic Programmes are intended to expose and spearhead students to robotics learning tools such as writing simple programmes from the computer and download into a robot, and animate the robot to perform activities requested by the user. Eduspec had been running innovative robotics events like the Nationwide Junior Robothon and International Competition, Digital Youth Award – Robotics for Children for the past seven (7) years. The total development cost is RM500,000, of which RM400,000 will be funded via the Rights Issue with Warrants and the remaining of RM100,000 will be funded via internally generated funds.

(ii) In addition to the existing products, Eduspec has introduced new range of products to be offered to its existing customers and also new customers for future business expansion as detailed out below:

Products	Commencement date	Expected completion date	Total development cost (RM)	Development cost that will be funded via the Rights Issue with Warrants (RM)	Potential customers/ countries
KSSR Teaching Materials ^(a)	3 rd Quarter 2013	4 th quarter 2014	2,600,000	1,950,000	Eduspec's existing customers in Malaysia
Mandarin Laboratories Materials ^(b)	3 rd Quarter 2013	4 th quarter 2014	1,500,000	1,450,000	Eduspec's existing customers in Malaysia and primary and secondary schools in Vietnam, Philippines and Indonesia
English Laboratories Materials ^(c)	3 rd Quarter 2013	4 th quarter 2014	1,500,000	1,450,000	Primary and secondary schools in Vietnam, Philippines and Indonesia

- (a) KSSR Teaching Materials are a multimedia teaching material to compliment teachers in the teaching of major subjects such as Bahasa Malaysia, English and Mandarin language for KSSR standard 1 and 2. KSSR is the new curriculum for Malaysian primary schools which will be benchmarked to international standards with the aim of producing students with skills required to compete at an international level. The total development cost is RM2,600,000, of which RM1,950,000 will be funded via the Rights Issue with Warrants and the remaining of RM650,000 will be funded via internally generated funds.
- (b) Mandarin Laboratories Materials are a video-based interactive learning programme which provides strategies for Mandarin language teachers to increase the use of the Mandarin language in schools. The total development cost is RM1,500,000, of which RM1,450,000 will be funded via the Rights Issue with Warrants and the remaining of RM50,000 will be funded via internally generated funds.
- (c) English Laboratories Materials are a video-based interactive learning programme which provides strategies for English language teachers to increase the use of the English language in schools. The total development cost is RM1,500,000 of which RM1,450,000 will be funded via the Rights Issue with Warrants and the remaining of RM50,000 will be funded via internally generated funds.

In the event if there are any unutilised proceeds from R&D allocations, it will be channelled to finance the Group's working capital. If the Maximum Scenario is not achieved, Eduspec Group will reassess the original expansion plans and prioritise the critical initiatives that may be implemented using its internally generated funds and/or borrowings.

(4) Working capital of the Group

The proceeds of up to RM0.407 million will be utilised for working capital of the Group as follows:

	Minimum Subscription Level RM '000	Maximum Scenario RM '000
Administrative expenses ⁽ⁱ⁾	150	150
Business working capital ⁽ⁱⁱ⁾	257	257
	407	407

- (i) The administrative expenses include expenses required for the Group's day-to-day operations to support its existing business operations. The breakdown is as follows:

Administrative expenses	RM '000
Salaries	51
Rental	21
Office supplies	14
Utilities	8
Others	56
	150

- (ii) The business working capital includes business development expenditures such as advertisement and promotion activities in respect of the Group's product offerings.

As at LPD, the Group has an overdraft facility with outstanding amount approximately RM1.9 million with interest expenses of approximately RM155,000 a year. By having part of the proceeds from the Rights Issue with Warrants for working capital purposes, the Group will not be required to further drawdown from this facility and thus will not incur additional interest expenses.

Any difference between the indicative proceeds mentioned above and the actual proceeds raised from the Rights Issue with Warrants shall be adjusted accordingly in this working capital allotment.

(5) Estimated expenses for the Corporate Exercises

Include fees payable for the professional services rendered by the principal advisers, reporting accountants, solicitors and other incidental expenses in connection with the Corporate Exercises. Any excess between the actual expenses in relation to the Corporate Exercises and the amount of the estimated expenses stated above will be allocated from the working capital of Eduspec Group and vice versa.

Pending utilisation of the proceeds from the Rights Issue with Warrants by Eduspec for the above purposes, the proceeds will be placed in deposits with financial institutions or short term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the Eduspec Group.

The exact quantum of proceeds that may be raised by the Company from the exercise of the Warrants would depend on the actual number of Warrants exercised and the final exercise price of the Warrants. The proceeds from the exercise of the Warrants will be received on an "as and when basis" over the tenure of the Warrants. Any proceeds arising from the exercise of the Warrants in the future shall be utilised for working capital requirements of the Eduspec Group with the nature of it being for administration expenses and business working capital.

6. RISK FACTORS

You and/or your renounee(s) (if applicable) should carefully consider, in addition to all other information contained in this AP, the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, before subscribing for or investing in the Rights Issue with Warrants.

6.1 Risk relating to Eduspec Group

6.1.1 Dependency on key personnel

The continued performance and future success of our Group hinges on the ability and continued effort of its key management team. Any sudden departure of members of the key management team may affect our Group's ability to maintain or improve its performance.

Our group has in place a hierarchical reporting structure. Our Group has also put in place succession planning in the event of departure of personnel. Training and creating an awareness of the job functions of other personnel in related fields within our group are encouraged so that the business operations of our Group continues even in the absence of certain personnel.

Our Group is constantly reviewing our remuneration packages with the view to making them competitive and taking measures to attract new personnel as well as to retain existing staff. However, there can be no assurance that we will be able to successfully attract, train and retain the necessary skilled personnel.

6.1.2 Rapid technological changes and market acceptance of products and services

The markets for our Group's products and services are characterised by product innovation, changes in customer requirements, computer operating environments and software applications as well as frequent new product introductions and enhancements. Our Group's future success depends substantially on its ability to address the needs of its customers by supporting existing and emerging hardware, software, database and networking platforms, as well as to gain expertise in technological advances, and to respond quickly to evolving industry trends. There can be no assurance that our Group will be successful in adapting to these advances in technology. In addition, there can be no assurance that the products or services or technologies developed by others will not significantly reduce the demand for our Group's products or services or render our Group's products or services obsolete. Our Group will continue to put in efforts to enhance its products and services.

The timely development of new or enhanced products is a complex and uncertain process, which is subject to changing market requirements as well as unforeseen costs and delays, resulting in substantial expenditures and capital costs. Although our Group believes that it will have the funding to implement its business plan, there can be no assurance that our Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends, or to successfully manage long development cycles. Our Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of its products. Our Group may also be required to collaborate with third parties to develop products and may not be able to do so on a timely and cost-effective basis, if at all.

6.1.3 Protection of intellectual property rights

Existing copyright trademark and trade secret laws provide only limited protection. Accordingly, there can be no assurance that our Group will be able to protect its proprietary rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on our Group's business, operating results and financial condition.

6.1.4 Political, economic and regulatory conditions

Like all other business entities, changes in political, economic and regulatory conditions in Malaysia and foreign countries which our Group has operation in, may materially and adversely affect the financial and business prospects or the overall profitability of our Group. These political, economic and regulatory uncertainties include but are not limited to changes in political leadership, introduction of new regulations, war, economic downturn, financial crises, changes in rates of interest, methods of taxation and foreign exchange regulations.

As at FYE 30 September 2012, the revenue contribution from Malaysia's operating subsidiaries is approximately 98.95% whilst the remaining contribution came from the subsidiaries in Singapore. Pt Eduspec Indonesia and First Eduspec Inc are associates to our Group and hence the Group only recognised its share of profits from these associates which are currently insignificant. In view of the foregoing, our Group exposure to the changes in political, economic and regulatory conditions in foreign countries is minimal.

Our Group has adopted a proactive approach in keeping abreast of political, economic and regulatory developments of the countries to which it markets or intends to market its products.

6.1.5 Competition

The market for our Group's products is competitive and characterised by technological innovation. Our Group has experienced and expects to continue to experience competition from current and future competitors. Our Group believes that its ability to compete depends on many factors, both within and outside its control, including the timing and market acceptance of new products and services and enhancements developed by our Group and its competitors, product functionality, ease of use, performance, price, value-for-money, reliability, customer service and support, sales and marketing efforts, etc.

Our Group's competitors vary in size and in the scope and breadth of products and services offered. Our group expects to face additional competition from potentially emerging companies that could enter the market and introduce new products and technologies. There can be no assurance that our Group will be able to compete successfully with existing or new competitors. Increased competition could result in price reductions, reduced revenue and margins and loss of market share, any one of which could materially and adversely affect our Group's business, operating results and financial conditions.

The barriers of entry to the sector in which our Group is operating in is not low, in that a company is only required to have, amongst others, a dedicated team of R&D personnel, established distribution channels which can be developed over lengthy period of time, etc. Our group has in place such features and will continually assess its current situation in order to stay competitive.

6.1.6 Reliance on relationships with schools

Our Group's revenue is substantially dependent on its relationships with the schools which provide the bulk of our Group's revenue. As at the LPD, our Group has existing clientele base of over 200 schools locally and abroad. There is no assurance that these relationships will continue indefinitely as the contracts that have been entered into between our Group and the schools have a term of three (3) to five (5) years each. Moreover, depending on the services performed, the fees collected from each student may change from time to time, and any increase may result in the schools terminating their contracts (as the case may be) with our Group, which will have a material adverse effect on our Group's business, operating results and financial condition.

As a mitigating factor, our Group enjoys cordial relationships with the schools and has a group of geographical managers managing its operations. Our Group considers the possibility that the Parent-Teacher Associations of the schools locally to terminate their contracts to be relatively small taking into consideration the relationship with them.

6.1.7 Operational risks

Due to the nature of our Group's operations, interruption of our Group's operating capabilities through breakdown or malfunctioning computer and failure or damage caused by fire, storms, lighting, electrical power outage or other disruption may have an adverse material effect on our Group's business, operating results or financial condition. To avoid major breakdowns and disruptions to our Group's operations, computers and relevant equipments are constantly monitored and maintained.

6.1.8 Foreign exchange risk

As at FYE 30 September 2012, the revenue contribution from Malaysia's operating subsidiaries are approximately 98.95% whilst the remaining contribution came from the subsidiaries to our Group in Singapore. Pt Eduspec Indonesia and First Eduspec Inc are associates to our Group and hence the Group only recognised its share of profits from these associates which are currently insignificant. In view of the foregoing, our Group exposure to foreign exchange risk is minimal.

Our management will constantly monitor our Group's foreign currency exposure and review our Group's need to hedge. If the foreign currency exposure becomes substantial, we will consider hedging our position.

6.1.9 Substitute products/services

E-learning modules have evolved from classroom replication works to integration with technology in the provision of content, delivery and creation of e-learning communities. A substitute to this web-based learning may be in the form of other e-learning delivery methods such as CD-ROMs and DVDs (digital video discs) which are typically referred to as “computer-based” training. However, the delivery method is sometimes determined by the level of advancement in content development.

This challenge is mitigated by the fact that web-based solutions are gaining popularity among primary and secondary schools in parts of Asia where the governments have increased their efforts to upgrade and invest in ICT infrastructure to support online content, delivery and service. In addition, the proliferation of high-speed internet connections and PC (personal computer) ownership enhance the effectiveness of web-based delivery learning contents. These include amongst others, allowing real-time interaction, flexibility in accessing contents and enabling instantaneous content download.

6.1.10 Status of the Parent-Teacher Associations

Our Group typically enters into an exclusive long-term contract with the Parent-Teacher Association of a school to provide ICT literacy courses. The Parent-Teacher Associations of the respective schools are not recognised as having the status of a “society” under the Societies Act 1966. This would imply that, in the event of breach in the contract entered into between our Group and the Parent-Teacher Association, our Group is unlikely to be able to initiate a claim against the Parent-Teacher Association. The Parent-Teacher Associations are, however, entities properly constituted under the Peraturan-Peraturan Pendidikan (Persatuan Ibu Bapa dan Guru) 1998 of the Akta Pendidikan 1996. Our Group has been in the business of providing educational ICT learning in schools for 25 years, and has not encountered any issues with the Parent-Teacher Associations. In fact, our Group enjoys healthy relationships with the Parent-Teacher Associations and this forms the basis of the renewal of such contracts.

6.1.11 Termination of services

Under the current Malaysian education system, there is no compulsory curriculum for ICT literacy course. As it is not compulsory to attend these types of ICT education and training courses, the Parent-Teacher Association may decide not to renew their contracts with private sector service providers of ICT education and training. Operators with trained ICT instructors who are capable of conducting proper ICT literacy courses can impart a beneficial learning experience to students are more likely to secure the renewal of their existing contracts. In addition, operators who serve a large number of schools are in a stronger position to reduce its dependencies on any individual schools.

Our Group currently enjoys healthy relationships with its customer base and this forms the basis of the renewal of such contracts. Our Group has in-house trained instructors to conduct all its ICT literacy and robotics courses. As at the LPD, our Group has 215 in-house ICT instructors. As at the LPD, our Group provides ICT literacy courses to over 200 primary and secondary schools in Malaysia. However, there is no guarantee that such contracts will always be renewed. The directors and management of our Group are always in close contact with their customer base in order to keep abreast with their needs.

6.1.12 Failure or delay in the implementation of future plans

The future success of our Group is dependent on the successful implementation of our growth strategy and future plans which include expansion of our existing business as well as future business which will be financed by the proceeds raised from the Rights Issue with Warrants, as disclosed in Section 6.

Expansion of our existing business as well as future business will include investments in overseas market. In that respect, we may be faced with challenges in terms of business restrictions, regulatory, legal, cultural barriers and language differences. While our management and marketing team will ensure the implementation of our expansion plan on a best efforts basis, there can be no assurance that we will be successful.

Notwithstanding the above, there is no assurance that any delay in the timing and/or failure in implementing our future plans would not materially affect our Group's business performance in the future.

There is also a risk that our Group may not identify industry trends correctly, or that new product ranges it launches will not meet the demand of the new markets. There is no assurance that our Group will be able to successfully extend and/or implement our existing product range into new markets. However, to mitigate this risk, we will practice prudent financial management by monitoring closely the financial performance of each of our products.

6.2 Risks relating to the Rights Issue with Warrants

6.2.1 Market risk for the Rights Shares with Warrants

The performance of the market price of Eduspec Shares is influenced by, amongst others, the prevailing market sentiments, the liquidity of Eduspec Shares, the volatility of equity markets, the outlook of the industries which we operate in and our financial performance. In view of this, there is no assurance that the market price of the Rights Shares will trade above the Issue Price or the TERP of Eduspec Shares upon or subsequent to the listing of and quotation for the Rights Shares on the ACE Market of Bursa Securities.

As announced on 11 November 2013, our Board had fixed the Exercise Price at RM0.10, after taking into consideration a premium of approximately RM0.04 or 28.57% to the TERP of Eduspec Shares of RM0.14, calculated based on the five (5)-day VWAMP of Eduspec Shares, both up to and including 8 November 2013, being the last trading day immediately preceding the Price-Fixing Date of RM0.16.

On the other hand, the market price of the Warrants may be influenced by, amongst others, the market price of Eduspec Shares, the volatility of our Shares and the remaining exercise period of the Warrants. However, there can be no assurance that the Exercise Price will be "in-the-money" during the exercise period of the Warrants.

A variety of factors could cause the prices of Eduspec Shares to fluctuate, including the sale of substantial amounts of Eduspec Shares in the public market, announcements of developments relating to our Group's business, fluctuations in our Group's operating results and revenue levels and general industry conditions or economic conditions.

In addition to the fundamentals of our Group, the future price performance of Eduspec Shares will also depend upon various external factors such as general economic, political and industry conditions, the performance of regional and world bourses as well as sentiments and liquidity in the local stock market.

Furthermore, the Warrants are new securities to be issued by our Company. There has been no established trading market for our Warrants. No assurance can be given that an active market will develop upon listing of our Warrants on Bursa Securities, or if developed, that such market will sustain. There can also be no assurance that the market price of our Warrants will be maintained at any particular level subsequent to their issue.

Accordingly, there is no assurance that the market price of the Rights Shares and Warrants will be at a level that meets the investment objectives of any subscriber of the Rights Shares and Warrants.

6.2.2 Failure or delay in the implementation of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) we are unable to meet the public shareholding spread requirement of the Listing Requirements of which at least 25% of our Shares are in the hands of the public shareholders;

- (ii) we are unable to meet the public shareholding spread of at least 100 holders of Warrants holding not less than one (1) board lot of the Warrants each; and
- (iii) occurrence of any force majeure events or circumstances beyond the control of our Company and MIDF Investment, such as, including without limitation, acts of government, acts of God (including, without limitation, the occurrence of a tsunami, flooding, landslide and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, civil commotion, sabotage, acts of war, diseases or accidents, any change in law, regulation, policy or ruling, etc, arising prior to the implementation of the Rights Issue with Warrants.

There can be no assurance that the above events will not occur and cause a delay or abortion of the listing of the Rights Issue with Warrants. If the listing of the Rights Issue with Warrants does not take place, all monies paid in respect of all applications will be returned in full to our Entitled Shareholder(s) and/or their renouncee(s) (if applicable), who have subscribed for the Rights Shares with Warrants without interest, or with interest if the application monies are not refunded within fourteen (14) days after our Company become liable to repay, in accordance with the provisions of Section 243(2) of the CMSA. Notwithstanding all the above, our Company will take all necessary steps to ensure the successful implementation of the Rights Issue with Warrants.

6.2.3 Forward Looking Statements

Certain statements in this AP are based on historical data which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by our Directors, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting our Group and the industry, changes in interest rates and foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this AP should not be regarded as a representation or warranty by our Company or our advisers that the plans and objectives of our Group will be achieved.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

7.1 Overview and outlook of the Malaysian economy

The global economy continued to experience modest growth in the second quarter of 2013. The US economy expanded at a moderate pace, while economic activity in the euro area remained weak amid austerity measures and ongoing sovereign debt concerns. In Asia, growth of several economies moderated in the second quarter, as the prolonged weakness in the external environment had begun to affect domestic economic activity, particularly in the more open economies. While domestic demand in the Malaysian economy has remained strong, the overall growth performance was affected by the weak external sector. In the second quarter, the Malaysian economy expanded by 4.3% (1Q 2013: 4.1%). While domestic demand remained firm, growing by 7.3% (1Q 2013: 8.2%), exports registered a larger decline, amid weakness across most export products. On the supply side, the major economic sectors expanded further in the second quarter, supported by the continued strength in domestic demand.

On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.4% (1Q 2013: -0.4%).

Private consumption expanded by 7.2%, supported by stable employment conditions and sustained wage growth in the domestic-oriented sectors. Public consumption growth improved to 11.1% (1Q 2013: 0.1%), reflecting mainly higher Government spending on supplies and services, and sustained spending on emoluments.

Gross fixed capital formation continued to expand (6%; 1Q 2013: 13.1%), reinforced by from private sector capital spending. Private investment grew by 12.7%, supported by capital spending in the consumer related services sub-sectors, the ongoing implementation of infrastructure projects and capacity expansion in the oil and gas sector. Meanwhile, public investment declined by 6.4% (1Q 2013: 17.3%). Continued expansion in capital spending by public enterprises, particularly in the oil and gas, telecommunications and utilities sectors, was outweighed by lower Federal Government development expenditure.

On the supply side, the services and manufacturing sectors continued to expand, driven largely by sub-sectors catering to the domestic market. Growth of the mining sector rebounded following higher production of both natural gas and crude oil. However, the agriculture sector moderated, weighed down by a sharp reduction in natural rubber output and slower growth in crude palm oil production. In the construction sector, growth remained firm, led by the civil engineering and residential sub-sectors.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), was higher at 1.8% in the second quarter (1Q 2013: 1.5%), attributable mainly to price increases in the food and non-alcoholic beverages and housing, water, electricity, gas, and other fuels categories.

The domestic financial system remained resilient throughout the second quarter amid episodes of higher volatility in the global and domestic financial markets. Domestic financial intermediation continued to be well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

Going forward, the global economy continues to face downside risks, emanating from developments in several major economies. Policy uncertainty surrounding the quantitative easing (QE) programme in the US and European sovereign debt concerns are expected to weigh on market sentiment and growth prospects. While overall growth performance in most emerging economies, including in Asia, will be affected by these developments, domestic demand will continue to support the overall growth performance. The growth prospects are also being augmented by targeted policy measures.

For the Malaysian economy, the prolonged weakness in the external environment has affected the overall growth performance of the economy going forward. While domestic demand is expected to remain firm, supported by sustained private consumption, capital spending in the domestic-oriented industries and the ongoing implementation of infrastructure projects, the weak external sector in the first half of this year will affect our overall growth performance for the year. The overall growth of the economy for this year has now been revised to 4.5 - 5.0%. Going forward, domestic demand is expected to remain on its steady growth trajectory and will continue to be supported by an accommodative monetary policy.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2013, Bank Negara Malaysia)

7.2 Overview and outlook of the education/training industry

The Government will continue to provide quality and advanced skills training to meet the demands of the job market. In addition, the physical, spiritual and intellectual aspects will be honed from young to tertiary level. The workforce will also be infused with noble values so that society lives in peace and harmony.

Enhancing Educational Excellence

The Government is committed to accelerating academic achievement, competencies and skills. Towards this, the Government will allocate a sum of RM54.6 billion or 21% of the total allocation in 2014. In addition, the Government will ensure that the implementation of the Malaysia Education Blueprint achieves the objective of ranking Malaysia in the top one third category of the world's best education, within a span of 15 years.

To continue upholding excellence in education beginning from preschool to the secondary level, programmes to be implemented include:

- First: The Government recognises that early education is critical for physical and mental development. In this regard, we allocate RM530 million for preschool programmes as well as set up 93 preschools in national-type primary school;
- Second: Implementing programmes to enhance the teaching profession with emphasis on teaching, improving teaching methods and proficiency in Bahasa Malaysia and English. For this, a sum of RM209 million is provided;
- Third: Expanding internet access in schools especially in rural areas with an allocation of RM168 million; and
- Fourth: Build 33 new schools and upgrading existing ones, including dilapidated schools with an allocation of RM831 million.

In the 2012 and 2013 Budget, respectively the Government provided RM1 billion under the Special Fund for Building, Upgrading and Maintenance of Schools specifically for urgent repairs and maintenance of school buildings; purchase of equipment and construction of additional blocks.

To follow up on the Government's commitment, I am pleased to announce an additional RM450 million for this Special Fund. Of this, RM100 million will be channelled to national schools and RM50 million each to national-type Chinese schools, RM50 million to national-type Tamil schools; mission schools; Government-assisted religious schools; boarding schools; and Maktab Rendah Sains MARA as well as People's Religious Schools (SAR).

Tertiary Education

The Government will focus on strengthening public and private higher learning institutions towards producing quality graduates who meet the demands of the job market.

Among programmes to be implemented include:

- First: Improving the status of research universities by increasing research and the number of articles for publications in international journals. For this, the Government will provide an allocation of RM600 million in research grants for public institutions of higher learning; and
- Second: The Government will continue the MyBrain15 programme which finances tuition fees at post-graduate level, especially for executives in the private sector. For this, a sum of RM110 million is allocated.

Publishing articles in international academic journals is an important aspect in promoting the works of local academicians. Recognising the importance of establishing a world-class scholarly centre, the Government will establish a Malaysian Citation Centre to increase publication of local scholarly works and assist researchers publish articles in renowned international journals.

Strengthening Skills Training

Continuous efforts will be made to improve the quality of training in order to produce a highly skilled workforce. The Government will therefore implement the following measures:

- First: Implement a single tier for the Malaysian Skills Certificate course Levels 1 to Level 3 for 6 months in all Industrial Training Institutes under the purview of Manpower Department (JTM);
- Second: Upgrade and replace equipment at JTM training institutes with the latest technology involving an allocation of RM178 million; and
- Third: Allocate a sum of RM330 million to Skills Development Fund under the Ministry of Human Resource. The fund will provide loans for SPM leavers to enrol in skills training courses.

Youth are the nation's hope, asset and heir for the future. According to religious scholars, good behaviour of youth today will reflect the future of the nation.

A sum of RM200 million is allocated to upgrade and implement a two-shift approach at the National Youth Skills (IKBN). Among the areas that have been identified include automotive, marine maintenance, welding and electrical wiring which will benefit more than 15,000 IKBN trainees nationwide.

At present, there are 13,000 registered employers who contribute a levy of 1% of the monthly wages of workers to the Human Resource Development Fund (HRDF). The levy is used to train and upgrade the skills of workers.

HRDF will provide RM400 million for registered companies to give opportunities to employees to enrol in upskilling and reskilling programmes. The allocation can also be used by these companies to train apprentices and future workers.

To ensure employees are able to balance between career and family commitments, a flexible work environment is important. Therefore, it is proposed that employers implement the Flexible Work Arrangement (FWA) to give flexibility in terms of duration, place and working hours at the workplace.

The FWA may be implemented through compressed work week, flexi hours and weekend work. To encourage more Malaysian companies to adopt FWA as the norm, the Government proposes that training expenses and consultancy fees incurred by employers in implementing FWA be given further tax deduction.

Schooling Assistance

The Government will continue giving RM100 to all primary and secondary students to ease the burden of schooling expenses. For this, the Government will allocate RM540 million which will benefit about 5.4 million students.

1Malaysia Book Voucher

To ease the burden of students in pre-university and institutions of higher learning in purchasing books and reference materials, the Government will continue to provide the 1Malaysia Book Voucher Programme valued at RM250 to each student. The initiative is expected to benefit 1.3 million students involving an allocation of RM325 million.

(Source: Budget Speech 2014 by YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak, Prime Minister of Malaysia)

Education plays a key role in the development of human capital by equipping them, particularly the youth with skills to meet the needs of a rapidly challenging environment. In this regard, greater emphasis will be placed on building Malaysia's human capital, productivity and capacity for knowledge absorption and utilisation. The recent merger of the Ministry of Education and Ministry of Higher Education to the Ministry of Education (MOE), would ensure a continuity of quality as well as more dynamic policies and programmes in the national education system. The merger also strengthens the implementation of the Malaysia Education Blueprint 2013 – 2025 and the National Higher Education Strategic Plan 2011 - 2015. A total of RM52.8 billion was allocated to the merged MOE for operating and development expenditure, with RM36.3 billion spent as at end-August 2013, particularly for the Malaysia Education Blueprint 2013 - 2025, strengthening the role of pre-schools as well as skills and training.

The final report of the Malaysia Education Blueprint 2013 - 2025 was launched on 6 September 2013. The Blueprint consists of 11 thrusts to transform the national education system. These include equal access to quality education; proficiency in Bahasa Malaysia and English language; transforming teaching; and developing values. To monitor and evaluate the effectiveness of the Blueprint, an Educational Performance and Delivery Unit (PADU) was established on 19 March 2013. A sum of RM500 million was allocated in phases for a period of three years until 2015 to implement the Blueprint. As of June 2013, RM100 million has been disbursed for implementation of several initiatives, namely student learning, enhancing quality of teachers and ensuring high-performing school leaders; operational transformation; structural system; and management of PADU.

Early childhood education plays a vital role to develop children's minds and prepare them for primary education. Towards this, the Government has allocated RM1.2 billion to MOE, Jabatan Kemajuan Masyarakat, the Department of National Unity and Integration as well as PERMATA Division, Prime Minister's Department to equip children with basic education. As of September 2013, a total of 502 TASKA PERMATA are operating nationwide to provide early childhood education to about 10,200 children aged 2 to 4 years. Meanwhile, approximately 16,242 pre-schools are operating nationwide benefiting more than 451,000 children aged 4 to 6 years. To further enhance quality of education in pre-schools, more than RM18 million was allocated for the placement of 441 new teachers as of September 2013. In addition, RM10 million was provided to assist private operators of Early Childhood Care and Education (ECCE) centres to establish high quality TASKA. As of August 2013, a total of 120 TASKA have been assisted.

In addition, childcare and early education of children with disabilities were given priority by the Government. Towards this, six pilot projects of pre-school for disabled children (TASKA OKU) have been implemented with an allocation of RM3 million which benefit 180 children. The first TASKA OKU for down-syndrome children has started its operation on 1 July 2013 in Putrajaya. The remaining TASKA OKU will be opened by end of 2013 for autistic children in Sarawak; for blind or partially sighted in Pulau Pinang; for children with hearing and speaking disabilities in Selangor; for physical disabilities in Sabah; and for learning difficulties in Perak. A sum of RM2 million has been spent on the TASKA OKU initiative as at September 2013.

The Government continues to focus on human capital development with emphasis on skills and training in order to create knowledgeable, creative and innovative human capital. In line with the current situation where graduates are still facing employability problems, the National Graduate Employability Blueprint (GEB) 2012 – 2017 was launched on 4 December 2012 to strengthen the implementation of the Graduate Employability Programme. The Blueprint will serve as a guide to help higher education institutions in developing human capital strategies to meet the demands of the industries in line with the dynamic changing landscape of the country. A Graduate Employability Taskforce was established to monitor the implementation and effectiveness of the GEB. As of August 2013, RM36.5 million has been disbursed for the implementation of 54 graduate employability programmes which benefited more than 19,300 diploma and degree graduates.

The private sector is also encouraged to provide structured training programmes for unemployed and underemployed graduates, particularly in soft skills and on-the-job training to enhance their knowledge and skills before entering the job market. Under the corporate social responsibility programme (CSR), the 1 Malaysia Training Scheme (SLIM) was implemented in 2011 involving government-linked companies (GLCs) and the private sector. As of September 2013, a total of 118 GLCs and private companies have participated in the SLIM programme with more than 4,000 graduates assisted in securing jobs. As an incentive for participating companies, the Government has provided double tax deduction on expenses incurred by the companies.

In addressing the issue of shortage of skilled labour, especially in technical and vocational skills, the Government has developed training programmes to hone new skills in line with future needs of industry. In this regard, RM3.8 billion was allocated in 2013 to train students in technical and vocational skills, and as of end-August 2013, RM2.4 billion has been spent. Several measures have been taken, including provision of loans for trainees to undergo skills training through the Skills Development Fund Corporation which was allocated RM400 million. As of end-August 2013, loans and grants worth RM221 million and RM71 million, respectively have been given to more than 18,500 trainees nationwide. The Government also allocated RM366.6 million to upgrade and repair buildings as well as purchase educational equipment for the Industrial Training Institutes (ILP) and National Youth Vocational Institutes (IKBN). As of end-August 2013, RM132 million was spent on 35 training institutes.

(Source: Economic Management and Prospects 2013/2014, Ministry of Finance)

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7.3 Prospects of our Group

Our Group continues to participate in the tendering process for E-learning contracts by the ministries of education in the region.

As our Group has extended its presence in Indonesia, Vietnam and Philippines, our Group intends to continue to grow its products and services in this market. Our Group expects to achieve higher revenue contribution from such overseas ventures.

Our Group also intends to continue to invest in its R&D to improve on its existing products and services, and to also add more products and services to schools in the region.

Our Group notes that the governments of several developed countries have transformed their education policy for Kindergarten to year-12 of school education segment, encouraging private sectors to be more involved in the public school education. Our Group identifies this to be an opportunity and will continue to deliberate further on this matter.

The education sector remains competitive. Our Board will, however, continue with its effort to improve the performance of Our Group.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

8.1 Share Capital

The proforma effects of the Rights Issue with Warrants on the issued and paid-up share capital of the Company are set out below:

	Minimum Subscription Level		Maximum Scenario	
	No. of Eduspec Shares	RM'000	No. of Eduspec Shares	RM'000
Issued and paid-up share capital as at 15 February 2013 based on Annual Report 2013	383,333,333	38,333	383,333,333	38,333
Issued pursuant to the Private Placement	100,000,000	10,000	100,000,000	10,000
	483,333,333	48,333	483,333,333	48,333
Issued pursuant to the Acquisition	27,000,000	2,700	27,000,000	2,700
Issued and paid-up share capital as at LPD	510,333,333	51,033	510,333,333	51,033
To be issued pursuant to the Rights Issue with Warrants	68,283,607	6,828	255,166,667	25,517
	578,616,940	57,861	765,500,000	76,550
To be issued pursuant to the exercise of the Warrants	102,425,411	10,243	382,750,000	38,275
Enlarged issued and paid-up share capital	681,042,351	68,104	1,148,250,000	114,825

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8.2 NA and gearing

Based on the latest audited consolidated financial statements of Eduspec for the FYE 30 September 2012, the proforma effects of the Private Placement, Acquisition and Rights Issue with Warrants on the consolidated NA per Share, gearing and EPS of the Group are as follows:

Minimum Subscription Level

	(i) Audited as at 30 September 2012	(ii) After the Private Placement	(iii) After (i) and the Acquisition	(iv) After (ii) and the Rights Issue with Warrants	(v) After (iii) and assuming full exercise of Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	38,333	48,333 ^(a)	51,033 ^(a)	57,861 ^(a)	68,104 ^(a)
Share premium	2,882	4,282 ^{(b)(c)}	4,282	3,776 ^(d)	14,608 ^{(d)(e)}
Reverse acquisition reserve	(18,570)	(18,570)	(18,570)	(18,570)	(18,570)
Capital redemption reserve	547	547	547	547	547
Foreign exchange translation reserve	(253)	(253)	(253)	(253)	(253)
Warrants reserve	-	-	-	2,638 ^(f)	-
Accumulated losses	(8,014)	(8,014)	(8,014)	(10,846) ^(g)	(10,846)
NA	14,925	26,325	29,025	35,153	53,590
No. of Shares ('000)	383,333	483,333	510,333	578,617	681,042
NA per Share (RM)	0.04	0.05	0.06	0.06	0.08
NTA per Share (RM)	0.03	0.04	0.04	0.05	0.07
EPS (sen) ^(f)					
- basic	0.13	0.10	0.10	0.09	0.07
- diluted	0.13	0.10	0.10	0.07	0.07
Borrowings	1,742	1,742	1,742	1,742	1,742
Gearing (times)^(m)	0.12	0.07	0.06	0.05	0.03

Notes:

- (a) After issuance of 100,000,000 Placement Shares pursuant to the Private Placement.
- (b) After deducting estimated expenses in relation to the Private Placement of RM100,000.
- (c) Based on issue price of RM0.115 per Placement Share
- (d) After issuance of 27,000,000 Consideration Shares pursuant to the Acquisition.
- (e) After completion of rights issue of 68,283,607 Eduspec Shares based on Issue Price of RM0.10 per Rights Share.
- (f) After deducting estimated expenses of RM506,000 based on the apportionment of the total estimated expenses of RM700,000 for the Rights Issue with Warrants arising from the issuance of the Rights Shares.
- (g) Based on the issuance of 102,425,411 Warrants that was determined at relative fair value method of the Warrants of RM0.0277 per Warrant and after deducting estimated expenses of RM194,000 based on the apportionment of the total estimated expenses of RM700,000 for the Rights Issue with Warrants arising from the issuance of the Warrants.
- (h) After issuance of 102,425,411 Warrants at relative fair value method of the Warrants of RM0.0277 per Warrant.
- (i) After assuming full exercise of 102,425,411 Warrants into Eduspec Shares of RM0.10.
- (j) Based on Exercise Price of RM0.18 per Warrant.
- (k) The transfer of the warrant reserve to share premium account of RM2,638,000 upon full exercise of 102,425,411 Warrants.
- (l) $EPS = \frac{\text{Profit after tax for the financial year ended 30 September 2012}}{\text{Total number of shares}}$
- (m) $Gearing = \frac{\text{Borrowings}}{NA}$

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Maximum Scenario

	(i) Audited as at 30 September 2012 RM'000	(ii) After the Private Placement RM'000	(iii) After (i) and the Acquisition RM'000	(iv) After (ii) and the Rights Issue with Warrants RM'000	(v) After (iii) and assuming full exercise of Warrants RM'000
Share capital	38,333	48,333 ^(a)	51,033 ^(d)	76,550 ^(e)	114,825 ^(f)
Share premium	2,882	4,282 ^{(b)(c)}	4,282	3,776 ^(d)	44,786 ^{(f)(g)}
Reverse acquisition reserve	(18,570)	(18,570)	(18,570)	(18,570)	(18,570)
Capital redemption reserve	547	547	547	547	547
Foreign exchange translation reserve	(253)	(253)	(253)	(253)	(253)
Warrants reserve	-	-	-	10,390 ^(h)	-
Accumulated losses	(8,014)	(8,014)	(8,014)	(18,598) ^(h)	(18,598)
NA	14,925	26,325	29,025	53,842	122,737
No. of Shares ('000)	383,333	483,333	510,333	765,500	1,148,250
NA per Share (RM)	0.04	0.05	0.06	0.07	0.11
NTA per Share (RM)	0.03	0.04	0.04	0.06	0.10
EPS (sen) ⁽ⁱ⁾					
basic	0.13	0.10	0.10	0.07	0.04
diluted	0.13	0.10	0.10	0.04	0.04
Borrowings	1,742	1,742	1,742	1,742	1,742
Gearing (times) ^(m)	0.12	0.07	0.06	0.03	0.01

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Notes:

- (a) After issuance of 100,000,000 Placement Shares pursuant to the Private Placement.
- (b) After deducting estimated expenses in relation to the Private Placement of RM100,000.
- (c) Based on issue price of RM0.115 per Placement Share.
- (d) After issuance of 27,000,000 Consideration Shares pursuant to the Acquisition.
- (e) After completion of rights issue of 255,166,667 Eduspec Shares based on Issue Price of RM0.10 per Rights Share.
- (f) After deducting estimated expenses of RM506,000 based on the apportionment of the total estimated expenses of RM700,000 for the Rights Issue with Warrants arising from the issuance of the Rights Shares.
- (g) Based on the issuance of 382,750,000 Warrants that was determined at relative fair value method of the Warrants of RM0.0277 per Warrant and after deducting estimated expenses of RM194,000 based on the apportionment of the total estimated expenses of RM700,000 for the Rights Issue with Warrants arising from the issuance of the Warrants.
- (h) After issuance of 382,750,000 Warrants at relative fair value method of the Warrants of RM0.0277 per Warrant.
- (i) After assuming full exercise of 382,750,000 Warrants into Eduspec Shares of RM0.10.
- (j) Based on Exercise Price of RM0.18 per Warrant.
- (k) The transfer of the warrant reserve to share premium account of RM10,390,000 upon full exercise of 382,750,000 Warrants.
- (l) EPS = $\frac{\text{Profit after tax for the financial year ended 30 September 2012}}{\text{Total number of shares}}$
- (m) Gearing = $\frac{\text{Borrowings}}{\text{NA}}$

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8.3 Earnings and EPS

The Rights Issue with Warrants is not expected to have an immediate material effect on the consolidated earnings and EPS of Eduspec for the FYE 30 September 2013. However, the Rights Issue with Warrants is expected to contribute positively to the earnings of the Group for the ensuing financial years, when the benefits of the utilisation of proceeds are realised.

However, the consolidated EPS of Eduspec is expected to be diluted as a result of the increase in the number of Shares in issue pursuant to the Rights Issue with Warrants and arising from the number of new Eduspec Shares to be issued upon the exercise of the Warrants. Nonetheless, the level of return generated from the utilisation of proceeds raised from the Rights Issue with Warrants would determine the eventual impact of the dilution.

9. SHAREHOLDERS' UNDERTAKINGS AND MINIMUM SUBSCRIPTION LEVEL

The Rights Issue with Warrants will be undertaken on a Minimum Subscription Level. Based on the issue price of RM0.10 per Rights Share, our Company will raise minimum proceeds of approximately RM6,828,361 from the Rights Issue with Warrants.

The minimum amount of approximately RM6,828,361 to be raised was determined by our Board after taking into consideration the funding requirements of our Group, including our Group's working capital requirements and the expenses arising from the Corporate Exercises.

In order to meet the Minimum Subscription Level, our Company has procured the Undertakings from VSH and VSM of 68,283,607 Rights Shares with 102,425,411 Warrants. In view of the Undertakings and Minimum Subscription Level, underwriting arrangement will not be required for the Rights Issue with Warrants. The 68,283,607 represents 26.76% of the maximum number of 255,166,667 Rights Shares which may be issued pursuant to the Rights Issue with Warrants.

The details of the Undertakings are as follow:

Shareholder	Direct shareholdings as at the LPD		Entitlements of Rights Shares under the Rights Issue with Warrants		Excess application of Rights Shares under the Rights Issue with Warrants	
	No. of Shares	% of the issued and paid-up share capital ⁽¹⁾	No. of Rights Shares	% of total Rights Shares ⁽²⁾	No. of Rights Shares	% of total Rights Shares ⁽²⁾
VSM ⁽³⁾	69,067,214	13.53	34,533,607	13.53	21,249,850	8.33
VSH ⁽⁴⁾	25,000,300	4.90	12,500,150	4.90	-	-
Total	94,067,514	18.43	47,033,757	18.43	21,249,850	8.33

Notes:

⁽¹⁾ Based on the issued and paid-up share capital of 510,333,333 as at LPD.

⁽²⁾ Based on the total number of 255,166,667 Rights Shares issued pursuant to the Rights Issue with Warrants.

⁽³⁾ The shareholders of VSH are Lim Een Hong and Chen Jui-Liang both holding 50% of the issued and paid-up share capital.

⁽⁴⁾ The shareholders of VSM are Lim Een Hong, Yap Ai Lia and Chang Siew Mun who holds 55%, 40% and 5% of the issued and paid-up share capital respectively.

VSH and VSM have provided written confirmations that they have sufficient financial resources to subscribe in full for its entitlement under the Rights Issue with Warrants. As the Principal Adviser to Eduspec in respect of the Rights Issue with Warrants, MIDF Investment has verified the abovementioned confirmations.

After taking into consideration the Undertakings, our Company confirms that the Undertakings will not give rise to any consequences of mandatory general offer obligation pursuant to the Code immediately after the Rights Issue with Warrants. However, should VSH and/or VSM exercise their Warrants, such that their resulting aggregate shareholdings in Eduspec increases above 33% or increase by more than 2% in any six (6) months period, they are obliged under the Code to undertake a mandatory offer for all the remaining Eduspec Shares not already held by them after the exercise of the Warrants.

VSH and VSM do not intend to undertake a mandatory offer to acquire all the remaining Eduspec Shares not already held by them after the exercise of the Warrants. As such, VSH and VSM shall seek the relevant exemption under the Code from the abovementioned mandatory offer obligation should it arise.

Apart from the Undertakings from VSH and VSM, in the event that the Minimum Subscription Level is not achieved, the Rights Issue with Warrants will be aborted. Our Company will then resort to bank borrowings such as letter of credit, bankers acceptance, leasing options, increase the existing overdraft facilities limit and applying for new overdraft line to proceed with its plan.

10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

10.1 Working Capital

Our Board is of the opinion that, after taking into account our cash flow generated from operations, banking facilities and financing options available as well as proceeds from the Rights Issue with Warrants, the working capital available to our Group will be sufficient for a period of twelve (12) months from the date of issue of this AP.

10.2 Borrowings

As at the LPD, the total outstanding borrowings of our Group is approximately RM3,111,000. Save as disclosed below, we do not have any other borrowings (including foreign currency borrowings). All the borrowings are interest bearing and comprise the following:

Borrowings secured and denominated in RM

	RM'000
<u>Short-term borrowings</u>	
Bank overdrafts	1,699
Term loan	77
Hire purchase payables	59
	<hr/> 1,835
<u>Long-term borrowings</u>	
Term loan	337
	<hr/> 337

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Borrowings secured and denominated in USD

	USD'000 *	RM'000
<u>Short-term borrowings</u>		
Term loan	290	929
		<u>929</u>
<u>Long-term borrowings</u>		
Term loan	3	10
		<u>10</u>
Total borrowings		<u><u>3,111</u></u>

Note:

* The above borrowings are secured and denominated in USD based on exchange rate as at 12 November 2013 of USD1:RM3.2038.

After making all reasonable enquiries and to the best knowledge of our Board, there has not been any default on payments of either interest or principal sums by our Group, in respect of any borrowings during the FYE 30 September 2012 and for the subsequent financial period up to the LPD.

10.3 Contingent Liabilities

After having made all reasonable enquiries, as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material adverse impact on the financial results or position of our Group.

10.4 Material Commitments

After having made all reasonable enquiries, as at the LPD, our Board is not aware of any material commitments for capital expenditure incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material adverse impact on the financial results or position of our Group.

11. TERMS AND CONDITIONS

The issuance of the Rights Shares and Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions set out in this AP and the accompanying NPA and RSF enclosed herein.

12. FURTHER INFORMATION

Please refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of Directors
EDUSPEC HOLDINGS BERHAD

LIM EEN HONG
Chief Executive Officer/ Director

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM HELD ON 27 SEPTEMBER 2013

EDUSPEC HOLDINGS BERHAD (646756-X)
(Incorporated in Malaysia)

CERTIFIED TRUE EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD AT GREENS I ROOM, TROPICANA GOLF & COUNTRY RESORT, JALAN KELAB TROPICANA, 47410 PETALING JAYA, SELANGOR DARUL EHSAN ON FRIDAY, 27 SEPTEMBER 2013 AT 10.15 A.M.

ORDINARY RESOLUTION 3

- **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 255,166,667 NEW ORDINARY SHARES OF RM0.10 EACH IN EDUSPEC (“RIGHTS SHARE(S)”) TOGETHER WITH UP TO 382,750,000 NEW FREE DETACHABLE WARRANTS (“WARRANT(S)”) ON THE BASIS OF ONE (1) RIGHTS SHARE AND ONE POINT FIVE (1.5) FREE WARRANTS FOR EVERY TWO (2) EXISTING EDUSPEC SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)**

IT WAS RESOLVED, subject to and conditional upon passing of the Ordinary Resolution 4 and Special Resolution 1 and the approvals of all relevant authorities being obtained, approval be and is hereby given to the Directors of the Company (“Directors”) to:

- (i) provisionally allot and issue by way of renounceable rights issue of up to 255,166,667 Rights Shares together with up to 382,750,000 free Warrants, to be implemented on a basis of one (1) Rights Share together with one point five (1.5) free Warrants for every two (2) existing Eduspec Shares held at an entitlement date to be determined later by the Board (“Entitlement Date”) at an issue price to be determined later by the Directors, to be offered to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date;
- (ii) determine the final issue price of the Rights Share after taking into consideration, amongst others, the theoretical ex-rights price (“TERP”) of Eduspec Shares based on five (5) days weighted average market price (“VWAMPs”) up to and including the date immediately prior to the price-fixing date for the Rights Shares, the then prevailing market conditions, and in any case shall not be lower than the par value of RM0.10 and determine the exercise price of the Warrants after the receipt of all relevant approvals, after taking into consideration the TERP of Eduspec Shares calculated based on the five (5) days VWAMP of Eduspec Shares up to and including the date immediately prior to the price-fixing date for the Warrants, the then prevailing market conditions, and in any case shall not be lower than the par value of RM0.10;
- (iii) constitute the Warrants upon the terms and conditions of a deed poll to be executed by Eduspec (“Deed Poll”), the indicative salient terms of Warrants which are set out in Section 2.3.8 of the Circular to Shareholders dated 30 August 2013;
- (iv) allot and issue such number of additional Warrants (“Additional Warrants”) pursuant to any adjustments under the Deed Poll and/or to effect such modifications, variations and/or amendments as may be imposed, required or permitted by Bursa Securities and any other relevant authorities or parties or otherwise; and
- (v) allot and issue such number of new Eduspec Shares credited as fully paid-up arising from the exercise of the Warrants during the tenure of the Warrants, including such appropriate number of Eduspec Shares arising from the exercise of the Additional Warrants.

THAT any Rights Shares which are not validly taken up or which are not allotted for any reasons whatsoever shall be made available for excess applications in such manner as the Directors of the Company shall determine in a fair and equitable manner;

THAT any fractional entitlement under the Proposed Rights Issue with Warrants if any, will be disregarded and dealt in such manner as the Directors of the Company shall in its absolute discretion deems fit or think expedient or in the best interest of the Company;

THAT the proceeds of the Proposed Rights Issue with Warrants will be utilised for the purposes as set out in Section 6 of the Circular to Shareholders of the Company dated 30 August 2013 and the Directors of the Company be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Directors of the Company may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities;

THAT the Rights Shares shall, upon allotment and issue rank pari passu in all respects with the then existing issued and fully paid-up Eduspec Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the allotment date of the Rights Shares;

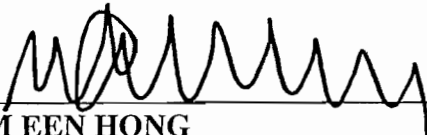
THAT the Rights Shares, Warrants, Additional Warrants and new Eduspec Shares to be issued pursuant to the exercise of the Warrants and the Additional Warrants shall be listed on Bursa Securities;

THAT the new Eduspec Shares to be issued pursuant to the exercise of the Warrants and Additional Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing issue and fully paid-up Eduspec Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the allotment date of the new Eduspec Shares arising from the exercise of the Warrants and the Additional Warrants;


THAT the Directors of the Company be and are hereby authorised to enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they may deem fit and expedient in order to implement, finalise and give effect to the aforesaid Deed Poll and that the Common Seal of the Company be affixed to the Deed Poll in accordance with the Articles of Association of the Company;

AND THAT any Executive Director be and is hereby authorised to do all acts and things as he may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, modifications, variations and/or amendments and to take all steps to enter into all such agreements, arrangements, undertakings, indemnities, transfers, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Rights Issue with Warrants.

CERTIFIED TO BE A TRUE EXTRACT FROM THE MINUTES



LIM EEN HONG
CHAIRMAN



WONG YOUN KIM
(MAICSA 7018778)
COMPANY SECRETARY

Date : 27 September 2013

BACKGROUND INFORMATION ON EDUSPEC

1. **COMPANY NAME** : Eduspec Holdings Berhad (646756-X)
2. **DATE AND PLACE OF INCORPORATION** : 25 March 2004, in Malaysia
3. **DATE OF LISTING** : ACE Market of Bursa Securities on 24 November 2005
4. **PRINCIPAL ACTIVITIES** : Eduspec is an investment holding company. The subsidiaries of Eduspec are principally engaged in the development and provision of e-learning products and educational services. Details of the subsidiary companies are set out in Section 9 of Appendix II.
5. **SHARE CAPITAL**

The details of the authorised and issued and paid-up share capital as at the LPD are as follows:

	No. of Eduspec Shares	Par value (RM)	Amount (RM)
Authorised	2,000,000,000	0.10	200,000,000.00
Issued and fully paid-up	510,333,333	0.10	51,033,333.30

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6. CHANGES IN THE ISSUED AND PAID-UP SHARE CAPITAL SINCE DATE OF INCORPORATION

The details of the changes in the issued and fully paid-up share capital of Eduspec since incorporation up to the LPD are as follows:

Date of allotment	No. of ordinary shares allotted	Par value RM	Type of issue / Consideration	Cumulative issued and paid-up share capital RM
25 March 2004	200	0.10	Subscribers' share	20.00
29 March 2004	749,800	0.10	Cash	75,000.00
31 March 2005	52,000,000	0.10	Shares issued pursuant to the sale and purchase agreement dated 25 May 2004 – Otherwise than in cash	5,275,000.00
29 July 2005	52,750,000	0.10	Right issue on the basis of one (1) new share for one (1) existing share held at par	10,550,000.00
17 November 2005	32,500,000	0.10	Public issue in conjunction with Eduspec's listing on the MESDAQ Market of Bursa Securities	13,800,000.00
1 April 2010	137,000,000	0.10	Performance shares - Otherwise than in cash	27,500,000.00
10 May 2010	15,600,000	0.10	Performance shares - Otherwise than in cash	29,060,000.00
11 June 2010	16,000,000	0.10	Cash	30,660,000.00
30 July 2010	11,500,000	0.10	Cash	31,810,000.00
24 January 2011	15,600,000	0.10	Performance shares - Otherwise than in cash	33,370,000.00
15 September 2011	33,333,333	0.10	Shares issued pursuant to the sale and purchase agreement dated 2 June 2011 – Otherwise than in cash	36,703,333.30
4 July 2012	16,300,000	0.10	Performance shares - Otherwise than in cash	38,333,333.30
21 October 2013	100,000,000	0.10	Cash	48,333,333.30
11 November 2013	27,000,000	0.10	Shares issued pursuant to the sale and purchase agreement dated 20 December 2012 – Otherwise than in cash	51,033,333.30

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7. SUBSTANTIAL SHAREHOLDERS

The proforma effects of the Rights Issue with Warrants on our substantial shareholders' shareholdings, based on our Record of Substantial Shareholders as at the LPD are as follows:

Minimum Subscription Level

	(I)				(II)						
	Existing as at LPD ⁽⁴⁾		After the Rights Issue with Warrants		After (I) and assuming full exercise of the Warrants						
	Direct	Indirect	Direct	Indirect	Direct	Indirect	No of Shares	%			
No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%		
VSM	69,067,214	13.5	-	-	124,850,671	21.6	-	208,525,857	30.6	-	
Autonaire Sdn Bhd	60,484,921	11.9	-	-	60,484,921	10.5	-	60,484,921	8.9	-	
VSH	25,000,300	4.9	-	-	37,500,450	6.5	-	56,250,675	8.3	-	
Lim Een Hong ^{(1)/(3)}	-	-	94,067,514	18.4	-	-	162,351,121	28.1	-	264,776,532	38.9
Yap Ai Lia ^{(2)/(3)}	-	-	69,067,214	13.5	-	-	124,850,671	21.6	-	208,525,857	30.6

Notes:

⁽¹⁾ Deemed interested by virtue of his shareholdings in VSM and VSH pursuant to Section 6A of the Act.

⁽²⁾ Deemed interested by virtue of her shareholdings in VSM pursuant to Section 6A of the Act.

⁽³⁾ The relevant parties shall make necessary application for a waiver from the obligation to undertake a mandatory offer pursuant to the requirements of the Code accordingly.

⁽⁴⁾ After the completion of the Private Placement and Acquisition.

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Maximum Scenario

	Existing as at LPD ⁽³⁾				(I) After the Rights Issue with Warrants				(II) After (III) and assuming full exercise of the Warrants			
	Direct No of Shares	%	Indirect No of Shares	%	Direct No of Shares	%	Indirect No of Shares	%	Direct No of Shares	%	Indirect No of Shares	%
VSM	69,067,214	13.5	-	-	103,600,821	13.5	-	-	155,401,232	13.5	-	-
Autonaire Sdn Bhd	60,484,921	11.9	-	-	90,727,382	11.9	-	-	136,091,072	11.9	-	-
VSH	25,000,300	4.9	-	-	37,500,450	4.9	-	-	56,250,675	4.9	-	-
Lim Een Hong ⁽¹⁾	-	-	94,067,514	18.4	-	-	141,101,271	18.4	-	-	211,651,907	18.4
Yap Ai Lia ⁽²⁾	-	-	69,067,214	13.5	-	-	103,600,821	13.5	-	-	155,401,232	13.5

Notes:

⁽¹⁾ Deemed interested by virtue of his shareholdings in VSM and VSH pursuant to Section 6A of the Act.

⁽²⁾ Deemed interested by virtue of her shareholdings in VSM pursuant to Section 6A of the Act.

⁽³⁾ After the completion of the Private Placement and Acquisition.

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8. DIRECTORS**8.1 Details of our Directors**

The details of our Directors as at the LPD are as follows:

Name/ (Designation)	Age	Nationality	Occupation	Address
Lim Een Hong (Chief Executive Officer/ Director)	46	Malaysian	Company Director	C-26-5 Villa Angsana Condo 56 Jalan Krian Off Jalan Ipoh 51100 Kuala Lumpur
Lim Soon Seong (Executive Director)	49	Malaysian	Company Director	No.5, Jalan 5B/4A1 Bandar Kinrara 47100 Puchong Selangor Darul Ehsan
Lim Beng Weh (Independent Non-Executive Director)	54	Malaysian	Company Director	1, Jalan SS1/32 Kampung Tunku 47300 Petaling Jaya Selangor Darul Ehsan
Datuk Yaacob Bin Wan Ibrahim (Independent Non-Executive Director)	65	Malaysian	Company Director	31, Jalan BU 2/7 Bandar Utama Damansara 47800 Petaling Jaya Selangor Darul Ehsan
Dato' Mohd Ariff Bin Araff (Independent Non-Executive Director)	68	Malaysian	Company Director	1-5-3, Pantai Panorama Jalan 112H Bukit Kerinchi 59200 Kuala Lumpur

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8.2 Directors shareholdings

The proforma effects of the Rights Issue with Warrants on our Directors' direct and indirect shareholdings in our Company as at LPD are as follows:

Minimum Subscription Level

	(I)						(II)					
	Existing as at LPD ⁽⁴⁾						After (I) and assuming full exercise of the Warrants					
	Direct		Indirect		After the Rights Issue with Warrants		Direct		Indirect			
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%		
Lim Een Hong ⁽¹⁾⁽²⁾	-	-	94,067,514	24.5	-	-	162,351,121	28.1	-	264,776,532	38.9	
Lim Soon Seong	-	-	-	-	-	-	-	-	-	-	-	
Lim Beng Weh	-	-	-	-	-	-	-	-	-	-	-	
Datuk Yaacob Bin Wan Ibrahim	-	-	-	-	-	-	-	-	-	-	-	
Dato' Mohd Ariff Bin Araff ⁽³⁾	-	-	1,200,000	0.3	-	-	1,800,000	0.3	-	1,800,000	0.3	

Notes:

(1) *Deemed interested by virtue of his shareholdings in VSM and VSH pursuant to Section 6A of the Act.*

(2) *Lim Een Hong shall make necessary application for a waiver from the obligation to undertake a mandatory offer pursuant to the requirements of the Code accordingly. Deemed interested by virtue of his shareholdings in VSH and VSH pursuant to Section 9A of the Act.*

(3) *Deemed interested pursuant to Section 6A of the Act.*

(4) *Deemed interested pursuant to Section 6A of the Act.*

(4) *After the completion of Private Placement and Acquisition.*

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Maximum Scenario

	Existing as at LPD ⁽⁴⁾				(I) After the Rights Issue with Warrants				(II) After (I) and assuming full exercise of the Warrants			
	Direct No of Shares	%	Indirect No of Shares	%	Direct No of Shares	%	Indirect No of Shares	%	Direct No of Shares	%	Indirect No of Shares	%
Lim Een Hong ⁽¹⁾	-	-	94,067,514	24.5	-	-	141,101,271	18.4	-	-	211,651,907	18.4
Lim Soon Seong	-	-	-	-	-	-	-	-	-	-	-	-
Lim Beng Weh	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Yaacob Bin Wan Ibrahim	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Mohd Ariff Bin Araff ⁽²⁾	-	-	1,200,000	0.3	-	-	1,800,000	0.2	-	-	2,700,000	0.2

Notes:

⁽¹⁾ Deemed interested by virtue of his shareholdings in YSM and YSH pursuant to Section 6A of the Act.

⁽²⁾ Deemed interested pursuant to Section 6A of the Act.

⁽³⁾ After the completion of Private Placement and Acquisition.

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9. SUBSIDIARIES AND ASSOCIATES

Details of our subsidiaries and associates as at the LPD are as follows:

Name	Date & place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest held (%)	Principal Activities
<u>Subsidiaries</u>				
Litespeed Education Pte Ltd	17 October 2000, Singapore	SGD6,144,313	100	Provision of educational services.
Eduspec Pte Ltd	23 November 2009, Singapore	SGD50,000	100	Provision of IT consultancy activities, IT development and other IT and computer related services.
Litespeed Education Programmes Sdn Bhd	18 February 2008, Malaysia	2	100	Provision of educational services.
Eduspec Sdn Bhd	6 December 2005, Malaysia	4,500,000	100	Investment holding.
MTM	23 June 2005, Malaysia	100,000	100	Providing computer training and trading in computer and computer peripherals.
<u>Held by Eduspec Sdn Bhd</u>				
Dynabook Computer Centre (Perak) Sdn Bhd	28 May 1996, Malaysia	300,000	92.67	Providing computer training and trading in computer and computer peripherals.
Dynabook Computer Centre (Melaka) Sdn Bhd	22 July 1998, Malaysia	375,000	82.67	Providing child enrichment programs.
Dynabook Computer Centre (Sarawak) Sdn Bhd	8 March 1996, Malaysia	431,000	100	Providing computer training and trading in computer and computer peripherals.
Eduspec International Education Cultural Network Sdn Bhd (formerly known as Dynabook Computer Centre (Kedah) Sdn Bhd)	14 October 1996, Malaysia	355,000	100	Providing child enrichment programs.
Dynabook Computer Centre (Penang) Sdn Bhd	28 August 1995, Malaysia	200,000	100	Providing computer training and trading in computer and computer peripherals.
Dynabook Computer Centre (Pantai Timur) Sdn Bhd	14 October 1996, Malaysia	772,000	90.53	Providing child enrichment programs.
Dynabook Computer Centre (M) Sdn Bhd	9 July 1985, Malaysia	500,000	100	Providing computer course, trading and renting of computers, educational software and books.
DGB Education Sdn Bhd	11 July 1985, Malaysia	100,000	100	Trading and development of educational software, technical books and computer courses.

Name	Date & place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest held (%)	Principal Activities
Creative Educare (M) Sdn Bhd	7 February 2002, Malaysia	250,000	100	Marketing and operating of robotics for school programs and other related enrichment programs.
Open Academic Systems Sdn Bhd	29 August 2003, Malaysia	100,000	100	Providing research and develop educational software and technical books.
Digital IT Solutions Sdn Bhd	18 April 1985, Malaysia	200,000	100	Trading in computer and peripherals, and technical maintenance support activities.
Time Communication Partners Sdn Bhd	26 August 1995, Malaysia	296,002	97	Investment holding.
Dynakids Sdn Bhd	15 May 1998, Malaysia	70,000	100	Provision and operation of IT learning for the pre-school market and related activities.
DES Sdn Bhd	25 October 2000, Malaysia	50,000	100	Research and development of courseware on robotics for school programs and other related enrichment programs.
Dynabook Computer Centre (N.S.) Sdn Bhd	1 June 1998, Malaysia	350,000	100	Providing computer training and trading in computer and computer peripherals.
Time IT In E (N.S.) Sdn Bhd	28 May 2003, Malaysia	50,000	100	Providing computer training and trading in computer and computer peripherals.
Dynabook Computer Centre (Sabah) Sdn Bhd	28 July 1994, Malaysia	450,000	100	Providing computer training and trading in computer and computer peripherals.
Time IT In E (Sabah) Sdn Bhd	23 April 2002, Malaysia	100,000	100	Distribution of information technology related products.
<u>Associates</u>				
EDM Educational Technology Sdn Bhd	18 October 2011, Malaysia	100	45	Providing research and development of (M) educational software and technical books.
First Eduspec Inc	21 June 2012, Philippines	P5,000,000	40	Providing information outsourcing and consulting services to schools and educational institutions in the Philippines.
Pt Eduspec Indonesia	10 January 2011, Indonesia	USD25,000	40	provision of IT learning as well as robotics classes and products in Indonesia

10. PROFIT AND DIVIDEND RECORD

The following table sets out a summary of our audited consolidated financial statements for the past three (3) financial years up to FYE 30 September 2012 and the latest unaudited consolidated financial statements for the financial period ended 30 June 2013:

	Audited				Unaudited	Unaudited
	7-months FPE 30 April 2010 RM'000	5-months FPE 30 September 2010 RM'000	FYE 30 September 2011 RM'000	FYE 30 September 2012 RM'000	9-months FPE 30 June 2012 RM'000	9-months FPE 30 June 2013 RM'000
Revenue						
Activity income/ Complementary business activities	497	1,607	2,601	3,192	2,597	2,918
Computer maintenance	113	124	244	409	-	-
Rendering of services	10	-	-	-	-	-
Rental of computer	5	2	1	-	-	-
Royalty	-	-	-	220	*	162
Sale of goods	3,548	2,328	6,122	6,708	5,905	5,415
School fees/ Fees from IT Literacy courses	9,435	9,521	18,957	18,657	13,638	14,005
	13,608	13,582	27,925	29,186	22,140	22,338
Less reversal of revenue over recognised	(683)	-	-	-	-	-
	12,925	13,582	27,925	29,186	22,140	22,338
Gross Profit	4,525	6,280	11,028	10,743	13,969	14,929
EBITDA	(10,071)	3,369	3,372	3,003	2,362	1,914
Less:						
Depreciation	(1,213)	(892)	(1,979)	(1,700)	(1,204)	(1,294)
Amortisation	(220)	(182)	(530)	(634)	(456)	(925)
Results of operating activities after depreciation and amortisation before interest expense	(11,504)	2,295	863	669	702	(305)
Add:						
Interest income	26	10	36	56	-	-
Less:						
Finance cost	(49)	(35)	(82)	(125)	(95)	(182)

	Audited				Unaudited	Unaudited
	7-months FPE 30 April 2010 RM'000	5-months FPE 30 September 2010 RM'000	FYE 30 September 2011 RM'000	FYE 30 September 2012 RM'000	9-months FPE 30 June 2012 RM'000	9-months FPE 30 June 2013 RM'000
Results of operating activities after depreciation, amortisation and interest expense	(11,527)	2,270	817	600	607	(487)
Share of results of associate companies	-	-	-	54	-	53
PBT	(11,527)	2,270	817	654	607	(434)
Taxation	181	(460)	(327)	(153)	(96)	(18)
Profit from ordinary activities	(11,346)	1,810	490	501	511	(452)
Minority interest	107	(748)	(166)	3	(8)	5
PAT after minority interest	(11,239)	1,062	324	504	503	(447)
Number of Shares in issue	275,000,000	318,100,000	367,033,333	383,333,333	383,333,333	383,333,333
Gross profit margin (%) ⁽¹⁾	35.01	46.24	39.49	36.81	63.09	66.83
Net profit margin (%) ⁽²⁾	N/A	7.82	1.16	1.73	2.27	N/A
EPS (sen) ⁽³⁾						
- Basic (sen)	(5.33)	0.35	0.10	0.14	0.14	(0.12)
- Diluted (sen)	N/A	0.33	0.09	0.13	N/A	N/A
Dividend rate (%)	-	-	-	-	-	-

Notes:

* Royalty income for the FYE 30 September 2012 is reported in 4th quarter of FYE 30 September 2012.

⁽¹⁾ Gross profit margin for the financial year is calculated by dividing the gross profit for the financial year by the revenue for the financial year.

⁽²⁾ Net profit margin for the financial year is calculated by dividing the PAT after minority interest for the financial year by the revenue for the financial year.

⁽³⁾ Earnings per ordinary share for the financial year is calculated by dividing the profit after tax for the financial year by the weighted average number of ordinary shares during the financial year.

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Commentary on the financial performance**7-months FPE 30 April 2010**

On 16 April 2010, the Company had completed the acquisition of 77.78% equity interest in Eduspec Sdn Bhd ("ESB"). The substance of the acquisition constituted a reverse acquisition. The financial year end was changed from April to September in order to be coterminous with ESB. In view of the above, there are no comparable financial results for the corresponding period in the previous year.

For the FPE 30 April 2010, the Group had registered revenue of approximately RM12.93 million. The revenue is mainly consists of the fees from IT literacy courses of RM9.44 million, complementary business activities of RM0.49 million, sale of goods of RM3.55 million, reversal of revenue over-recognised before acquisition of subsidiaries of RM0.68 million and others of RM0.13 million. The complementary business activities include providing intensive IT literacy courses for school students during school holidays, conducting basic IT examinations for school students and providing robotics course for school students.

The Group had incurred a loss before taxation of approximately RM11.53 million and a loss after taxation of approximately RM11.24 million after taking into account the following expenses:

- (i) selling and distribution expenses of the Group which mainly consist of advertising costs, promotional costs, commissions paid and cost of carriage outwards (e.g. delivery costs, etc);
- (ii) administrative expenses of the Group which mainly consist of human resources costs, office occupancy costs and general administration costs;
- (iii) finance costs of the Group mainly consist of interest for bank overdraft and hire purchase; and
- (iv) other expenses of the Group which mainly consist of depreciation of tangible assets, amortisation of development costs and impairment of intangible assets. During the financial period under review, there were impairment on goodwill and intangible assets of approximately RM7.775 million and RM1.795 million respectively which are non recurrent in nature.

5-months FPE 30 September 2010

Upon the completion of the acquisition of ESB on 16 April 2010, the Group had changed its financial year end from April to September in order to be coterminous with ESB. As such, there are no comparable financial results for the corresponding period in the previous year.

For the FPE 30 September 2010, the Group had registered revenue of approximately RM13.58 million. The revenue is mainly consists of the fees from IT literacy courses of RM9.52 million, complementary business activities of RM1.61 million, sale of goods of RM2.33 million and others of RM0.12 million. The complementary business activities include providing intensive IT literacy courses for school students during school holidays, conducting basic IT examinations for school students and providing robotics course for school students.

The Group had recorded a profit before taxation of approximately RM2.27 million and a profit after taxation of approximately RM1.06 million.

The Group managed to attain profit as compared to the loss incurred during the previous seven (7) months FPE 30 April 2010 mainly due to the Group had not incurred any substantial impairment as it had during the previous seven (7) months period. For the previous seven (7) months period, the substantial impairment incurred which are non-recurrent in nature, had significantly contributed towards the loss during that period.

FYE 30 September 2011

For the FYE 30 September 2011, the Group had registered revenue of approximately RM27.93 million. The revenue is mainly consists of the fees from IT literacy courses of RM18.96 million, complementary business activities of RM2.60 million, sale of goods of RM6.12 million and others of RM0.25 million. The complementary business activities include providing intensive IT literacy courses for school students during school holidays, conducting basic IT examinations for school students and providing robotics course for school students.

The Group has recorded a profit before taxation of approximately RM0.82 million and a profit after taxation of approximately RM0.33 million.

Upon the completion of the acquisition of ESB on 16 April 2010, the FYE 30 September 2011 represents the first full financial year of the Group.

For comparison purposes, the audited results of FYE 30 September 2011 will be compared against the combined results of audited seven (7) months FPE 30 April 2010 and five (5) months FPE 30 September 2010.

For the combined results, the Group had registered revenue of approximately of RM26.51 million. The revenue mainly consists of the fees from IT literacy courses of RM18.96 million, complementary business activities of RM2.10 million, sale of goods of RM5.88 million, others of RM0.25 million and a reversal of revenue over recognised previously of RM0.68 million.

The complementary business activities increased by 23.81% from RM2.10 million to RM2.60 million in FYE 30 September 2011 due to the higher enrollment for robotic short courses and competition.

The income from sale of goods increased by 4.08% to RM6.12 million from RM5.88 million reported in the combined results. The increase was mainly due to the improvement of product sales in respect of digital schools implementation.

Administrative expenses for the Group consist of human resources cost, office occupancy costs, unrealised foreign exchange losses and general administration cost. For the current year under review, the administrative expenses decreased by 8.08% to RM7.51 million from RM8.17 million in the combined results. The difference was mainly due to the decrease in human resource cost.

Selling and distribution expenses of the Group consist of advertisement, promotional, commissions, transport/ carriage outwards and bad debts. The selling and distribution expenses of the current year under review increased by 5.30% to RM2.78 million from RM2.64 million reported in the combined results. The increase was mainly due to higher promotional costs and commissions to boost the sales of the current year under review.

The Group's ability to turn around from a loss in the previous period to a profit in the current period is attributed to the increase in revenue, lower administrative expenses and the Group had not incurred any significant impairment as it had in the previous combined period.

FYE 30 September 2012

For the FYE 30 September 2012, the Group had registered revenue of approximately RM29.19 million. The revenue is mainly consists of the fees from IT literacy courses of RM18.66 million, complementary business activities of RM3.19 million, sale of goods of RM6.71 million, royalty income of RM0.22 million and others of RM0.41 million. The complementary business activities include providing intensive IT literacy courses for school students during school holidays, conducting basic IT examinations for school students and providing robotics course for school students.

The Group has recorded a profit before taxation of approximately RM0.65 million and a profit after taxation of approximately RM0.50 million.

For the current year under review, the Group's revenue increased by 4.5% to RM29.19 million from RM27.93 million reported in the previous year. The fees from IT literacy courses decreased slightly to RM18.66 million from RM18.96 million reported in the previous year due mainly to the increase in rebate given to some schools as contributions for school development fund.

The income from complementary business activities increased by 22.73% from RM2.60 million to RM3.19 million reported in the previous year. The increase in revenue from complementary business activities was due to higher enrollment for robotics courses.

The income from sale of goods increased by 9.57% to RM6.71 million from RM6.12 million reported in the previous year. The increase was mainly due to the improvement of product sales in respect of digital schools implementation.

For the current year under review, the Group recorded a royalty income of RM0.22 million from overseas ventures.

The computer maintenance income increased by 66.21% to RM0.41 million from RM0.25 million reported in the previous year. The improvement was mainly due to increase of maintenance contract for digital schools.

As the result, the Group had recorded a profit before taxation of approximately RM0.65 million and profit after taxation of approximately RM0.50 million.

Although the profit before taxation for FYE 30 September 2012 is lower than the preceding year by 20.07%, the profit after taxation for current year under review is higher than the previous year by 55.56% due to lower profit before tax recorded by the tax paying subsidiaries which resulted in lower tax.

Nine (9)-months FPE 30 June 2013

For the FPE 30 June 2013, the Group had registered revenue of approximately RM22.34 million. The revenue mainly consists of the fees from IT literacy courses of RM14.00 million, complementary business activities of RM2.92 million and sale of goods of RM5.42 million. The complementary business activities include providing intensive IT literacy courses for school students during school holidays, conducting basic IT examinations for school students and providing robotics courses for school students.

For the current period under review, the Group's revenue increased by 2.9% to RM9.96 million from RM9.68 million reported in the previous year's corresponding quarter. The income from complementary business activities increased by 3.6% from RM1.71 million to RM1.78 million reported in the previous year's corresponding quarter. The increase in net revenue from complementary business activities was due to higher enrollment in robotic competition and ICT learning intensive course.

The income from sale of goods increased slightly to RM2.59 million from RM2.54 million reported in the previous year corresponding quarter. The increase was mainly due to the sales of computer and peripherals.

The fees from IT literacy courses increased to RM5.59 million from RM5.43 million reported in the previous year's corresponding quarter due mainly to the billing in a new school secured for digital school and IT literacy courses.

Other expenses of the group consist of depreciation of plant and equipment and amortisation of development costs. Other expenses of current quarter have increased due to the additional amortisation cost pertaining to previous year's projects.

Finance cost had increased compare to the previous year's corresponding quarter. The increase was mainly due to the cost of additional bank overdraft and term loan utilised in the quarter.

11. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Eduspec Shares traded on Bursa Securities for the past twelve (12) months preceeding the date of the AP are as follows:

	High RM	Low RM
2012		
November	0.09	0.08
December	0.09	0.08
2013		
January	0.10	0.08
February	0.09	0.08
March	0.09	0.08
April	0.09	0.08
May	0.10	0.08
June	0.10	0.08
July	0.09	0.08
August	0.11	0.09
September	0.13	0.10
October	0.17	0.12

Last transacted market price of Eduspec Shares on 19 December 2012, being the day prior to the date of announcement of the Rights Issue with Warrants RM0.08

Last transacted market price on 8 November 2013, being the last trading day prior to the Price-Fixing Date RM0.17

Last transacted market price of Eduspec Shares on 26 November 2013, being the last trading day prior to the ex-date for the Rights Issue with Warrants RM0.15

Last transacted market price of Eduspec Shares on 26 November 2013, being the latest practicable date prior to the issuance of this AP RM0.15

(Source: Bloomberg)

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF EDUSPEC AS AT 30 SEPTEMBER 2012 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



14 November 2013

The Board of Directors
Eduspec Holdings Berhad
Level 2, Pacific Office Building,
No. 18, Jalan Pemaju U1/15,
Hicom-Glenmarie Industrial Park,
Section 1U, 40150 Shah Alam,
Selangor Darul Ehsan.

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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50450 Kuala Lumpur, Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
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info@crowehorwath.com.my

Dear Sirs

**EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of Eduspec as at 30 September 2012, together with the accompanying notes thereto. The pro forma consolidated statement of financial position, as set out in the accompanying statements (which we have stamped for the purpose of identification), has been compiled by the Board of Directors for the inclusion in the Abridged Prospectus ("AP") to Shareholders of Eduspec in relation to the following:

- (i) Private placement of 100,000,000 new ordinary shares of RM0.10 each in Eduspec ("Eduspec Share(s)" or "Share(s)") ("Placement Shares") representing up to 26.09% of the issued and paid-up share capital of Eduspec ("Private Placement");
- (ii) Acquisition by Eduspec of one hundred thousand (100,000) ordinary shares of RM1.00 each in Multiple Technology MSC Sdn Bhd ("MTM") representing 100% of the issued and paid-up share capital of MTM for a total purchase consideration of RM3,600,000 ("Purchase Consideration") to be satisfied by cash and issuance of new Eduspec Shares ("Acquisition");
- (iii) Renounceable rights issue of 255,166,667 new ordinary shares of RM0.10 each in Eduspec ("Rights Share(s)") together with 382,750,000 new free detachable warrants ("Warrant(s)") on the basis of one (1) Rights Share and one point five (1.5) free Warrants for every two (2) existing Eduspec Shares held as at 5.00 p.m. on 29 November 2013 at an issue price of RM0.10 per Rights Share ("Rights Issue with Warrants");
- (iv) Increase in the authorised share capital of Eduspec from RM50,000,000 comprising 500,000,000 Eduspec Shares to RM200,000,000 comprising 2,000,000,000 Eduspec Shares ("IASC"); and
- (v) Amendment to the Memorandum and Articles of Association of Eduspec ("M&A") ("M&A Amendment")

(Collectively, referred to as the "Proposals").

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated statement of financial position are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and set out in Note 1 of the pro forma consolidated statement of financial position.

The pro forma consolidated statement of financial position has been compiled by the Board of Directors to illustrate the impact of the Proposals, as set out in Note 1 of the pro forma consolidated statement of financial position, on Eduspec's financial position as at 30 September 2012.

Page 1 of 3

Crowe Horwath Offices in Malaysia:

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Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Board of Directors of Eduspec is solely responsible for compiling the pro forma consolidated statement of financial position on the basis set out in Note 1 of the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

Our Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Board of Directors on the basis set out in Note 1 of the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in the AP, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma consolidated statement of financial position on the basis set out in Note 1 of the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the AP to Shareholders is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2012 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis set out in Note 1 of the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of Eduspec, the event or transaction in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Crowe Horwath™

Opinion

In our opinion,

- (a) The pro forma consolidated statement of financial position has been properly compiled on the basis set out in Note 1 using financial statements prepared in accordance with the approved accounting standards as defined in the Financial Reporting Act 1997, which include International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of the corporation; and
- (b) That the adjustments made to the information used in the preparation of the pro forma consolidated statement of financial position is appropriate for the purposes of preparing the pro forma consolidated statement of financial position.

Other Matters

We understand that this letter will be used solely for the purpose of inclusion in the AP to Shareholders in connection with the Proposals. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur

James Chan Kuan Chee
Approval No: 2271/10/15 (J)
Chartered Accountant

**EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012
MAXIMUM SCENARIO**

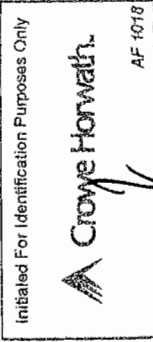
	Note	Eduspec Audited as at 30 September 2012 RM'000	Adjustments RM'000	Proforma I After the Private Placement RM'000	Adjustments RM'000	Proforma II After Proforma I and after the Acquisition RM'000	Adjustments RM'000	Proforma III After Proforma II and Proposed Rights Issue with Warrants RM'000	Adjustments RM'000	Proforma IV After Proforma III and full exercise of the Warrants RM'000
ASSETS										
NON-CURRENT ASSETS										
Equipment	2	3,997		3,997	249	4,246		4,246		4,246
Investments in associates		225		225		225		225		225
Intangible assets		4,918		4,918		4,918		4,918		4,918
Goodwill on consolidation	3	293		293	3,075	3,368		3,368		3,368
		9,433		9,433		12,757		12,757		12,757
CURRENT ASSETS										
Inventories		1,123		1,123		1,123		1,123		1,123
Trade receivables	4	4,233		4,233	519	4,752		4,752		4,752
Other receivables, deposits and prepayments	5	3,742		3,742	73	3,815		3,815		3,815
Amount owing by associates		591		591		591		591		591
Tax recoverable		476		476		476		476		476
Fixed deposits with licensed banks		1,754		1,754		1,754		1,754		1,754
Cash and bank balances	6	1,753	11,400	13,153	(853)	12,300	24,817	37,117	68,895	106,012
		13,672		25,072		24,811		49,628		118,523
TOTAL ASSETS		23,105		34,505		37,568		62,385		131,280

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**EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (CONT'D)
MAXIMUM SCENARIO**




	Note	Eduspec Audited as at 30 September 2012 RM'000	Adjustments RM'000	Proforma I After the Private Placement RM'000	Adjustments RM'000	Proforma II After Proforma I and after the Acquisition RM'000	Adjustments RM'000	Proforma III After Proforma II and Proposed Rights Issue with Warrants RM'000	Adjustments RM'000	Proforma IV After Proforma III and full exercise of the Warrants RM'000
EQUITY AND LIABILITIES										
EQUITY										
Share capital	7	38,333	10,000	48,333	2,700	51,033	25,517	76,550	38,275	114,825
Reserves										
- Share premium	8	2,882	1,400	4,282		4,282	(506)	3,776	41,010	44,786
- Reverse acquisition reserve		(18,570)		(18,570)		(18,570)		(18,570)		(18,570)
- Capital redemption reserve		547		547		547		547		547
- Foreign exchange translation reserve		(253)		(253)		(253)		(253)		(253)
- Warrants reserve	9	-		-		-	10,390	10,390	(10,390)	-
- Accumulated losses	10	(8,014)		(8,014)		(8,014)	(10,584)	(18,598)		(18,598)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		14,925		26,325		29,025		53,842		122,737
NON-CONTROLLING INTERESTS		180		180		180		180		180
TOTAL EQUITY		15,105		26,505		29,205		54,022		122,917
NON-CURRENT LIABILITIES										
Hire purchase payables	11	58		58		58		58		58
Deferred taxation		610		610	30	640		640		640
		668		668		698		698		698
CURRENT LIABILITIES										
Trade payables	12	1,141		1,141	29	1,170		1,170		1,170
Other payables and accruals	13	4,505		4,505	283	4,788		4,788		4,788
Hire purchase payables		18		18		18		18		18
Bank overdrafts		1,666		1,666		1,666		1,666		1,666
Provision for taxation	14	2		2	21	23		23		23
		7,332		7,332		7,665		7,665		7,665
TOTAL LIABILITIES		8,000		8,000		8,363		8,363		8,363
TOTAL EQUITY AND LIABILITIES		23,105		34,505		37,568		62,385		131,280

**EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (CONT'D)
MAXIMUM SCENARIO**

	Note	Eduspec Audited as at 30 September 2012 RM'000	Adjustments RM'000	Proforma I After the Private Placement RM'000	Adjustments RM'000	Proforma II After Proforma I and after the Acquisition RM'000	Adjustments RM'000	Proforma III After Proforma II and Proposed Rights Issue with Warrants RM'000	Adjustments RM'000	Proforma IV After Proforma III and full exercise of the Warrants RM'000
Number of ordinary shares of RM0.10 each ('000)	7	383,333	100,000	483,333	27,000	510,333	255,167	765,500	382,750	1,148,250
Net assets/(liabilities) ("NA/(NL)") (RM'000)		15,105		26,505		29,205		54,022		122,917
Net tangible assets ("NTA") (RM'000)		9,894		21,294		20,919		45,736		114,631
NA/(NL) per ordinary share (RM)		0.04		0.05		0.06		0.07		0.11
NTA per ordinary share (RM)		0.03		0.04		0.04		0.06		0.10
EPS (Sen)		0.13		0.10		0.10		0.07		0.04
- Basic		0.13		0.10		0.10		0.04		0.04
- Diluted										
Bank borrowings		1,742		1,742		1,742		1,742		1,742
Gearing		0.12		0.07		0.06		0.03		0.01

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**EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (CONT'D)
MINIMUM SCENARIO**

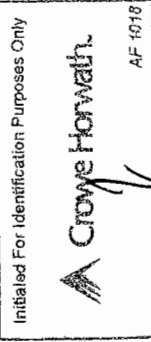
	Note	Eduspec Audited as at 30 September 2012 RM'000	Adjustments RM'000	Proforma I After the Private Placement RM'000	Adjustments RM'000	Proforma II After Proforma I and after the Acquisition RM'000	Adjustments RM'000	Proforma III After Proforma II and Proposed Rights Issue with Warrants RM'000	Adjustments RM'000	Proforma IV After Proforma III and full exercise of the Warrants RM'000
ASSETS										
NON-CURRENT ASSETS										
Equipment	2	3,997		3,997	249	4,246		4,246		4,246
Investments in associates		225		225		225		225		225
Intangible assets	3	4,918		4,918		4,918		4,918		4,918
Goodwill on consolidation		293		293	3,075	3,368		3,368		3,368
		9,433		9,433		12,757		12,757		12,757
CURRENT ASSETS										
Inventories		1,123		1,123		1,123		1,123		1,123
Trade receivables	4	4,233		4,233	519	4,752		4,752		4,752
Other receivables, deposits and prepayments	5	3,742		3,742	73	3,815		3,815		3,815
Amount owing by associates		591		591		591		591		591
Tax recoverable		476		476		476		476		476
Fixed deposits with licensed banks		1,754		1,754		1,754		1,754		1,754
Cash and bank balances	6	1,753	11,400	13,153	(853)	12,300	6,128	18,428	18,437	36,865
		13,672		25,072		24,811		30,939		49,376
		23,105		34,505		37,568		43,696		62,133
TOTAL ASSETS										

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**EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (CONT'D)
MINIMUM SCENARIO**



	Note	Eduspec Audited as at 30 September 2012 RM'000	Adjustments RM'000	Proforma I After the Private Placement RM'000	Adjustments RM'000	Proforma II After Proforma I and after the Acquisition RM'000	Adjustments RM'000	Proforma III After Proforma II and Proposed Rights Issue with Warrants RM'000	Adjustments RM'000	Proforma IV After Proforma III and full exercise of the Warrants RM'000
EQUITY AND LIABILITIES										
EQUITY										
Share capital	7	38,333	10,000	48,333	2,700	51,033	6,828	57,861	10,243	68,104
Reserves										
- Share premium	8	2,882	1,400	4,282		4,282	(506)	3,776	10,832	14,608
- Reverse acquisition reserve		(18,570)		(18,570)		(18,570)		(18,570)		(18,570)
- Capital redemption reserve		547		547		547		547		547
- Foreign exchange translation reserve		(253)		(253)		(253)		(253)		(253)
- Warrants reserve	9	-		-		-	2,638	2,638	(2,638)	-
- Accumulated losses	10	(8,014)		(8,014)		(8,014)	(2,832)	(10,846)		(10,846)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		14,925		26,325		29,025		35,153		53,590
NON-CONTROLLING INTERESTS		180		180		180		180		180
TOTAL EQUITY		15,105		26,505		29,205		35,333		53,770
NON-CURRENT LIABILITIES										
Hire purchase payables	11	58		58		58		58		58
Deferred taxation		610		610	30	640		640		640
		668		668		698		698		698
CURRENT LIABILITIES										
Trade payables	12	1,141		1,141	29	1,170		1,170		1,170
Other payables and accruals	13	4,505		4,505	283	4,788		4,788		4,788
Hire purchase payables		18		18		18		18		18
Bank overdrafts		1,666		1,666		1,666		1,666		1,666
Provision for taxation	14	2		2	21	23		23		23
		7,332		7,332		7,665		7,665		7,665
TOTAL LIABILITIES		8,000		8,000		8,363		8,363		8,363
TOTAL EQUITY AND LIABILITIES		23,105		34,505		37,568		43,696		62,133

**EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (CONT'D)
MINIMUM SCENARIO**

	Note	Eduspec Audited as at 30 September 2012 RM'000	Adjustments RM'000	Proforma I After the Private Placement RM'000	Adjustments RM'000	Proforma II After Proforma I and after the Acquisition RM'000	Adjustments RM'000	Proforma III After Proforma II and Proposed Rights Issue with Warrants RM'000	Adjustments RM'000	Proforma IV After Proforma III and full exercise of the Warrants RM'000
Number of ordinary shares of RM0.10 each ('000)	7	383,333	100,000	483,333	27,000	510,333	68,284	578,617	102,425	681,042
Net assets/(liabilities) ("NA/(NL)") (RM'000)		15,105		26,505		29,205		35,333		53,770
Net tangible assets ("NTA") (RM'000)		9,894		21,294		20,919		27,047		45,484
NA/(NL) per ordinary share (RM)		0.04		0.05		0.06		0.06		0.08
NTA per ordinary share (RM)		0.03		0.04		0.04		0.05		0.07
EPS (Sen)										
- Basic		0.13		0.10		0.10		0.09		0.07
- Diluted		0.13		0.10		0.10		0.07		0.07
Bank Borrowings		1,742		1,742		1,742		1,742		1,742
Gearing		0.12		0.07		0.06		0.05		0.03

Initiated For Identification Purposes Only

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EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

1. BASIS OF PREPARATION

The pro forma consolidated statement of financial position of Eduspec have been prepared based on audited consolidated statement of financial position of Eduspec as at 30 September 2012 had the Private Placement, Acquisition, Rights Issue with Warrants (as defined above) and full exercise of the Warrants issued pursuant to the Rights Issue with Warrants as described in Note 1(a) and 1(b) below, been effected on that date. The pro forma consolidated statement of financial position of Eduspec have been properly compiled on the basis stated using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of Eduspec.

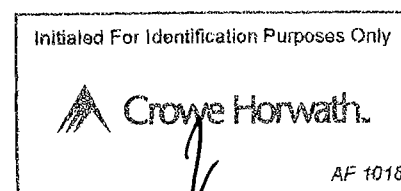
The pro forma consolidated statement of financial position have been prepared solely for illustrative purposes, to show the effects of Rights Issue with Warrants after completion of Private Placement and Acquisition to raise gross proceeds of RM25.52 million for Maximum Scenario (Assuming all entitled shareholders subscribe in full for their entitlements under the Rights Issue with Warrants) and the renounceable rights issue of 68,283,607 with 102,425,411 warrants to raise gross proceeds of RM6.83 million for Minimum Scenario (Minimum level of subscription for the Rights Issue with Warrants of 68,283,607 Rights Shares together with 102,425,411 Warrants).

The details of maximum and minimum scenarios are set out below:-

(a) Maximum Scenario

The maximum scenario assumes the following:-

- (i) Private placement of 100,000,000 new Eduspec Shares representing up to 26.09% of the issued and paid-up share capital of Eduspec;
- (ii) Acquisition of one hundred thousand ordinary shares of RM1.00 each in MTM representing 100% of the issued and paid-up share capital of MTM for a total purchase consideration of RM3,600,000 to be satisfied by cash and issuance of new Eduspec Shares; and
- (iii) Full subscription and issuance of 255,166,667 Rights Shares with 382,750,000 Warrants at an issue price of RM0.10 per Rights Share to raise gross proceeds of RM25.52 million on the basis of one (1) Rights Share for every two (2) existing Eduspec Shares held, together with one point five (1.5) Warrants for every one (1) Rights Share subscribed. The warrants reserve assumes the relative fair value method of the Warrants of RM0.0277 each, being the values determined and used to allocate the proceeds of the Rights Issue and after deducting issue expenses. It also incorporates the effects of estimated expenses of RM700,000 in relation to the Rights Issue.



**EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

1. BASIS OF PREPARATION (CONT'D)

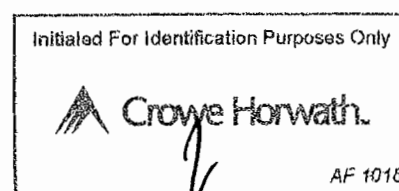
(b) Minimum Scenario

The minimum scenario assumes the following:

- (i) Private placement of 100,000,000 new Eduspec Shares representing up to 26.09% of the issued and paid-up share capital of Eduspec;
- (ii) Acquisition of one hundred thousand ordinary shares of RM1.00 each in MTM representing 100% of the issued and paid-up share capital of MTM for a total purchase consideration of RM3,600,000 to be satisfied by cash and issuance of new Eduspec Shares; and
- (iii) Full subscription and issuance of 68,283,607 Rights Shares with 102,425,411 Warrants at an issue price of RM0.10 per Rights Share to raise gross proceeds of RM6.83 million on the basis of one (1) Rights Share for every two (2) existing Eduspec Shares held, together with one point five (1.5) Warrants for every one (1) Rights Share subscribed. The warrants reserve assumes the relative fair value method of the Warrants of RM0.0277 each, being the values determined and used to allocate the proceeds of the Rights Issue and after deducting issue expenses. It also incorporates the effects of estimated expenses of RM700,000 in relation to the Rights Issue.

The latest participation date ("LPD") prior to the issuance of the pro forma consolidated statement of financial position for the inclusion in the AP to Shareholders of Eduspec was on 12 November 2013.

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EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

1. BASIS OF PREPARATION (CONT'D)

1.1 Pro forma I

The placement gave rise to an increase of RM10,000,000 in the issued and paid-up share capital of Eduspec for both maximum and minimum scenarios. The share premium will increase by RM1,400,000 after netting off estimated expenses. The Placement generated total gross cash proceeds of RM11,400,000 after netting off estimated expenses of RM100,000.

The Private Placement was completed on 22 October 2013.

1.2 Pro forma II

The acquisition of the entire equity interest in MTM at a Purchase Consideration to be satisfied via the Cash Consideration and the issuance of the Consideration Shares in the following manner:

Consideration	RM
Cash Consideration	900,000
Consideration Shares	2,700,000
Total Purchase Consideration	3,600,000

Upon completion of the acquisition, MTM will be a wholly-owned subsidiary of Eduspec.

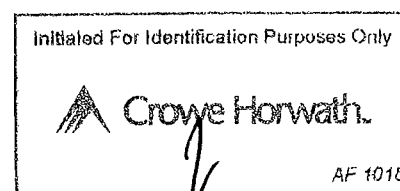
The acquisition gave rise to an increase of RM2,700,000 in the issued and paid-up share capital of Eduspec for both maximum and minimum scenarios.

The Acquisition was completed on 12 November 2013.

1.3 Pro forma III

The full subscription of 255,166,667 Rights Shares under Maximum Scenario would give rise to an increase in the issued and paid-up share capital of Eduspec of RM25,517,000. Share premium will decrease by RM506,000 to RM3,776,000. The full subscription of 255,166,667 Rights Shares will generate total gross cash proceeds of RM24,817,000 after netting off estimated expenses of RM700,000.

The full subscription of 68,283,607 Rights Shares under Minimum Scenario would give rise to an increase in the issued and paid-up share capital of Eduspec of RM6,828,000. Share premium will decrease by RM506,000 to RM3,776,000. The full subscription of 68,283,607 Rights Shares will generate total gross cash proceeds of RM6,128,000 after netting off estimated expenses of RM700,000.



EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

1. BASIS OF PREPARATION (CONT'D)

1.3 Pro forma III (Cont'd)

The Rights Shares and Warrants are recognised at their relative fair values. In arriving at the relative fair values, the fair values of the Rights Shares and Warrants were proportionately adjusted to their issued price of RM0.10 per Rights Share.

The fair value of the warrants of RM0.0815 per Warrant is determined using "Black-Scholes Option" pricing model based on the following key assumptions:

Risk free interest rate*	3.58%
Expected volatility of Eduspec's Share price^	27.47%

* Source : Bursa Malaysia Bonds Sdn Bhd

^ Source : Bursa Malaysia Sdn Bhd

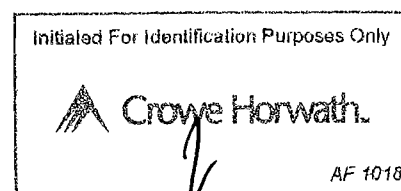
The full exercise of 382,750,000 Warrants under maximum scenario will generate a total of RM10,584,000 warrants reserve with the relative fair value method of the Warrants of RM0.0277 per Warrant.

The full exercise of 102,425,411 Warrants under minimum scenario will generate a total of RM2,832,000 warrants reserve with the relative fair value method of the Warrants of RM0.0277 per Warrant.

1.4 Pro forma IV

The full exercise of 382,750,000 Warrants under maximum scenario will generate total cash proceeds of RM68,895,000. The exercise price of RM0.18 per Warrant represents a premium of approximately 28.57% to the theoretical ex-rights price of Eduspec Shares of RM0.14 based on five (5)-day volume weighted average market price up to LPD of RM0.16. Pursuant to the full exercise of the 382,750,000 Warrants, 382,750,000 new Eduspec Shares will be issued and this will increase the issued and paid-up share capital and share premium account of Eduspec by RM38,275,000 and RM41,010,000, respectively. The amount of RM10,390,000 of the warrants reserve will be transferred to share premium.

The full exercise of 102,425,411 Warrants under minimum scenario will generate total cash proceeds of RM18,437,000. The exercise price of RM0.18 per Warrant represents a premium of approximately 28.57% to the theoretical ex-rights price of Eduspec Shares of RM0.14 based on five (5)-day volume weighted average market price up to LPD of RM0.16. Pursuant to the full exercise of the 102,425,411 Warrants, 102,425,411 new Eduspec Shares will be issued and this will increase the issued and paid-up share capital and share premium account of Eduspec by RM10,243,000 and RM10,832,000, respectively. The amount of RM2,638,000 of the warrants reserve will be transferred to share premium.



EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

2. EQUIPMENT

The movements in equipment of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I	3,997	3,997
Acquisition of MTM	249	249
As per Pro forma II/III/IV	4,246	4,246

3. GOODWILL ON CONSOLIDATION

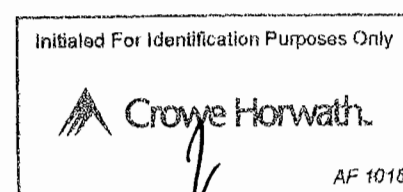
The movements in goodwill on consolidation of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I	293	293
Acquisition of MTM	3,075	3,075
As per Pro forma II/III/IV	3,368	3,368

4. TRADE RECEIVABLES

The movements in trade receivables of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I	4,233	4,233
Acquisition of MTM	519	519
As per Pro forma II/III/IV	4,752	4,752



EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

5. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

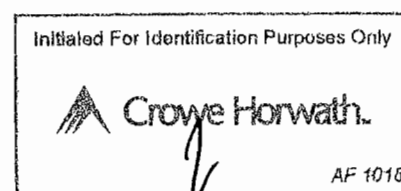
The movements in other receivables, deposits and prepayments of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I	3,742	3,742
Acquisition of MTM	73	73
As per Pro forma II/III/IV	<u>3,815</u>	<u>3,815</u>

6. CASH AND BANK BALANCES

The movements in cash and bank balances of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012	1,753	1,753
Arising from Placement	11,500	11,500
Estimated expenses related to the placement	(100)	(100)
As per Pro forma I	<u>13,153</u>	<u>13,153</u>
Acquisition of MTM	(853)	(853)
As per Pro forma II	<u>12,300</u>	<u>12,300</u>
Arising from rights issue	25,517	6,828
Estimated expenses related to the rights issue	(700)	(700)
As per Pro forma III	<u>37,117</u>	<u>18,428</u>
Arising from full exercise of Warrants	68,895	18,437
As per Pro forma IV	<u>106,012</u>	<u>36,865</u>

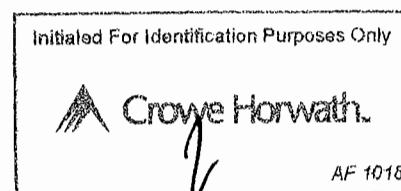


EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

7. SHARE CAPITAL

The movements in share capital of Eduspec are as follows:-

	Maximum Scenario		Minimum Scenario	
	No. of Ordinary Share ('000)	RM'000	No. of Ordinary Share ('000)	RM'000
At 30 September 2012	383,333	38,333	383,333	38,333
Arising from Placement	100,000	10,000	100,000	10,000
As per Pro forma I	483,333	48,333	483,333	48,333
Acquisition of MTM	27,000	2,700	27,000	2,700
As per Pro forma II	510,333	51,033	510,333	51,033
Arising from rights issue	255,167	25,517	68,284	6,828
As per Pro forma III	765,500	76,550	578,617	57,861
Arising from full exercise of Warrants	382,750	38,275	102,425	10,243
As per Pro forma IV	1,148,250	114,825	681,042	68,104



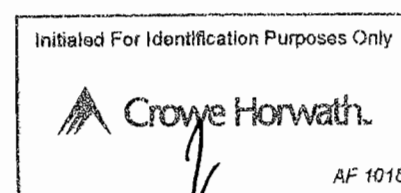
EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

8. SHARE PREMIUM

The movements in share premium of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012	2,882	2,882
Arising from Placement	1,500	1,500
Estimated expenses related to the placement	(100)	(100)
As per Pro forma I/II	4,282	4,282
Estimated expenses related to the rights issue *	(506)	(506)
As per Pro forma III	3,776	3,776
Arising from full exercise of Warrants and transfer from warrants reserve upon full exercise of Warrants	41,010	10,832
As per Pro forma IV	44,786	14,608

* - Represents 72.3% of the total estimated expenses of RM700,000 in relation to the Proposal. The basis of 72.3% is derived by way of applying weighted average method according to the proportion of the fair value of one (1) ordinary share in Eduspec of approximately to RM0.0723 over the indicative issue price of RM0.10 per Rights Share, which is based on the recommended practice stated in Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 9.



EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

9. WARRANTS RESERVE

The movements in warrants reserve of Eduspec are as follows:-

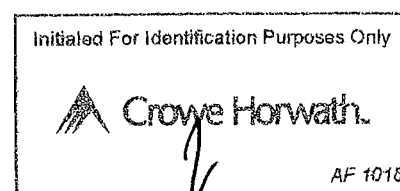
	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I/II	-	-
Arising from issuance of the warrants	10,584	2,832
Estimated expenses relating to the Rights Issue with Warrants *	(194)	(194)
As per Pro forma III	10,390	2,638
Transfer to share premium upon full exercise of Warrants	(10,390)	(2,638)
As per Pro forma IV	-	-

* - Represents 27.7% of the total estimated expenses of RM700,000 in relation to the Proposal. The basis of 27.7% is derived by way of applying weighted average method according to the proportion of the fair value of one (1) ordinary share in Eduspec of approximately to RM0.0277 over the indicative issue price of RM0.10 per Rights Share, which is based on the recommended practice stated in Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 9.

10. ACCUMULATED LOSSES

The movements in accumulated losses of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I/II	(8,014)	(8,014)
Arising from issuance of the warrants	(10,584)	(2,832)
As per Pro forma III/IV	(18,598)	(10,846)



EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

11. DEFERRED TAXATION

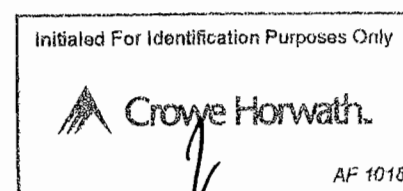
The movements in deferred taxation of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I	610	610
Acquisition of MTM	30	30
As per Pro forma II/III/IV	640	640

12. TRADE PAYABLES

The movements in trade payables of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I	1,141	1,141
Acquisition of MTM	29	29
As per Pro forma II/III/IV	1,170	1,170



EDUSPEC HOLDINGS BERHAD ("EDUSPEC")
NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012

13. OTHER PAYABLES AND ACCRUALS

The movements in other payables and accruals of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I	4,505	4,505
Acquisition of MTM	283	283
As per Pro forma II/III/IV	<u>4,788</u>	<u>4,788</u>

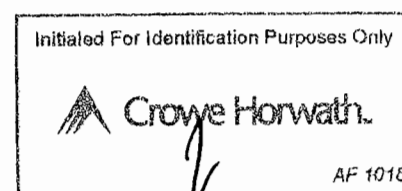
14. PROVISION FOR TAXATION

The movements in provision for taxation of Eduspec are as follows:-

	Maximum Scenario RM'000	Minimum Scenario RM'000
At 30 September 2012/As per Pro forma I	2	2
Acquisition of MTM	21	21
As per Pro forma II/III/IV	<u>23</u>	<u>23</u>

Approved and adopted by the Board of Directors in accordance with a resolution dated 18 November 2013.


LIM EEN HONG



**AUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 30 SEPTEMBER 2012
TOGETHER WITH THE AUDITOR'S REPORT THEREON**

ATTESTED COPY

ATTESTED TRUE COPY


EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

WONG YOUN KIM
MAICSA 7018778
HMC CORPORATE SERVICES SDN. BHD.
(Company No: 93558-P)
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur.
Tel: 2241 5800

FINANCIAL REPORT
for the financial year ended 30 September 2012

CONTENTS

	Page
Directors' Report	1
Statement by Directors	7
Statutory Declaration	7
Independent Auditors' Report.....	8
Consolidated Statement of Financial Position	11
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Changes in Equity.....	15
Consolidated Statement of Cash Flows	17
Statement of Financial Position	19
Statement of Comprehensive Income	20
Statement of Changes in Equity.....	21
Statement of Cash Flows	22
Notes to the Financial Statements	24

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 September 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the development and provision of IT learning programs and educational services. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	THE GROUP RM	THE COMPANY RM
Profit/(Loss) after taxation for the financial year	500,802	(1,817,729)
Attributable to:-		
Owners of the Company	504,187	(1,817,729)
Non-controlling interests	(3,385)	-
	500,802	(1,817,729)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

DIRECTORS' REPORT

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the authorised share capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM36,703,333 to RM38,333,333 by the issuance of year 3 performance shares of 16,300,000 ordinary shares of RM0.10 each at par.

The new shares issued rank pari passu in all respects with the existing shares of the Company; and

- (c) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

DIRECTORS' REPORT

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

The contingent liability is disclosed in Note 32(d) to the financial statements. At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

DIRECTORS' REPORT**ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:-

LIM BENG WEH
 DATUK YAACOB BIN WAN IBRAHIM
 DATO' MOHD ARIFF BIN ARAFF
 LIM EEN HONG
 LIM SOON SEONG

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.10 EACH			
	AT 1.10.2011	BOUGHT	SOLD	AT 30.9.2012
THE CORPORATE SHAREHOLDER				
- VICTORY SOLUTIONS (M) SDN. BHD. ("VSM")				
<i>DIRECT INTEREST</i>				
LIM EEN HONG	55,000	-	-	55,000
THE COMPANY				
<i>INDIRECT INTEREST</i>				
LIM EEN HONG	88,567,214	-	-	88,567,214

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

By virtue of his shareholding in a corporate shareholder, Lim Een Hong is deemed to have interests in shares in the Company and its related corporations to the extent of the Company's interest, in accordance with Section 6A of the Companies Act 1965.

The other directors holding office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event of the Group during the financial year is disclosed in Note 34 to the financial statements.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

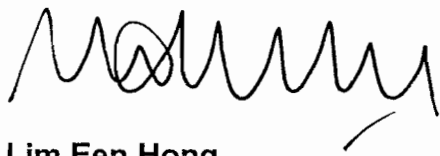
DIRECTORS' REPORT

AUDITORS

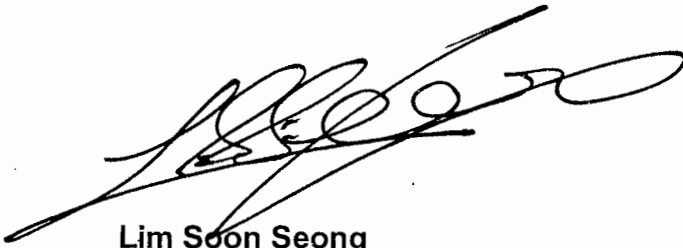
The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 29 JAN 2013



Lim Een Hong



Lim Soon Seong

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

STATEMENT BY DIRECTORS

We, Lim Een Hong and Lim Soon Seong, being two of the directors of Eduspec Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 11 to 96 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 September 2012 and of their results and cash flows for the financial year ended on that date.


The supplementary information set out in Note 35, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 29 JAN 2013



Lim Een Hong



Lim Soon Seong


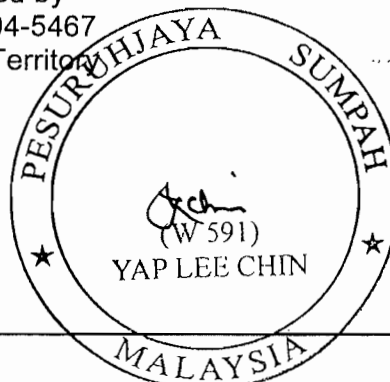
STATUTORY DECLARATION

I, Lim Een Hong, I/C No. 670728-04-5467 being the director primarily responsible for the financial management of Eduspec Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 11 to 96 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Lim Een Hong, I/C No. 670728-04-5467
at Kuala Lumpur in the Federal Territory
on this

29 JAN 2013

Before me



Lim Een Hong



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

Kuala Lumpur Office
Level 16 Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
www.crowehorwath.com.my
info@crowehorwath.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

Report on the Financial Statements

We have audited the financial statements of Eduspec Holdings Berhad, which comprise the statements of financial position as at 30 September 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 96.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDUSPEC HOLDINGS BERHAD (CONT'D)

(Incorporated in Malaysia)
Company No : 646756 - X

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 September 2012 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- (c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 35 on page 97 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDUSPEC HOLDINGS BERHAD (CONT'D)

(Incorporated in Malaysia)
Company No : 646756 - X

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in cursive script that reads 'Crowe Horwath'.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

29 JAN 2013

Kuala Lumpur

A handwritten signature in cursive script that reads 'James Chan Kuan Chee'.

James Chan Kuan Chee
Approval No: 2271/10/13 (J)
Chartered Accountant

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2012

	NOTE	2012 RM	2011 RM
ASSETS			
NON-CURRENT ASSETS			
Investments in associates	6	224,566	-
Equipment	7	3,996,934	4,218,165
Intangible assets	8	4,918,489	4,106,642
Goodwill on consolidation	9	292,853	292,853
		<u>9,432,842</u>	<u>8,617,660</u>
CURRENT ASSETS			
Inventories	10	1,123,167	891,342
Trade receivables	11	4,232,903	4,159,277
Other receivables, deposits and prepayments	12	3,742,444	2,399,741
Amount owing by associates	14	591,432	-
Tax recoverable		475,875	495,076
Fixed deposits with licensed banks	15	1,753,789	1,937,987
Cash and bank balances		1,753,088	2,638,347
		<u>13,672,698</u>	<u>12,521,770</u>
TOTAL ASSETS		<u>23,105,540</u>	<u>21,139,430</u>

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2012 (CONT'D)

	NOTE	2012 RM	2011 RM
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	38,333,333	36,703,333
Reserves	17	(23,408,015)	(22,148,942)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		14,925,318	14,554,391
NON-CONTROLLING INTERESTS		179,997	183,382
TOTAL EQUITY		15,105,315	14,737,773
NON-CURRENT LIABILITIES			
Hire purchase payables	18	58,066	45,616
Deferred taxation	19	610,340	661,264
		668,406	706,880
CURRENT LIABILITIES			
Trade payables	20	1,141,233	538,611
Other payables and accruals	21	4,505,022	3,388,498
Hire purchase payables	18	17,796	13,336
Bank overdrafts	22	1,666,379	1,737,798
Provision for taxation		1,389	16,534
		7,331,819	5,694,777
TOTAL LIABILITIES		8,000,225	6,401,657
TOTAL EQUITY AND LIABILITIES		23,105,540	21,139,430

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

	NOTE	2012 RM	2011 RM
REVENUE	23	29,186,033	27,925,186
COST OF SALES		(18,442,690)	(16,897,146)
GROSS PROFIT		10,743,343	11,028,040
OTHER INCOME		2,066,786	1,519,019
		12,810,129	12,547,059
ADMINISTRATIVE EXPENSES		(6,905,033)	(7,513,489)
SELLING AND DISTRIBUTION EXPENSES		(2,449,016)	(2,774,869)
OTHER EXPENSES		(2,731,745)	(1,360,380)
FINANCE COSTS		(125,310)	(81,541)
SHARE OF RESULTS IN ASSOCIATES		54,404	-
PROFIT BEFORE TAXATION	24	653,429	816,780
INCOME TAX EXPENSE	25	(152,627)	(327,030)
PROFIT AFTER TAXATION		500,802	489,750
OTHER COMPREHENSIVE INCOME, NET OF TAX			
- FOREIGN CURRENCY TRANSLATION		(133,260)	(131,525)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		367,542	358,225

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012 (CONT'D)**

	NOTE	2012 RM	2011 RM
PROFIT AFTER TAXATION			
ATTRIBUTABLE TO:			
Owners of the Company		504,187	324,210
Non-controlling interests		(3,385)	165,540
		<u>500,802</u>	<u>489,750</u>
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the Company		370,927	192,685
Non-controlling interests		(3,385)	165,540
		<u>367,542</u>	<u>358,225</u>
EARNINGS PER SHARE (SEN)			
- Basic	26	0.14	0.10
- Diluted	26	<u>0.13</u>	<u>0.09</u>

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

	Non-Distributable Reserves						Distributable Reserves			
	Share Capital RM	Share Premium RM	Reverse Acquisition Reserve RM	Capital Redemption Reserve RM	Contingent Reserve RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	Attributable to Owners of the Company RM	Non-Controlling Interests RM	Total Equity RM
Balance at 1.10.2010	31,810,000	1,215,389	(18,570,000)	546,778	1,914,000	11,959	(6,138,061)	10,790,065	3,590,363	14,380,428
Profit after taxation for the financial year	-	-	-	-	-	-	324,210	324,210	165,540	489,750
Other comprehensive income for the financial year, net of tax:										
- foreign currency translation	-	-	-	-	-	(131,525)	-	(131,525)	-	(131,525)
Total comprehensive income for the financial year	-	-	-	-	-	(131,525)	324,210	192,685	165,540	358,225
Contributions by and distributions to owners of the Company:										
- Issuance of shares	3,333,333	1,666,667	-	-	-	-	-	5,000,000	-	5,000,000
- Additional investment in a subsidiary	-	-	-	-	-	-	(1,428,359)	(1,428,359)	(3,572,521)	(5,000,880)
- Realisation pursuant to performance shares consideration	1,560,000	-	-	-	(936,000)	-	(624,000)	-	-	-
Total transactions with owners of the Company	4,893,333	1,666,667	-	-	(936,000)	-	(2,052,359)	3,571,641	(3,572,521)	(880)
Balance at 30.9.2011	36,703,333	2,882,056	(18,570,000)	546,778	978,000	(119,566)	(7,866,210)	14,554,391	183,382	14,737,773

The annexed notes form an integral part of these financial statements.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	653,429	816,780
Adjustments for:-		
Amortisation of intangible assets	634,103	530,203
Depreciation of equipment	1,700,222	1,979,003
Equipment written off	-	66,712
Impairment loss on:		
- trade receivables	76,383	43,366
- other receivables	50,669	-
Interest expense	125,310	81,541
Inventories written off	1,974	5,044
Gain on disposal of equipment	(9,877)	(49,603)
Interest income	(55,639)	(36,228)
Share of results in associates	(54,404)	-
Unrealised foreign exchange gain	(171,472)	(153,599)
Writeback of allowance for slow-moving inventories	-	(7,933)
Writeback of impairment loss on trade receivables	(40,000)	(6,682)
Operating profit before working capital changes	2,910,698	3,268,604
(Increase)/Decrease in inventories	(233,799)	294,243
Increase in trade and other receivables	(1,450,184)	(1,558,375)
Increase in trade and other payables	1,706,427	558,923
CASH FROM OPERATIONS	2,933,142	2,563,395
Interest paid	(125,310)	(81,541)
Income tax paid	(199,402)	(274,339)
NET CASH FROM OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD	2,608,430	2,207,515

The annexed notes form an integral part of these financial statements.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012 (CONT'D)**

	NOTE	2012 RM	2011 RM
NET CASH FROM OPERATING ACTIVITIES/ BALANCE BROUGHT FORWARD		2,608,430	2,207,515
CASH FLOWS FOR INVESTING ACTIVITIES			
Addition of intangible assets		(1,443,885)	(1,501,200)
Advances to associates		(591,432)	-
Investments in associates		(184,841)	-
Interest received		55,639	36,228
Proceeds from disposal of equipment		10,600	159,314
Purchase of equipment	27	(1,440,603)	(1,379,764)
NET CASH FOR INVESTING ACTIVITIES		(3,594,522)	(2,685,422)
NET CASH FOR FINANCING ACTIVITY			
Repayment of hire purchase obligations		(16,090)	(35,711)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,002,182)	(513,618)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2,838,536	3,347,360
EFFECT ON FOREIGN EXCHANGE		4,144	4,794
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28	1,840,498	2,838,536

The annexed notes form an integral part of these financial statements.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2012**

	NOTE	2012 RM	2011 RM
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	5	22,467,642	22,467,642
Investments in associates	6	45	-
Equipment	7	23,711	28,923
		<u>22,491,398</u>	<u>22,496,565</u>
CURRENT ASSETS			
Other receivables, deposits and prepayments	12	35,877	134,270
Amount owing by subsidiaries	13	2,234,129	443
Amount owing by associates	14	585,000	-
Tax recoverable		134,375	134,375
Cash and bank balances		33,734	36,597
		<u>3,023,115</u>	<u>305,685</u>
TOTAL ASSETS		<u>25,514,513</u>	<u>22,802,250</u>
EQUITY AND LIABILITY			
EQUITY			
Share capital	16	38,333,333	36,703,333
Reserves	17	(23,606,557)	(20,158,828)
TOTAL EQUITY		<u>14,726,776</u>	<u>16,544,505</u>
CURRENT LIABILITIES			
Other payables and accruals	21	773,800	467,303
Amount owing to subsidiaries	13	10,013,937	5,790,442
TOTAL LIABILITY		<u>10,787,737</u>	<u>6,257,745</u>
TOTAL EQUITY AND LIABILITY		<u>25,514,513</u>	<u>22,802,250</u>

The annexed notes form an integral part of these financial statements.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

	NOTE	2012 RM	2011 RM
REVENUE	23	-	-
OTHER INCOME		1,731,435	809,871
		<u>1,731,435</u>	<u>809,871</u>
ADMINISTRATIVE EXPENSES		(2,635,987)	(2,497,539)
SELLING AND DISTRIBUTION EXPENSES		(73,651)	(89,431)
OTHER EXPENSES		(839,526)	(3,404,914)
LOSS BEFORE TAXATION	24	<u>(1,817,729)</u>	<u>(5,182,013)</u>
INCOME TAX EXPENSE	25	-	-
LOSS AFTER TAXATION		<u>(1,817,729)</u>	<u>(5,182,013)</u>
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL YEAR		<u>(1,817,729)</u>	<u>(5,182,013)</u>
LOSS AFTER TAXATION ATTRIBUTABLE TO:-			
Owners of the Company		<u>(1,817,729)</u>	<u>(5,182,013)</u>
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:-			
Owners of the Company		<u>(1,817,729)</u>	<u>(5,182,013)</u>

The annexed notes form an integral part of these financial statements.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

STATEMENT OF CHANGES IN EQUITY**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

	SHARE CAPITAL RM	SHARE PREMIUM RM	CONTINGENT CONSIDERATION RESERVE RM	ACCUMULATED LOSSES RM	TOTAL EQUITY RM
Balance at 1.10.2010	31,810,000	10,481,570	1,914,000	(27,479,052)	16,726,518
Loss after taxation/Total comprehensive expenses for the financial year	-	-	-	(5,182,013)	(5,182,013)
Contributions by and distributions to owners of the Company:					
- Issuance of shares	3,333,333	1,666,667	-	-	5,000,000
- Realisation pursuant to performance shares consideration	1,560,000	-	(936,000)	(624,000)	-
Balance at 30.9.2011/1.10.2011	36,703,333	12,148,237	978,000	(33,285,065)	16,544,505
Loss after taxation/Total comprehensive expenses for the financial year	-	-	-	(1,817,729)	(1,817,729)
Contributions by and distributions to owners of the Company:					
- Realisation pursuant to performance shares consideration	1,630,000	-	(978,000)	(652,000)	-
Balance at 30.9.2012	38,333,333	12,148,237	-	(35,754,794)	14,726,776

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

STATEMENT OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

	NOTE	2012 RM	2011 RM
CASH FLOWS FOR OPERATING ACTIVITIES			
Loss before taxation		(1,817,729)	(5,182,013)
Adjustments for:-			
Depreciation of equipment		16,948	16,022
Impairment loss on amount owing by subsidiaries		822,578	3,388,892
Unrealised gain on foreign exchange		-	(78,524)
Operating loss before working capital changes		(978,203)	(1,855,623)
Decrease/(Increase) in other receivables		98,393	(109,183)
Increase in other payables		306,497	66,532
NET CASH FOR OPERATING ACTIVITIES		(573,313)	(1,898,274)
CASH FLOWS FOR INVESTING ACTIVITIES			
Advances to subsidiaries		(3,056,264)	(2,476,581)
Advances to associates		(585,000)	-
Investments in associates		(45)	-
Purchase of equipment	27	(11,736)	(25,853)
NET CASH FOR INVESTING ACTIVITIES		(3,653,045)	(2,502,434)
BALANCE CARRIED FORWARD		(4,226,358)	(4,400,708)

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**STATEMENT OF CASH FLOWS****FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012 (CONT'D)**

	NOTE	2012 RM	2011 RM
BALANCE BROUGHT FORWARD		(4,226,358)	(4,400,708)
NET CASH FROM FINANCING ACTIVITY			
Advances from subsidiaries		4,223,495	4,281,030
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,863)	(119,678)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		36,597	156,275
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28	33,734	36,597

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office : Level 2, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur.

Principal place of business : Level 2, Pacific Office Building,
No. 18, Jalan Pemaju U1/15,
Hicom-Glenmarie Industrial Park,
Section U1, 40150 Shah Alam,
Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 29 January 2013.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the development and provision of IT learning programs and educational services. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF ACCOUNTING

(A) Basis of Preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

3. BASIS OF ACCOUNTING (CONT'D)

(A) Basis of Preparation (Cont'd)

- (a) During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments):-

FRSs and IC Interpretations (including the Consequential Amendments)

Amendments to FRS 1 (Revised): Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 (Revised): Additional Exemptions for First-time Adopters

Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions

Amendments to FRS 7: Improving Disclosures about Financial Instruments

IC Interpretation 4 Determining Whether An Arrangement Contains a Lease

IC Interpretation 18 Transfers of Assets from Customers

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

Annual Improvements to FRSs (2010)

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

3. BASIS OF ACCOUNTING (CONT'D)

(A) Basis of Preparation (Cont'd)

- (a) The adoption of the above accounting standards and interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements, other than the following:-
 - (i) Amendments to FRS 7 expand the disclosure requirements in respect of fair value measurements and liquidity risk. In particular, the amendments require additional disclosure of fair value measurements by level of a fair value measurement hierarchy, as shown in Note 33(e) to the financial statements. Comparatives are not presented by virtue of the exemption given in the amendments.
 - (ii) Annual Improvements to FRSs (2010) contain amendments to 11 accounting standards that result in accounting changes for presentation, recognition or measurement purposes. These amendments have no material impact on the financial statements of the Group upon their initial application.

Furthermore, the amendments to FRS 101 (Revised) also clarify that an entity may choose to present the analysis of the items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to present the items of other comprehensive income in the statement of changes in equity.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****3. BASIS OF ACCOUNTING (CONT'D)****(A) Basis of Preparation (Cont'd)**

- (b) The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:

FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
FRS 9 Financial Instruments	1 January 2015
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (Revised) Employee Benefits	1 January 2013
FRS 124 (Revised) Related Party Disclosures	1 January 2012
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investments in Associates and Joint Ventures	1 January 2013
Amendments to FRS 1 (Revised): Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 1 (Revised): Government Loans	1 January 2013
Amendments to FRS 7: Disclosures - Transfers of Financial Assets	1 January 2012
Amendments to FRS 7: Disclosure - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2015

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****3. BASIS OF ACCOUNTING (CONT'D)****(A) Basis of Preparation (Cont'd)**

(b) FRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance	1 January 2013
Amendments to FRS 101 (Revised): Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 112: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual Improvement to FRSs (2012)	1 January 2013

The Group's next set of financial statements for the annual period beginning on 1 October 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB that will also comply with International Financial Reporting Standards. As a result, the Group will not be adopting the above accounting standards and interpretations (including the consequential amendments).

- (c) Following the issuance of Malaysian Financial Reporting Standards (equivalent to International Financial Reporting Standards) ("MFRS") by the Malaysian Accounting Standards Board on 19 November 2011, the Group will be adopting these new accounting standards during the financial year ending 30 September 2013. The Group is in the process of making an assessment of the financial impacts of the MFRSs and the extent of the impacts has not been determined.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

3. BASIS OF ACCOUNTING (CONT'D)

(B) Reverse Acquisition

On 1 March 2010, the Company acquired a 77.78% equity interest in Eduspec Sdn. Bhd. ("ESB") for a total purchase consideration of RM17,350,000. The purchase consideration was satisfied as follows:

- (i) a total cash consideration of RM800,000;
- (ii) the issuance of 137,000,000 ordinary shares of RM0.10 each at par by the Company for a consideration of RM13,700,000; and
- (iii) the issuance of performance shares up to 47,500,000 ordinary shares of RM0.06 each by the Company for a consideration of RM2,850,000, if subsequent profitability is achieved by ESB in the financial year ended 30 September 2009 and for the financial years ending 30 September 2010 and 2011 as laid out in the Share Sale Agreements.

Upon completion of the acquisition, the Company became the legal holding company of ESB whereas the former shareholders of ESB to whom the 137,000,000 shares were allotted became the majority shareholders of the Company. In accordance with FRS 3 Business Combinations, the substance of such business combination between the Company and ESB constituted a reverse acquisition whereby the acquirer and acquiree of the transaction for accounting purposes should be ESB (the legal subsidiary) and the Company (the holding company).

Under the reverse acquisition accounting, the consolidated financial statements, although issued under the name of the legal holding company, the Company, represent a continuation of the financial statements of the legal subsidiary, ESB. Accordingly, the consolidated financial statements set out on pages 11 to 18 together with the notes thereto cover ESB (as the accounting acquirer) and the Company (as the accounting acquiree) together with their other subsidiaries.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

3. BASIS OF ACCOUNTING (CONT'D)

(B) Reverse Acquisition (Cont'd)

The reverse acquisition accounting does not apply in the separate financial statements of the Company set out on pages 19 to 23 together with the notes thereto. The reporting period of the Company is the same with that of the Group in the current and previous financial years.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) *Depreciation of Equipment*

The estimates for the residual values, useful lives and related depreciation charges for the equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Critical Accounting Estimates and Judgements (Cont'd)

(ii) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

(iii) *Impairment of Non-Financial Assets*

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(iv) *Amortisation of Development Costs*

Changes in the expected level of usage and technological development could impact the economic useful lives therefore future amortisation charges could be revised.

(v) *Write-down of Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(a) Critical Accounting Estimates and Judgements (Cont'd)***(vi) Impairment of Trade and Other Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(vii) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(viii) Fair Value Estimates for Certain Financial Assets and Liabilities

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

All business combinations are accounted for using the purchase method which requires the identification of an acquirer for accounting purposes. As explained in Note 3(B) to the financial statements, the Group adopts the reverse acquisition accounting in preparing the consolidated financial statements which incorporate the financial statements of Eduspec Sdn. Bhd. (as the accounting acquirer) and the Company together with its other subsidiaries (as the accounting acquiree).

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the Company's shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 127.

Business combinations from 1 July 2010 onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

The Group has applied the FRS 3 (Revised) in accounting for business combinations from 1 October 2010 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

Business combinations before 1 July 2010

All subsidiaries are consolidated using the purchase method. 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. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition.

(c) Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Business combinations from 1 July 2010 onwards

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill (Cont'd)

Business combinations before 1 July 2010

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

(d) Functional and Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the Group operates which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Functional and Foreign Currencies (Cont'd)

(iii) *Foreign Operations*

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

(e) Financial Instruments

Financial instruments are recognised in the statements of financial position 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 an 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.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(i) *Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with revenue recognised on an effective yield basis.

- *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(i) *Financial Assets (Cont'd)*

- *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

(ii) *Financial Liabilities*

All financial liabilities are initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(e) Financial Instruments (Cont'd)***(iii) Equity Instruments*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(f) Equipment

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 depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Motor vehicles	20%
Office equipment, furniture and fittings	10% - 33.33%
Computers, software and peripherals	20% - 50%
Educational tools	20% - 33.33%
Renovation	10% - 33.33%
Electrical installation	10% - 20%

Capital work-in-progress represents assets under construction which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and will be transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Equipment (Cont'd)**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is recognised in profit or loss.

(g) Intangible Assets**(i) Research and Development Expenditure**

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that cost incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible Assets (Cont'd)

(i) *Research and Development Expenditure (Cont'd)*

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The 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 development expenditure is written down to its recoverable amount.

(ii) *Licence Fee*

The licence fee is stated at cost less accumulated amortisation and impairment losses, if any.

The licence fee is amortised on a straight-line basis and the principal amortisation rate used for this purpose is 20%.

In the event that the expected future economic benefits are no longer probable of being recovered, the licence fee is written down to its recoverable amount.

(h) Investments in Subsidiaries

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

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Investments in Associates

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Group and of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

The investment in an associate is accounted for under the equity method, based on the financial statements of the associate made up to 30 September 2012. The Group's share of the post acquisition profits of the associate is included in the consolidated statement of comprehensive income and the Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves.

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

On the disposal of the investments in associates, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(j) Impairment

(i) *Impairment of Financial Assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(i) *Impairment of Financial Assets (Cont'd)*

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(j) Impairment (Cont'd)****(ii) *Impairment of Non-Financial Assets***

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period 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. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is recognised in profit or loss 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.

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 profit or loss immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statements of comprehensive income, a reversal of that impairment loss is recognised as income in the statements of comprehensive income.

(k) Assets Under Hire Purchase

Assets acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 4(f) 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 recognised in profit or loss over the period of the respective hire purchase agreements.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items.

(m) Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

(n) Income Taxes

Income tax 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 substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs 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.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income Taxes (Cont'd)

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 future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to 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 substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(o) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

(p) 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.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(q) Employee Benefits***(i) Short-term Benefits*

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised in profit or loss and included in the development costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the development costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(r) Related Parties

A party is related to an entity if:-

- (i) directly, or indirectly through one or more intermediaries, the party:-
 - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the entity; or
 - has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Related Parties (Cont'd)

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Revenue and Other Income

(i) Sale of Goods

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

(ii) School Fees and Services

School fees and services are recognised upon rendering of services and when the outcome of the transactions 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) Deferred Income

Revenue invoiced in advance is deferred and recognised as revenue upon provision of the service.

(iv) Rental Income

Rental income is recognised on an accrual basis.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(t) Revenue and Other Income (Cont'd)****(v) Interest Income**

Interest income is recognised on an accrual basis.

(vi) Management Fee

Management fee is recognised on an accrual basis.

(vii) Royalty Income

Royalty income is recognised on an accrual basis.

5. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012 RM	2011 RM
Unquoted shares, at cost		
At 1 October	35,979,483	30,979,483
Addition during the financial year	-	5,000,000
	<hr/>	<hr/>
	35,979,483	35,979,483
Accumulated impairment losses	(13,511,841)	(13,511,841)
	<hr/>	<hr/>
At 30 September	22,467,642	22,467,642
	<hr/>	<hr/>

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****5. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

The details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
Direct Subsidiaries:-				
Litespeed Education Pte. Ltd.*	Singapore	100	100	Provision of educational services.
Eduspec Pte. Ltd.*	Singapore	100	100	Provision of IT consultancy activities, IT development and other IT and computer related services.
Litespeed Education Programmes Sdn. Bhd.	Malaysia	100	100	Provision of educational services.
Eduspec Sdn. Bhd.	Malaysia	100	100	Investment holding.
Held by Eduspec Sdn. Bhd.:-				
Dynabook Computer Centre (Perak) Sdn. Bhd.	Malaysia	92.67	92.67	Providing computer training and trading in computer and computer peripherals.
Dynabook Computer Centre (Melaka) Sdn. Bhd.	Malaysia	82.67	82.67	Providing child enrichment programs.
Dynabook Computer Centre (Sarawak) Sdn. Bhd.	Malaysia	100	100	Providing computer training and trading in computer and computer peripherals.
Dynabook Computer Centre (Kedah) Sdn. Bhd.	Malaysia	100	100	Providing child enrichment programs.
Dynabook Computer Centre (Penang) Sdn. Bhd.	Malaysia	100	100	Providing computer training and trading in computer peripherals.
Dynabook Computer Centre (Pantai Timur) Sdn. Bhd.	Malaysia	90.53	90.53	Providing child enrichment programs.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****5. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
<i>Held by Eduspec Sdn. Bhd.:-</i>				
Dynabook Computer Centre (M) Sdn. Bhd.	Malaysia	100	100	Providing computer course, trading and renting of computers, educational software and books.
DGB Education Sdn. Bhd.	Malaysia	100	100	Trading and development of educational software, technical books and computer courses.
Creative Educare (M) Sdn. Bhd.	Malaysia	100	100	Marketing and operating of robotics for school programs and other related enrichment programs.
Open Academic Systems Sdn. Bhd.	Malaysia	100	100	Providing research and develop educational software and technical books.
Digital IT Solutions Sdn. Bhd.	Malaysia	100	100	Trading in computer and peripherals, and technical maintenance support activities.
Time Communication Partners Sdn. Bhd.	Malaysia	97	97	Investment holding.
Dynakids Sdn. Bhd.	Malaysia	100	100	Provision and operation of IT learning for the pre-school market and related activities.
DES Sdn. Bhd.	Malaysia	100	100	Research and development of courseware on robotics for school programs and other related enrichment programs.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****5. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2012 %	2011 %	
Held by Eduspec Sdn. Bhd.:-				
Dynabook Computer Centre (N.S.) Sdn. Bhd.	Malaysia	100	100	Providing computer training and trading in computer peripherals.
Time IT In E (N.S.) Sdn. Bhd.	Malaysia	100	100	Providing computer training and trading in computer peripherals.
Dynabook Computer Centre (Sabah) Sdn. Bhd.	Malaysia	100	100	Providing computer training and trading in computer peripherals.
Time IT In E (Sabah) Sdn. Bhd.	Malaysia	100	100	Distribution of information technology related products.

* Not audited by Messrs. Crowe Horwath.

6. INVESTMENTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Unquoted shares in Malaysia, at cost	187,760	-	45	-
Share of post-acquisition profits	36,806	-	-	-
	<u>224,566</u>	<u>-</u>	<u>45</u>	<u>-</u>

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012
6. INVESTMENTS IN ASSOCIATES (CONT'D)

(a) The details of the associates are as follows:

Name of Company	Country of Incorporation	Effective 2012 %	Equity Interest 2011 %	Principal Activities
EDM Educational Technology (M) Sdn Bhd.	Malaysia	45	-	Providing research and development of educational software and technical books.
First Eduspec Inc. *	Philippines	40	-	Providing information outsourcing and consulting services to schools and educational institutions in the Philippines.

* Not audited by Messrs. Crowe Horwath.

- (b) The share of results in associates is based on the unaudited financial statements of the associates.
- (c) The summarised unaudited financial statements of the associates are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Assets and liabilities				
Total assets	568,622	-	534,610	-
Total liabilities	597,471	-	570,215	-
Results				
Revenue	246,006	-	52,424	-
Profit/(Loss) after taxation	42,793	-	(35,425)	-

- (d) The Group has not recognised losses relating to EDM Educational Technology (M) Sdn. Bhd., where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was RM35,605, of which RM45 was the share of the current financial year's losses. The Group has no obligation in respect of these losses.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****7. EQUIPMENT**

	AT 1.10.2011 RM	ADDITIONS RM	DISPOSALS RM	CURRENCY TRANSLATION DIFFERENCES RM	DEPRECIATION CHARGE RM	AT 30.9.2012 RM
THE GROUP						
NET BOOK VALUE						
Motor vehicles	138,540	53,230	(1)	-	(60,835)	130,934
Office equipment, furniture and fittings	1,502,674	188,134	-	6	(313,109)	1,377,705
Computers, software and peripherals	1,405,212	877,365	(722)	6,105	(950,471)	1,337,489
Educational tools	667,561	245,339	-	-	(225,396)	687,504
Renovation	375,771	56,246	-	-	(113,605)	318,412
Electrical installation	128,407	53,289	-	-	(36,806)	144,890
	4,218,165	1,473,603	(723)	6,111	(1,700,222)	3,996,934

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**

7. EQUIPMENT (CONT'D)

	AT 1.10.2010 RM	ADDITIONS RM	RECLASSIFICATION FROM INTANGIBLE ASSETS RM	DISPOSALS RM	CURRENCY TRANSLATION DIFFERENCES RM	WRITTEN OFF RM	DEPRECIATION CHARGE RM	AT 30.9.2011 RM
THE GROUP								
NET BOOK VALUE								
Motor vehicles	129,146	71,092	-	(2,161)	-	-	(59,537)	138,540
Office equipment, furniture and fittings	1,694,306	201,789	-	-	334	(52,529)	(341,226)	1,502,674
Computers, software and peripherals	1,842,322	793,212	2	-	1,080	(10,953)	(1,220,451)	1,405,212
Educational tools	555,266	309,026	-	-	-	-	(196,731)	667,561
Renovation	459,058	47,501	-	-	475	(3,230)	(128,033)	375,771
Electrical installation	144,288	17,144	-	-	-	-	(33,025)	128,407
Work-in-progress	107,550	-	-	(107,550)	-	-	-	-
	4,931,936	1,439,764	2	(109,711)	1,889	(66,712)	(1,979,003)	4,218,165

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****7. EQUIPMENT (CONT'D)**

	AT COST RM	ACCUMULATED IMPAIRMENT LOSS RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
THE GROUP				
AT 30.9.2012				
Motor vehicles	570,383	-	(439,449)	130,934
Office equipment, furniture and fittings	4,984,467	-	(3,606,762)	1,377,705
Computers, software and peripherals	12,261,895	-	(10,924,406)	1,337,489
Educational tools	1,578,692	-	(891,188)	687,504
Renovation	1,376,100	(100,340)	(957,348)	318,412
Electrical installation	415,533	-	(270,643)	144,890
	21,187,070	(100,340)	(17,089,796)	3,996,934
AT 30.9.2011				
Motor vehicles	587,869	-	(449,329)	138,540
Office equipment, furniture and fittings	4,790,528	-	(3,287,854)	1,502,674
Computers, software and peripherals	11,353,474	-	(9,948,262)	1,405,212
Educational tools	1,333,351	-	(665,790)	667,561
Renovation	1,287,553	(100,340)	(811,442)	375,771
Electrical installation	394,545	-	(266,138)	128,407
	19,747,320	(100,340)	(15,428,815)	4,218,165

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****7. EQUIPMENT (CONT'D)**

	AT 1.10.2011 RM	ADDITION RM	DEPRECIATION CHARGE RM	AT 30.9.2012 RM
THE COMPANY				
NET BOOK VALUE				
Computers, software and peripherals	19,346	11,736	(10,440)	20,642
Office equipment, furniture and fittings	9,057	-	(5,989)	3,068
Renovation	520	-	(519)	1
	28,923	11,736	(16,948)	23,711
	AT 1.10.2010 RM	ADDITIONS RM	DEPRECIATION CHARGE RM	AT 30.9.2011 RM
NET BOOK VALUE				
Computers, software and peripherals	6,175	19,953	(6,782)	19,346
Office equipment, furniture and fittings	11,774	5,900	(8,617)	9,057
Renovation	1,143	-	(623)	520
	19,092	25,853	(16,022)	28,923

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****7. EQUIPMENT (CONT'D)**

	AT COST RM	ACCUMULATED IMPAIRMENT LOSS RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
THE COMPANY				
AT 30.9.2012				
Computers, software and peripherals	66,725	-	(46,083)	20,642
Office equipment, furniture and fittings	130,613	-	(127,545)	3,068
Renovation	134,578	(100,340)	(34,237)	1
	331,916	(100,340)	(207,865)	23,711
AT 30.9.2011				
Computers, software and peripherals	54,989	-	(35,643)	19,346
Office equipment, furniture and fittings	130,613	-	(121,556)	9,057
Renovation	134,578	(100,340)	(33,718)	520
	320,180	(100,340)	(190,917)	28,923

Included in the net book value of the equipment of the Group at the end of the reporting period are motor vehicles acquired under hire purchase terms amounting to RM84,666 (2011 - RM79,170).

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****8. INTANGIBLE ASSETS**

	INTELLECTUAL PROPERTIES RM	TECHNOLOGY AND LICENCE FEE RM	TOTAL RM
THE GROUP			
COST			
At 1.10.2010	8,679,886	140,430	8,820,316
Addition during the financial year	1,501,200	-	1,501,200
Currency translation differences	(86)	-	(86)
Reclassification to equipment	(818,619)	(140,430)	(959,049)
At 30.9.2011/1.10.2011	9,362,381	-	9,362,381
Addition during the financial year	1,443,885	-	1,443,885
Currency translation differences	2,065	-	2,065
At 30.9.2012	10,808,331	-	10,808,331
ACCUMULATED AMORTISATION			
At 1.10.2010	(5,544,154)	(140,429)	(5,684,583)
Amortisation for the financial year	(530,203)	-	(530,203)
Reclassification to equipment	818,618	140,429	959,047
At 30.9.2011/1.10.2011	(5,255,739)	-	(5,255,739)
Amortisation for the financial year	(634,103)	-	(634,103)
At 30.9.2012	(5,889,842)	-	(5,889,842)

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****8. INTANGIBLE ASSETS (CONT'D)**

	INTELLECTUAL PROPERTIES RM	TECHNOLOGY AND LICENCE FEE RM	TOTAL RM
THE GROUP			
NET CARRYING AMOUNT At 30.9.2012	4,918,489	-	4,918,489
At 30.9.2011	4,106,642	-	4,106,642

The licence relates to production, manufacture and sales of "The Win Win Detective Cat" educational cartoon series in Malaysia.

Intellectual properties are in respect of the development of content for an educational software.

	INTELLECTUAL PROPERTIES	
	2012 RM	2011 RM
THE COMPANY		
At cost	200,700	200,700
Accumulated amortisation	(200,700)	(200,700)
Net carrying amount	-	-

9. GOODWILL ON CONSOLIDATION

	THE GROUP	
	2012 RM	2011 RM
At 1 October	292,853	292,853
Impairment loss on goodwill	-	-
At 30 September	292,853	292,853

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**
10. INVENTORIES

	THE GROUP	
	2012	2011
	RM	RM
At cost:-		
Finished goods	1,123,167	891,342

None of the inventories is carried at net realisable value.

11. TRADE RECEIVABLES

	THE GROUP	
	2012	2011
	RM	RM
Trade receivables	4,593,004	4,482,995
Allowance for impairment losses	(360,101)	(323,718)
	<u>4,232,903</u>	<u>4,159,277</u>
Allowance for impairment losses:-		
At 1 October	(323,718)	(287,034)
Addition during the financial year	(76,383)	(43,366)
Writeback during the financial year	40,000	6,682
At 30 September	<u>(360,101)</u>	<u>(323,718)</u>

The Group's normal credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Other receivables	3,032,694	1,534,623	-	91,254
Allowance for impairment losses	(50,669)	-	-	-
	<u>2,982,025</u>	<u>1,534,623</u>	<u>-</u>	<u>91,254</u>
Deposits	285,502	280,165	27,797	24,797
Prepayments	444,992	324,603	8,080	18,219
Recoverable expenses	29,925	260,350	-	-
	<u>3,742,444</u>	<u>2,399,741</u>	<u>35,877</u>	<u>134,270</u>
Allowance for impairment losses:-				
At 1 October	-	-	-	-
Addition during the financial year	(50,669)	-	-	-
At 30 September	<u>(50,669)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Included in other receivables is an amount of RM2,810,759 (2011 - RM1,149,106) which represents advances for the purpose of capital injection for future joint arrangements.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****13. AMOUNTS OWING BY/(TO) SUBSIDIARIES**

	THE COMPANY	
	2012 RM	2011 RM
Amount owing by:-		
Non-trade balances	10,223,984	7,167,720
Allowance for impairment losses	(7,989,855)	(7,167,277)
	<u>2,234,129</u>	<u>443</u>
Amount owing to:-		
Non-trade balances	(10,013,937)	(5,790,442)
Allowance for impairment losses:-		
At 1 October	(7,167,277)	(3,778,385)
Addition during the financial year	(822,578)	(3,388,892)
At 30 September	<u>(7,989,855)</u>	<u>(7,167,277)</u>

The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

14. AMOUNT OWING BY ASSOCIATES

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-trade balances	<u>591,432</u>	<u>-</u>	<u>585,000</u>	<u>-</u>

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012**
15. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.95% to 3.00% (2011 - 2.15% to 3.00%) per annum. The fixed deposits have maturity periods ranging from 1 to 12 months (2011 - 1 to 12 months).
- (b) Included in deposits with licensed banks of the Group at the end of the reporting period was an amount of RM1,654,449 (2011 - RM1,528,647) which had been pledged to a licensed bank as security for banking facilities granted to the Group.

16. SHARE CAPITAL

ORDINARY SHARES OF RM0.10 EACH:-	THE COMPANY			
	2012 Number Of Shares	2011	2012 RM	2011 RM
AUTHORISED	500,000,000	500,000,000	50,000,000	50,000,000
ISSUED AND FULLY PAID-UP				
At 1 October	367,033,333	318,100,000	36,703,333	31,810,000
Increase during the financial year	16,300,000	48,933,333	1,630,000	4,893,333
At 30 September	383,333,333	367,033,333	38,333,333	36,703,333

The Company increased its issued and paid-up share capital from RM36,703,333 to RM38,333,333 by the issuance of year 3 performance shares of 16,300,000 ordinary shares of RM0.10 each at par.

The new shares issued rank pari passu in all respects with the existing shares of the Company.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****17. RESERVES**

	Note	THE GROUP		THE COMPANY	
		2012 RM	2011 RM	2012 RM	2011 RM
Share premium	(a)	2,882,056	2,882,056	12,148,237	12,148,237
Reverse acquisition reserve	(b)	(18,570,000)	(18,570,000)	-	-
Capital redemption reserve	(c)	546,778	546,778	-	-
Contingent consideration reserve	(d)	-	978,000	-	978,000
Foreign exchange translation reserve	(e)	(252,826)	(119,566)	-	-
Accumulated losses		(8,014,023)	(7,866,210)	(35,754,794)	(33,285,065)
		<u>(23,408,015)</u>	<u>(22,148,942)</u>	<u>(23,606,557)</u>	<u>(20,158,828)</u>

(a) Share Premium

The share premium is not distributable by way of cash dividends and may be utilised only in the manner set out in Section 60(3) of the Companies Act, 1965.

(b) Reverse Acquisition Reserve

The reverse acquisition reserve represents the difference between the nominal value of Eduspec Sdn. Bhd. and the Company and the par value of the enlarged issued and paid up share capital of the Company of 275,000,000 shares after the acquisition to comply with the Malaysian Companies Act 1965.

(c) Capital Redemption Reserve

The capital redemption reserve represents the redemption of the redeemable preference shares.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012
17. RESERVES (CONT'D)**(d) Contingent Consideration Reserve**

The performance contingent consideration reserve represents the fair value of the consideration of shares based on the assumption that the profitability levels for the financial years ended 30 September 2009, 2010 and 2011 respectively are achieved in full and that the fair value of the consideration shares to be issued is at RM0.06 per share.

(e) Foreign Exchange Translation Reserve

The foreign exchange translation reserve represents exchange differences arising from the translation of the foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

18. HIRE PURCHASE PAYABLES

	THE GROUP	
	2012 RM	2011 RM
Minimum hire purchase payments:		
- not later than one year	21,444	18,180
- later than one year and not later than five years	64,256	50,160
	85,700	68,340
Less: Future finance charges	(9,838)	(9,388)
Present value of hire purchase payables	75,862	58,952
The net hire purchase payables are repayable as follows:-		
Current:		
- not later than one year	17,796	13,336
Non-current:		
- later than one year and not later than five years	58,066	45,616
	75,862	58,952

The hire purchase payables of the Group bore effective interest rates ranging from 5.60% to 6.52% (2011 - 5.28% to 6.13%) per annum at the end of the reporting period.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****19. DEFERRED TAXATION**

	THE GROUP	
	2012 RM	2011 RM
At 1 October	661,264	591,298
Recognised in profit or loss (Note 25)	(50,924)	69,966
At 30 September	<u>610,340</u>	<u>661,264</u>

The components of deferred tax assets and deferred tax liability are as follows:-

	THE GROUP	
	2012 RM	2011 RM
Deferred tax liability:-		
Accelerated capital allowances	613,568	677,963
Deferred tax assets:-		
Unabsorbed capital allowances	(2,044)	(10,256)
Unutilised tax losses	(1,184)	(6,443)
	<u>610,340</u>	<u>661,264</u>

20. TRADE PAYABLES

The normal credit terms granted to the Group range from 30 to 60 days.

21. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Other payables	2,258,655	1,164,749	400,368	98,676
Accruals	1,945,654	2,064,850	373,432	368,627
Deposits received	21,233	8,835	-	-
Deferred revenue	279,480	150,064	-	-
	<u>4,505,022</u>	<u>3,388,498</u>	<u>773,800</u>	<u>467,303</u>

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012
22. BANK OVERDRAFTS

The bank overdrafts of the Group bore effective interest rates ranging from 8.10% to 8.60% (2011 - 8.10% to 8.60%) per annum at the end of the reporting period and are secured by:-

- (i) a pledge of the fixed deposits of certain subsidiaries;
- (ii) a joint and several guarantee of certain directors of the Group; and
- (iii) a corporate guarantee of a subsidiary.

23. REVENUE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Activity income	3,191,658	2,600,534	-	-
Computer maintenance	408,759	244,881	-	-
Rental of computer	-	1,049	-	-
Royalty income	219,937	-	-	-
Sale of goods	6,708,321	6,122,164	-	-
School fees	18,657,358	18,956,558	-	-
	<u>29,186,033</u>	<u>27,925,186</u>	<u>-</u>	<u>-</u>

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****24. PROFIT/(LOSS) BEFORE TAXATION**

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(Loss) before taxation is arrived at after charging/(crediting):-				
Amortisation of intangible assets	634,103	530,203	-	-
Audit fee:				
- for the financial year	239,832	231,827	81,500	81,500
- (over)/underprovision in the previous financial year	(1,250)	1,696	-	-
Depreciation of equipment	1,700,222	1,979,003	16,948	16,022
Directors' fees	210,000	210,000	72,000	72,000
Directors' non-fee emoluments:				
- salaries, bonus and allowances	479,503	494,918	264,000	288,640
- defined contribution plan	31,680	31,680	31,680	31,680
- other benefits	1,240	1,240	1,240	1,240
Equipment written off	-	66,712	-	-
Impairment loss on:				
- trade receivables	76,383	43,366	-	-
- other receivables	50,669	-	-	-
- amount owing by subsidiaries	-	-	822,578	3,388,892
Interest expense:				
- bank overdrafts	122,036	79,156	-	-
- hire purchase	3,274	2,385	-	-
Inventories written off	1,974	5,044	-	-
(Gain)/Loss on foreign exchange:				
- realised	(1,422)	16	-	-
- unrealised	(171,472)	(153,599)	-	(78,524)
Rental expenses	3,006,197	2,027,830	104,231	85,050
Staff costs:				
- salaries, wages, bonus and allowances	8,659,528	8,829,765	1,086,045	937,360
- defined contribution plan	1,029,432	913,948	132,551	90,545
- other benefits	901,590	910,033	61,389	44,378
Gain on disposal of equipment	(9,877)	(49,603)	-	-
Interest income	(55,639)	(36,228)	-	-
Rental income	(21,121)	(16,072)	-	-
Share of results in associates	(54,404)	-	-	-
Writeback of allowance for slow-moving inventories	-	(7,933)	-	-
Writeback of impairment loss on trade receivables	(40,000)	(6,682)	-	-

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012
25. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax expense:				
- for the financial year	191,039	283,047	-	-
- under/(over)provision in the previous financial year	12,512	(25,983)	-	-
	<u>203,551</u>	<u>257,064</u>	<u>-</u>	<u>-</u>
Deferred tax expense (Note 19):				
- for the financial year	(58,333)	42,106	-	-
- underprovision in the previous financial year	7,409	27,860	-	-
	<u>(50,924)</u>	<u>69,966</u>	<u>-</u>	<u>-</u>
Tax for the financial year	<u>152,627</u>	<u>327,030</u>	<u>-</u>	<u>-</u>

During the financial year, the statutory tax rate remained at 25%.

A subsidiary of the Company has been granted the MSC Malaysia Status, which qualifies the subsidiary for the Pioneer Status incentive under the Promotion of Investments Act 1986. The subsidiary will enjoy full exemption from income tax on its statutory income from pioneer activities for five years from 1 October 2010 to 30 September 2015.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****25. INCOME TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit/(Loss) before taxation	653,429	816,780	(1,817,729)	(5,182,013)
Tax at the statutory tax rate of 25%	163,357	204,195	(454,432)	(1,295,503)
Tax effects of:-				
Share of results in associates	(13,601)	-	-	-
Non-deductible expenses	245,484	74,348	241,508	877,947
Non-taxable income	(2,150)	(93,597)	-	-
Utilisation of unabsorbed business losses and capital allowances brought forward	(21,082)	(17,767)	-	-
Income tax exempted from tax due to pioneer status	(672,713)	(735,349)	-	-
Deferred tax assets not recognised during the financial year	433,411	893,323	212,924	417,556
Under/(Over)provision in the previous financial year				
- current tax	12,512	(25,983)	-	-
- deferred tax	7,409	27,860	-	-
Tax for the financial year	152,627	327,030	-	-

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****25. INCOME TAX EXPENSE (CONT'D)**

Subject to agreement of the tax authorities, at the end of the reporting period, the Group and the Company have unutilised tax losses and unabsorbed capital allowances available to be carried forward for offset against future taxable business income as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Accelerated capital allowances	(119,366)	(134,040)	(18,136)	(16,292)
Unutilised tax losses	28,703,443	28,610,681	10,277,638	9,452,698
Unabsorbed capital allowances	2,540,307	998,428	80,783	52,182
Other	28,700	28,700	-	-
Total	<u>31,153,084</u>	<u>29,503,769</u>	<u>10,340,285</u>	<u>9,488,588</u>

No deferred tax assets are recognised on these items.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****26. EARNINGS PER SHARE**

	THE GROUP	
	2012	2011
Basic earnings per share		
Profit attributable to owners of the Company (RM)	504,187	324,210
Weighted average number of ordinary shares:-		
At 1 October	367,033,333	318,100,000
Effects of new ordinary shares issued	-	639,269
Effects of contingent shares issued	3,651,913	10,471,233
At 30 September	370,685,246	329,210,502
Basic earnings per share (sen)	0.14	0.10
Diluted earnings per share		
Profit attributable to owners of the Company (RM)	504,187	324,210
Weighted average number of ordinary shares for basic earnings per share	370,685,246	329,210,502
Effect of dilution:		
- contingent issued shares	16,300,000	15,600,000
Weighted average number of ordinary shares for diluted earnings per share computation	386,985,246	344,810,502
Diluted earnings per share (sen)	0.13	0.09

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****27. PURCHASE OF EQUIPMENT**

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Cost of equipment purchased	1,473,603	1,439,764	11,736	25,853
Amount financed through hire purchase	(33,000)	(60,000)	-	-
Cash disbursed for purchase of equipment	<u>1,440,603</u>	<u>1,379,764</u>	<u>11,736</u>	<u>25,853</u>

28. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed deposits with licensed banks (Note 15)	1,753,789	1,937,987	-	-
Cash and bank balances	1,753,088	2,638,347	33,734	36,597
Bank overdrafts (Note 22)	(1,666,379)	(1,737,798)	-	-
	<u>1,840,498</u>	<u>2,838,536</u>	<u>33,734</u>	<u>36,597</u>

29. OPERATING LEASE COMMITMENTS

The future minimum payments under the non-cancellable operating leases are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Not more than one year	1,685,303	1,665,877	88,512	86,940
Later than one year and not later than five years	876,891	1,272,820	7,245	101,430
Later than five years	-	369,600	-	-
	<u>2,562,194</u>	<u>3,308,297</u>	<u>95,757</u>	<u>188,370</u>

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****30. DIRECTORS' REMUNERATION**

- (a) The aggregate amounts of emoluments received and receivable by the directors of the Group and of the Company during the financial year are as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors:				
- non-fee emoluments	512,423	527,838	296,920	321,560
- fees	138,000	138,000	-	-
Non-executive directors:				
- fees	72,000	72,000	72,000	72,000
	<u>722,423</u>	<u>737,838</u>	<u>368,920</u>	<u>393,560</u>

- (b) The number of directors of the Group and of the Company whose total remuneration received or receivable for the financial year in bands of RM50,000 are as follows:-

	THE GROUP		THE COMPANY	
	2012 No.	2011 No.	2012 No.	2011 No.
Executive directors:-				
Below RM50,000	-	-	-	-
RM50,001 to RM100,000	-	-	-	-
RM100,001 to RM150,000	-	-	1	1
RM150,001 to RM200,000	1	1	1	1
RM200,001 to RM250,000	-	-	-	-
RM500,001 to RM550,000	1	1	-	-
Non-executive directors:-				
Below RM50,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****31. OPERATING SEGMENTS**

The following is an analysis of the Group's geographical segments:-

	MALAYSIA RM	SINGAPORE RM	GROUP RM
2012			
Revenue			
External revenue	28,879,365	306,668	29,186,033
Inter-segment revenue	7,645,982	-	7,645,982
	<u>36,525,347</u>	<u>306,668</u>	<u>36,832,015</u>
Adjustments and eliminations			(7,645,982)
Consolidated revenue			<u>29,186,033</u>
Results			
Segment results			603,025
Interest income			55,639
Depreciation of equipment			(1,700,222)
			<u>(1,041,558)</u>
Adjustments and eliminations			1,765,893
			<u>724,335</u>
Finance costs			(125,310)
Share of results in associate			54,404
			<u>653,429</u>
Profit before taxation			(152,627)
Income tax expense			
Profit after taxation			<u>500,802</u>

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****31. OPERATING SEGMENTS (CONT'D)**

	MALAYSIA RM	SINGAPORE RM	GROUP RM
2012			
Assets			
Segment assets	50,921,931	3,912,895	54,834,826
Adjustments and eliminations			(31,729,286)
			<u>23,105,540</u>
Liabilities			
Segment liabilities	(16,356,676)	(1,288,138)	(17,644,814)
Deferred taxation			(610,340)
Provision for taxation			(1,389)
			<u>(18,256,543)</u>
Adjustments and eliminations			10,256,318
			<u>(8,000,225)</u>
2011			
Revenue			
External revenue	27,925,186	-	27,925,186
Inter-segment revenue	7,232,420	-	7,232,420
	<u>35,157,606</u>	-	<u>35,157,606</u>
Adjustments and eliminations			(7,232,420)
Consolidated revenue			<u>27,925,186</u>

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****31. OPERATING SEGMENTS (CONT'D)**

	MALAYSIA RM	SINGAPORE RM	GROUP RM
Results			
Segment results	134,759	(776,239)	(641,480)
Interest income	36,228	-	36,228
Depreciation of equipment	(1,916,385)	(62,618)	(1,979,003)
	(1,745,398)	(838,857)	(2,584,255)
Adjustments and eliminations			3,482,576
			898,321
Finance costs			(81,541)
			816,780
Profit before taxation			(327,030)
Income tax expense			489,750
Profit after taxation			
Assets			
Segment assets	47,357,747	1,923,481	49,281,228
Adjustments and eliminations			(28,141,798)
			21,139,430
Liabilities			
Segment liabilities	(11,114,796)	(400,861)	(11,515,657)
Deferred taxation			(661,264)
Provision for taxation			(16,534)
			(12,193,455)
Adjustments and eliminations			5,791,798
			(6,401,657)

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****32. RELATED PARTY DISCLOSURES**

(a) Identities of related parties

- (i) its subsidiaries as disclosed in Note 5 to the financial statements;
- (ii) an entity controlled certain key management personnel, directors and/or substantial shareholders; and
- (iii) the directors who are the key management personnel.

- (b) In addition to the information disclosed elsewhere in the financial statements, the Company carried out the following significant transactions with the related parties during the financial year:-

	2012 RM	2011 RM
Management fees receivable from subsidiaries	1,590,000	516,000

(c) Key Management Personnel

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	722,423	737,838	368,920	393,560

Key management personnel comprise executive and non-executive directors of the Group who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

(d) Contingent Liability

	THE COMPANY	
	2012 RM	2011 RM
Undertaking of advances of a subsidiary	2,753,311	-

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

33. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial Risk Management Policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily Singapore Dollar and United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****33. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(i) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency is as follows:-

THE GROUP	SINGAPORE DOLLAR RM	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
2012				
Financial Assets				
Trade receivables	-	-	4,232,903	4,232,903
Other receivables and deposits	176,859	2,760,090	360,503	3,297,452
Amount owing by associates	-	-	591,432	591,432
Fixed deposits with licensed banks	-	-	1,753,789	1,753,789
Cash and bank balances	15,656	-	1,737,432	1,753,088
	192,515	2,760,090	8,676,059	11,628,664
Financial Liabilities				
Trade payables	-	-	1,141,233	1,141,233
Other payables and accruals	335,647	-	4,169,375	4,505,022
Hire purchase payables	-	-	75,862	75,862
Bank overdrafts	-	-	1,666,379	1,666,379
	335,647	-	7,052,849	7,388,496
Net financial assets/(liabilities)	(143,132)	2,760,090	1,623,210	4,240,168
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	143,132	-	(1,623,210)	(1,480,078)
Net currency exposure	-	2,760,090	-	2,760,090

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012
33. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****(i) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

THE GROUP	SINGAPORE DOLLAR RM	UNITED STATES DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
2011				
Financial Assets				
Trade receivables	-	-	4,159,277	4,159,277
Other receivables and deposits	232,054	650,260	1,192,824	2,075,138
Fixed deposits with licensed banks	-	-	1,937,987	1,937,987
Cash and bank balances	48,519	-	2,589,828	2,638,347
	280,573	650,260	9,879,916	10,810,749
Financial Liabilities				
Trade payables	-	-	538,611	538,611
Other payables and accruals	400,861	-	2,987,637	3,388,498
Hire purchase payables	-	-	58,952	58,952
Bank overdrafts	-	-	1,737,798	1,737,798
	400,861	-	5,322,998	5,723,859
Net financial assets/(liabilities)	(120,288)	650,260	4,556,918	5,086,890
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	120,288	-	(4,556,918)	(4,436,630)
Net currency exposure	-	650,260	-	650,260

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****33. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(i) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

THE COMPANY	SINGAPORE DOLLAR RM	RINGGIT MALAYSIA RM	TOTAL RM
2012			
Financial Assets			
Deposits	-	27,797	27,797
Amount owing by subsidiaries	915,865	1,318,264	2,234,129
Amount owing by associates	-	585,000	585,000
Cash and bank balances	-	33,734	33,734
	915,865	1,964,795	2,880,660
Financial Liabilities			
Other payables and accruals	-	773,800	773,800
Amount owing to subsidiaries	-	10,013,937	10,013,937
	-	10,787,737	10,787,737
Net financial (liabilities)/assets	915,865	(8,822,942)	(7,907,077)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	(915,865)	8,822,942	7,907,077
Net currency exposure	-	-	-

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****33. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(i) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

	RINGGIT MALAYSIA TOTAL RM
THE COMPANY	
2011	
Financial Assets	
Other receivables and deposits	116,051
Amount owing by subsidiaries	443
Cash and bank balances	36,597
	153,091
Financial Liabilities	
Other payables and accruals	467,303
Amount owing to subsidiaries	5,790,442
	6,257,745
Net financial (liabilities)/assets	(6,104,654)
Less: Net financial liabilities denominated in the respective entities' functional currencies	6,104,654
Net currency exposure	-

The Company had fully impaired its foreign subsidiaries in the previous financial year. Hence, the Company was not exposed to foreign currency risk on transactions and balances denominated in currencies other than Ringgit Malaysia.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012
33. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****(i) Market Risk (Cont'd)***(i) Foreign Currency Risk (Cont'd)*Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	THE GROUP		THE COMPANY	
	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM	2012 Increase/ (Decrease) RM	2011 Increase/ (Decrease) RM
Effects on profit after taxation and equity				
Singapore Dollar:				
- strengthened by 10%	10,735	(9,022)	68,690	-
- weakened by 10%	(10,735)	9,022	(68,690)	-
United States Dollar:				
- strengthened by 10%	207,007	48,770	-	-
- weakened by 10%	(207,007)	(48,770)	-	-

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****(i) Market Risk (Cont'd)****(ii) Interest Rate Risk (Cont'd)**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis on a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	THE GROUP	
	2012	2011
	Increase/ (Decrease)	Increase/ (Decrease)
	RM	RM
Effects on profit after taxation and equity		
<i>Increase of 100 basis points (bp)</i>	874	2,002
<i>Decrease of 100 bp</i>	(874)	(2,002)

(iii) Equity Price Risk

The Group and the Company do not have any quoted investments and hence is not exposed to equity price risk.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****(ii) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

Exposure to credit risk

The Group does not have exposure to international credit risk as the entire trade receivables are concentrated in Malaysia.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS**FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****33. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(ii) Credit Risk (Cont'd)**Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the reporting period is as follows:-

	GROSS AMOUNT RM	INDIVIDUAL IMPAIRMENT RM	CARRYING VALUE RM
2012			
Not past due	1,986,932	-	1,986,932
Past due			
- Past due within 30 days	267,705	-	267,705
- Past due 31 - 60 days	342,265	-	342,265
- Past due 61 - 90 days	531,740	-	531,740
- Past due more than 90 days	1,464,362	(360,101)	1,104,261
	2,606,072	(360,101)	2,245,971
	4,593,004	(360,101)	4,232,903
2011			
Not past due	2,016,065	-	2,016,065
Past due			
- Past due within 30 days	447,286	-	447,286
- Past due 31 - 60 days	759,405	-	759,405
- Past due 61 - 90 days	223,605	(29,133)	194,472
- Past due more than 90 days	1,036,634	(294,585)	742,049
	2,466,930	(323,718)	2,143,212
	4,482,995	(323,718)	4,159,277

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(ii) Credit Risk (Cont'd)

Ageing analysis (Cont'd)

Trade receivables that are past due and impaired

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are substantially companies with good collection track record and no recent history of default.

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012
33. FINANCIAL INSTRUMENTS (CONT'D)**(a) Financial Risk Management Policies (Cont'd)****(iii) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM
THE GROUP					
2012					
Trade payables	-	1,141,233	1,141,233	1,141,233	-
Other payables and accruals	-	4,505,022	4,505,022	4,505,022	-
Hire purchase payables	5.61	75,862	85,700	21,444	64,256
Bank overdrafts	8.35	1,666,379	1,666,379	1,666,379	-
		7,388,496	7,398,334	7,334,078	64,256

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****33. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Risk Management Policies (Cont'd)****(iii) Liquidity Risk (Cont'd)**

	WEIGHTED AVERAGE EFFECTIVE RATE %	CARRYING AMOUNT RM	CONTRACTUAL UNDISCOUNTED CASH FLOWS RM	WITHIN 1 YEAR RM	1 - 5 YEARS RM
THE GROUP					
2011					
Trade payables	-	538,611	538,611	538,611	-
Other payables and accruals	-	3,388,498	3,388,498	3,388,498	-
Hire purchase payables	5.31	58,952	68,340	18,180	50,160
Bank overdrafts	8.18	1,737,798	1,737,798	1,737,798	-
		<u>5,723,859</u>	<u>5,733,247</u>	<u>5,683,087</u>	<u>50,160</u>
THE COMPANY					
2012					
Other payables and accruals	-	773,800	773,800	773,800	-
Amount owing to subsidiaries	-	10,013,937	10,013,937	10,013,937	-
		<u>10,787,737</u>	<u>10,787,737</u>	<u>10,787,737</u>	<u>-</u>
2011					
Other payables and accruals	-	467,303	467,303	467,303	-
Amount owing to subsidiaries	-	5,790,442	5,790,442	5,790,442	-
		<u>6,257,745</u>	<u>6,257,745</u>	<u>6,257,745</u>	<u>-</u>

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)**(b) Capital Risk Management**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:-

	THE GROUP	
	2012 RM	2011 RM
Trade payables	1,141,233	538,611
Other payables and accruals	4,505,022	3,388,498
Hire purchase payables	75,862	58,952
Bank overdrafts	1,666,379	1,737,798
	<u>7,388,496</u>	<u>5,723,859</u>
Less: Fixed deposits with licensed banks	(1,753,789)	(1,937,987)
Less: Cash and bank balances	(1,753,088)	(2,638,347)
Total net debt	<u>3,881,619</u>	<u>1,147,525</u>
Total equity	<u>14,925,318</u>	<u>14,554,391</u>
Debt-to-equity ratio	<u>0.26</u>	<u>0.08</u>

Under the requirement of Bursa Malaysia Guidance Note No. 3/2006, the Company is required to maintain its shareholders' equity equal to or not less than the 25% of the issued and paid-up share capital (excluding treasury shares) of the Company. The Company has complied with this requirement.

EDUSPEC HOLDINGS BERHAD(Incorporated in Malaysia)
Company No : 646756 - X**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012****33. FINANCIAL INSTRUMENTS (CONT'D)****(c) Classification Of Financial Instruments**

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Financial Assets				
<u>Loans and receivables financial assets</u>				
Trade receivables	4,232,903	4,159,277	-	-
Other receivables and deposits	3,297,452	2,075,138	27,797	116,051
Amount owing by subsidiaries	-	-	2,234,129	443
Amount owing by associates	591,432	-	585,000	-
Fixed deposits with licensed banks	1,753,789	1,937,987	-	-
Cash and bank balances	1,753,088	2,638,347	33,734	36,597
	11,628,664	10,810,749	2,880,660	153,091
Financial Liabilities				
<u>Other financial liabilities</u>				
Trade payables	1,141,233	538,611	-	-
Other payables and accruals	4,505,022	3,388,498	773,800	467,303
Amount owing to subsidiaries	-	-	10,013,937	5,790,442
Hire purchase payables	75,862	58,952	-	-
Bank overdrafts	1,666,379	1,737,798	-	-
	7,388,496	5,723,859	10,787,737	6,257,745

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair Values Of Financial Instruments

The following summarises the methods used to determine the fair values of the financial instruments:-

- (i) The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of these financial instruments.
- (ii) The fair value of hire purchase payables is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period. There is no material difference between the fair values and the carrying values of these liabilities as at the end of the reporting period.

(e) Fair Value Hierarchy

The fair values of the financial assets and liabilities are analysed into level 1 to 3 as follows:-

- Level 1: Fair value measurements derive from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements derive from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair value measurements derive from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 September 2012, there were no financial instruments carried at fair values.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)

Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Setting up of a joint venture company

On 5 July 2012, the Company announced the establishment of a joint venture company under the name of First Eduspec Inc., by its wholly-owned subsidiary, Eduspec Pte Ltd. First Eduspec Inc. is incorporated in the Philippines with an issued and paid-up share capital of five million Philippine Pesos (P5,000,000) divided into 50,000 shares of one hundred Philippine Pesos (P100.00) each at par. As at 30 September 2012, Eduspec Pte Ltd's equity interest in First Eduspec Inc. is 39.996% or 19,998 shares.

EDUSPEC HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No : 646756 - X

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

35. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the accumulated losses of the Group and of the Company as at the end of the reporting period into realised and unrealised losses are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	THE GROUP		THE COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Total accumulated losses				
- realised	(7,322,329)	(7,238,979)	(35,754,794)	(33,363,589)
- unrealised	(691,694)	(627,231)	-	78,524
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September	(8,014,023)	(7,866,210)	(35,754,794)	(33,285,065)
	<hr/>	<hr/>	<hr/>	<hr/>

UNAUDITED FINANCIAL STATEMENTS OF OUR GROUP FOR THE NINE (9) MONTHS FPE 30 JUNE 2013

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR 3RD QUARTER ENDED 30 JUNE 2013

	INDIVIDUAL QUARTER		YEAR TO DATE	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR	PRECEDING YEAR
	30/6/2013 RM('000)	30/6/2012 RM('000)	30/6/2013 RM('000)	30/6/2012 RM('000)
REVENUE	9,961	9,681	22,338	22,140
COST OF SALES	(2,956)	(3,181)	(8,046)	(8,171)
GROSS PROFIT	7,005	6,500	14,292	13,969
OTHER INCOME	621	1,070	1,233	1,891
	7,626	7,570	15,525	15,860
ADMINISTRATIVE EXPENSES	(4,092)	(4,068)	(12,238)	(12,165)
SELLING AND DISTRIBUTION EXPENSES	(565)	(563)	(1,373)	(1,333)
OTHER EXPENSES	(775)	(663)	(2,219)	(1,660)
FINANCE COSTS	(70)	(27)	(182)	(95)
SHARE OF RESULTS IN ASSOCIATES	52	-	53	-
PROFIT/ (LOSS) BEFORE TAXATION	2,176	2,249	(434)	607
INCOME TAX EXPENSES	(6)	(64)	(18)	(96)
PROFIT/ (LOSS) AFTER TAXATION	2,170	2,185	(452)	511
OTHER COMPREHENSIVE INCOME, NET OF TAX - FOREIGN CURRENCY TRANSLATION	(60)	(149)	(31)	(149)
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL PERIOD	2,110	2,036	(483)	362
PROFIT/ (LOSS) AFTER TAXATION ATTRIBUTED TO:				
Owners of the company	2,160	2,177	(447)	503
Minority Interest	10	8	(5)	8
	2,170	2,185	(452)	511
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the company	2,100	2,028	(478)	354
Minority Interest	10	8	(5)	8
	2,110	2,036	(483)	362
EARNINGS PER SHARE (SEN)				
(a) Basic				
* based on weighted average number of ordinary shares of 383,333,333 shares.	0.56 *		(0.12) *	
** based on weighted average number of ordinary shares of 367,033,333 shares.		0.59 **		0.14 **
(b) Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements of Eduspec Holdings Berhad for the financial year ended 30 September 2012)

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	(Unaudited) 30-Jun-13 RM('000)	Audited 30-Sep-12 RM('000)
ASSETS		
NON-CURRENT ASSETS		
Equipment	7,874	3,997
Goodwill on consolidation	293	293
Investment in associates	278	225
Intangible assets	1,787	4,918
	<u>10,232</u>	<u>9,433</u>
CURRENT ASSETS		
Inventories	1,542	1,123
Trade receivables	4,985	4,233
Other receivables, deposits and prepayments	6,068	3,742
Amount owing by associates	803	591
Tax recoverable	726	476
Fixed deposits with licensed banks	1,804	1,754
Cash and bank balances	780	1,753
	<u>16,708</u>	<u>13,672</u>
TOTAL ASSETS	<u>26,940</u>	<u>23,105</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	38,333	38,333
Reserves	(23,886)	(23,408)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>14,447</u>	<u>14,925</u>
MINORITY INTERESTS	175	180
TOTAL EQUITY	<u>14,622</u>	<u>15,105</u>
NON-CURRENT LIABILITIES		
Hire purchase payables	-	58
Deferred Taxation	610	610
Term loan	1,469	-
	<u>2,079</u>	<u>668</u>
CURRENT LIABILITIES		
Trade payables	923	1,142
Other payables and accruals	4,995	4,505
Hire purchase payables	61	18
Term loan	2,589	-
Bank overdrafts	1,671	1,666
Provision for taxation	-	1
	<u>10,239</u>	<u>7,332</u>
TOTAL LIABILITIES	<u>12,318</u>	<u>8,000</u>
TOTAL EQUITY AND LIABILITIES	<u>26,940</u>	<u>23,105</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	3.8 *	4.0 **

* based on weighted average number of ordinary shares of 383,333,333 shares.

** based on weighted average number of ordinary shares of 370,685,246 shares.

Note: Following the reverse acquisition, the current year balance sheet is prepared using Reverse Acquisition Accounting principles.

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the
Audited Financial Statements of Eduspec Holdings Berhad for the financial year ended 30 September 2012)

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR 3RD QUARTER ENDED 30 JUNE 2013

(The figures have not been audited)

	Share Capital RM('000)	Share Premium RM('000)	Reverse Acquisition Reserve RM('000)	Capital Redemption Reserve RM('000)	Contingent Consideration Reserve RM('000)	Foreign Exchange Translation Reserve RM('000)	Retained Profits/ (Accumulated Loss) RM('000)	Total RM('000)	Minority Interest RM('000)	Total RM('000)
3rd Quarter ended 30 June 2013										
Balance at 1 April 2013	38,333	2,882	(18,570)	547	-	(224)	(10,621)	12,347	165	12,512
Total comprehensive income for the quarter	-	-	-	-	-	(60)	2,160	2,100	10	2,110
Balance at 30 June 2013	38,333	2,882	(18,570)	547	-	(284)	(8,461)	14,447	175	14,622
2nd Quarter ended 31 March 2013										
Balance at 1 January 2013	38,333	2,882	(18,570)	547	-	(256)	(10,657)	12,279	159	12,438
Total comprehensive income for the quarter	-	-	-	-	-	32	36	68	6	74
Balance at 31 March 2013	38,333	2,882	(18,570)	547	-	(224)	(10,621)	12,347	165	12,512
1st Quarter ended 31 December 2012										
Balance at 1 October 2012	38,333	2,882	(18,570)	547	-	(253)	(8,014)	14,925	180	15,105
Total comprehensive income for the quarter	-	-	-	-	-	(3)	(2,643)	(2,646)	(21)	(2,667)
Balance at 31 December 2012	38,333	2,882	(18,570)	547	-	(256)	(10,657)	12,279	159	12,438
Year ended 30 September 2012 (Audited)										
Balance at 1 October 2011	36,703	2,882	(18,570)	547	978	(120)	(7,866)	14,554	183	14,737
Realisation pursuant to performance shares consideration	1,630	-	-	-	(978)	-	(652)	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(133)	504	371	(3)	368
Balance at 30 September 2012	38,333	2,882	(18,570)	547	-	(253)	(8,014)	14,925	180	15,105

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER 1 APRIL 2013 TO 30 JUNE 2013

(The figures have not been audited)

	(Unaudited) CURRENT YEAR QUARTER 30-Jun-13	(Unaudited) PRECEDING YEAR QUARTER 30-Jun-12 RM('000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) Before Taxation	2,176	2,249
Adjustments for:		
Amortisation of development costs	305	180
Depreciation of Plant and equipment	470	483
Gain/ loss on disposal of plant and equipment	-	3
Share of profits of associated company	(52)	-
Operating profit before working capital changes	2,899	2,915
(Increase)/ decrease in inventories	(155)	(50)
(Increase)/ decrease in trade and other receivables	(3,354)	(2,277)
Increase/ (decrease) in trade and other payables	1,259	540
CASH FROM/ (USED IN) OPERATIONS	649	1,128
Income tax paid	(90)	(121)
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	559	1,007
CASH FLOWS FROM INVESTING ACTIVITIES		
Development costs incurred, net	(1,480)	(476)
Purchase of plant and equipment	(199)	(237)
Advances to associates	(93)	-
NET CASH FROM/ (FOR) INVESTING ACTIVITIES	(1,772)	(713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Term loan drawdown	1,279	-
Repayment of Hire Purchase	(7)	(4)
NET CASH FROM/ (FOR) FINANCING ACTIVITIES	1,272	(4)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	59	290
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL QUARTER	914	1,489
EFFECTS OF FOREIGN CURRENCY EXCHANGE	(60)	(198)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL QUARTER	913	1,581
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL QUARTER: -		
	RM('000)	RM('000)
Fixed deposits with a licenced bank	1,804	1,698
Cash and bank balances	780	1,700
Bank Overdraft	(1,671)	(1,817)
	913	1,581

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 3rd quarter ended 30 June 2013

NOTES

A EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

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

The interim financial statements are unaudited and have been prepared in compliance with FRS 134: "Interim Financial Reporting" and Rule 9.22 (2) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the period ended 30 September 2012. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the period ended 30 September 2012.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those of the audited financial statements for the period ended 30 September 2012.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial period ended 30 September 2012 was not subject to any qualification.

A3 Seasonal or cyclical factors

The major significant business contributions are from the Malaysia Information Technology (IT) learning market. As the renewal/award of contracts typically corresponds to the Malaysian academic year, the business is not subject to any other material seasonal and cyclical factors.

The renewal/award of contracts for the Singapore E-learning market typically corresponds to the Singaporean academic year. Save for this and as mentioned above, the Group's business is not subject to any other material seasonal and/or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Company since the last annual audited financial statements.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which may have a material effect in the current financial quarter.

A6- Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A7 Dividend paid

There were no dividends paid during the current financial quarter.

A8 Segment Reporting

The principal businesses of the Group are the development and provision of IT learning products and services, which are substantially within a single business segment and therefore, business segment reporting is deemed not necessary.

Segmental revenue and results in geographical areas of the Group for the current year to date are as follows : -

CURRENT YEAR TO DATE 30 JUNE 2013				
	Revenue	Results		
		Profit/ (Loss) before tax for the period	Less: Taxation	Net Profit/ (Loss) for the period
	Revenue RM('000)	RM('000)	RM('000)	RM('000)
Malaysia	22,298	333	(18)	315
Singapore	40	(767)	-	(767)
	22,338	(434)	(18)	(452)

A9 Valuation of property, plant and equipment

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have effect in the current financial quarter under review.

A10 Material events subsequent to the end of the quarter

There are no material events subsequent to the end of the quarter.

A11 Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter.

A12 Contingent liabilities

There were no material contingent liabilities as at the date of this announcement.

A13 Capital commitments

There were no capital commitments as at the date of this announcement.

A14 Significant related party transactions

There were no significant related party transactions as at the date of this announcement.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET

B1 Review of performance

Revenue of the EHB Group mainly consists of fees from the provision of IT literacy courses, complementary business activities and sale of related products. The following are the comparison between revenue for the quarter and the corresponding quarter of the preceding year: -

			Individual Quarter		Increase/ decrease
			Current Year	Preceding Year	
			Quarter	Corresponding Quarter	
Revenue comparison			RM'000	RM'000	RM'000
Complementary business activities			1,776	1,714	62
Sale of goods			2,593	2,541	52
Fees from IT literacy courses			5,592	5,426	166
			9,961	9,681	280

For the current quarter under review, the Group's revenue increased by 2.9% to RM9.961 million from RM9.681 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities increased by 3.6% from RM1.714 million to RM1.776 million reported in the previous year's corresponding quarter. The increase in net revenue from complementary business activities was due to higher enrollment in robotic competition and ICT learning intensive course.

The income from sale of goods increased slightly to RM2.593 million from RM2.541 million reported in the previous year corresponding quarter. The increased was mainly due to the sales of computer and peripherals.

The fees from IT literacy courses increased to RM5.592 million from RM5.426 million reported in the previous year's corresponding quarter due mainly to the billing in a new school secured for digital school and IT literacy courses.

Other expenses of the group consist of depreciation of plant and equipment and amortization of development costs. Other expenses of current quarter have increased due to the additional amortization cost pertaining to previous year's projects.

Finance cost had increased compare to the previous year's corresponding quarter. The increased was mainly due to the cost of additional bank overdraft and term loan utilized in the quarter.

B2 Variation of results against preceding quarter

The profit before tax for the quarter amounted to RM2.176 million which is about RM2.127 million better than the profit before tax of the immediate preceding quarter. The result of the quarter is better compared to immediate preceding quarter due to higher revenue and lower cost of sales.

B3 Prospects

EHB Group continues to participate in the tendering process for E-learning contracts by the ministries of education in the region.

As the Group has extended its presence in Indonesia, Vietnam and Philippines, the Group intends to continue to grow its products and services in this market. The Group expects to achieve higher revenue contribution from such overseas ventures.

The Group also intends to continue to invest in its R&D to improve on its existing products and services, and to also add

more products and services to schools in the region.

The Group notes that the governments of several developed countries have transformed their education policy for K-12 segment (Kindergarten to year-12 of school education), encouraging private sectors to be more involved in the public school education. The Group identifies this to be an opportunity and will continue to deliberate further on this matter.

The education sector remains competitive. The Board will, however, continue with its effort to improve the performance of the Group.

B4 Profit forecast, profit guarantee and internal targets

There is no profit forecast, profit guarantee or internal targets made public for the financial quarter ended 30 June 2013.

B5 Taxation

Open Academic Systems Sdn Bhd, a wholly-owned subsidiary of EHB, was accorded MSC status by the MDeC and in connection therewith, was awarded the Pioneer Status incentives which allows the Company to enjoy tax exemption on pioneer income for an effective period of 5 years ended on 28 July 2009. Open Academic Systems Sdn Bhd later successfully obtained extension for another 5 years for the Pioneer Status until 27 July 2014.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30/6/2013	30/6/2012	30/6/2013	30/6/2012
	RM'000	RM'000	RM'000	RM'000
Taxation	(6)	(64)	(18)	(96)

B6 Status of corporate proposals

Save as disclosed below and in note A10, there were no corporate proposals announced but not completed as at the date of this announcement.

On 20 December 2012, the Company announced that the Company proposed to undertake the following:

- (i) proposed acquisition by Eduspec of one hundred thousand (100,000) ordinary shares of RM1.00 each in Multiple Technology MSC Sdn Bhd ("MTM") ("MTM Share(s)") representing 100% of the issued and paid-up share capital of MTM ("Sale Share(s)") for a total purchase consideration of RM3,600,000 ("Purchase Consideration") to be satisfied by cash and issuance of new ordinary shares of RM0.10 each in Eduspec ("Eduspec Share(s)" or "Share(s)");
- (ii) proposed private placement of up to 100,000,000 new Eduspec Shares ("Placement Shares") representing up to 24.4% of the issued and paid-up share capital of Eduspec;
- (iii) proposed renounceable rights issue of up to 255,166,667 new ordinary shares of RM0.10 each in Eduspec ("Rights Share(s)") together with up to 382,750,000 new free detachable warrants ("Warrant(s)") on the basis of one (1) Rights Shares and one point five (1.5) free Warrants for every two (2) existing Eduspec Shares held on an entitlement date to be determined later ("Proposed Rights Issue with Warrants");
- (iv) proposed increase in the authorised share capital of Eduspec from RM50,000,000 comprising 500,000,000 Eduspec Shares to RM200,000,000 comprising 2,000,000,000 Eduspec Shares; and
- (v) proposed amendment to the Memorandum and Articles of Association of Eduspec;

(Collectively, referred to as the "Proposals").

The Proposals are subject to approval of the shareholders of the Company at an EGM to be convened and any other relevant authorities. Barring any unforeseen circumstances, the Proposals are expected to be completed in the second quarter of 2013.

On 26 December 2012, the Board further clarifies that the proceeds from the Proposed Rights Issue with Warrants are

proposed to be utilised for working capital of the Group which include expenses required for the Group's day-to-day operations to support its existing business operations, amongst others, administrative expenses, management and staff salaries. The working capital may also include business development expenditures such as advertisement and promotion activities in respect of the Group's product offerings. The breakdown of proceeds to be utilised for each such component has not been determined at this juncture and will depend on the expansion of existing business and future business expansion. The details of the aforementioned breakdown will be disclosed in the Circular to the Shareholders to be dispatched on a later date.

On 19 February 2013, the Company announced that the application to the relevant authorities is expected to be submitted within three (3) months from the date of the announcement, of which an announcement will be made accordingly. The additional time frame is required as Eduspec is in the midst of finalising the application to the relevant authorities.

On 26 March 2013, the Company announced that the listing application in relation to the Proposals had been submitted to Bursa Malaysia Securities Berhad, as well as the application to the Bank Negara Malaysia for the issuance of Warrants to the non-resident shareholders of the Company.

On 11 April 2013, the Company announced that the Controller of Foreign Exchange, Bank Negara Malaysia had vide its letter dated 8 April 2013 (which was received on 11 April 2013), approved the issuance of Warrants to the non-resident shareholders of Eduspec pursuant to the Proposed Rights Issue with Warrants.

On 16 August 2013, the Company announced that Bursa Malaysia Securities Berhad had vide its letter dated 16 August 2013, approved the Proposals.

B7 Borrowings and debt securities

	30/6/2013 RM('000) Unaudited	30/9/2012 RM('000) Audited
<u>Borrowings: -</u>		
<u>Short term</u>		
Hire purchase	61	18
Bank overdraft	1,671	1,666
Term loan	65	-
<u>Long term</u>		
Hire purchase	-	58
Term loan	357	-

The above borrowings are secured and denominated in Ringgit Malaysia

	USD('000)	30/6/2013 RM('000) Unaudited	30/9/2012 RM('000) Audited
<u>Borrowings: -</u>			
<u>Short term</u>			
Term loan	794	2,524	-
<u>Long term</u>			
Term loan	350	1,112	-

The above borrowings are secured and denominated in US Dollar

B8 Material litigations

There were no material litigations pending at the date of this announcement.

B9 Dividends

No dividends have been declared in respect of the financial quarter under review and the year-to-date.

B10 Additional information for statement of comprehensive income

	CURRENT QUARTER	YEAR TO DATE
	RM'000	RM'000
Interest income	NIL	NIL
Other income including investment income	621	1,233
Interest expense	70	182
Depreciation and amortization	775	2,219
Provision for and write off of receivables	NIL	NIL
Provision for and write off of inventories	NIL	NIL
Gain or loss on disposal of quoted or unquoted investments or properties	Not applicable	Not applicable
Impairment of assets	Not applicable	Not applicable
Foreign exchange gain or loss	(56)	(149)
Gain or loss on derivatives	Not applicable	Not applicable
Exceptional items (with details)	NIL	NIL

B11 Earnings per share

		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
		30/6/2013	30/6/2012	30/6/2013	30/6/2012
(i)	Basic earnings per share (sen)				
	Net Profit/ loss for the financial quarter (RM'000)	2,160	2,177	(447)	503
	Weighted average number of ordinary shares in issue ('000)	383,333	367,033	383,333	367,033
	Basic earnings per share (sen)	0.56	0.59	(0.12)	0.14
(ii)	Diluted earnings per share	N/A	N/A	N/A	N/A

- (i) Basic earnings per share is calculated by dividing the net profit/ loss (Profit/ Loss after taxation and minority interest) for the financial period by the weighted average number of ordinary shares in issue.
- (ii) The Group has no potential equity instruments in issue as at the reporting date and therefore, diluted earnings per share has not been presented.

By Order of the Board

Lim Een Hong
Executive Director
Shah Alam
Date: 30 August 2013

DIRECTORS' REPORT



EDUSPEC HOLDINGS BHD (646756-X)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

20 November 2013

To : The Shareholders of Eduspec Holdings Berhad ("Eduspec" or the "Company")

Dear Sir/Madam,

On behalf of the Board of Directors of Eduspec ("Board"), I wish to report that, after making due enquiries in relation to the interval between 30 September 2012, being the date to which the last audited consolidated financial statements of the Company and its subsidiaries and its associate company ("Group") have been made up, and up to the date of this letter, being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus ("AP"):

- (i) in the opinion of the Board, the business of the Group has been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) As disclosed in Section 10.3 of this AP and to the best knowledge of the Board, there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by any company within the Group;
- (v) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/ or principal sums in relation to any borrowings in the Group since the last audited consolidated financial statements of the Group of which the Board is aware of; and
- (vi) save as disclosed in this AP, to the knowledge of the Board, there has been no material changes in the published reserves or any unusual factor affecting the profits of the Group since the last audited consolidated financial statements of the Group.

Yours faithfully

For and on behalf of the Board of Directors of
EDUSPEC HOLDINGS BERHAD

LIM EEN HONG
Chief Executive Officer/ Director

FURTHER INFORMATION**1. SHARE CAPITAL**

- (i) Save for the Eduspec ESOS, the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of Warrants, no securities in our Company will be issued or allotted on the basis of this AP later than twelve (12) months after the date of this AP.
- (ii) As at the date of this AP, there is no founder, management or deferred shares in our Company. There is only one (1) class of shares, namely ordinary shares of RM0.10 each in our Company.
- (iii) The new shares to be allotted and issued upon any exercise of the Eduspec ESOS options shall upon such allotment and issuance, rank *pari passu* in all respects with the then existing ordinary shares of the Company save and except that the new shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is declared by the Company prior to the date of allotment of the new Eduspec shares.

The new shares will be subject to all provisions of the Memorandum and Articles of Association of the Company.

The Rights Shares and the new Eduspec Shares to be issued arising from the exercise of the Warrants, if any, shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and fully paid-up Eduspec Shares save and except that they will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the allotment date of the Rights Shares or the new Eduspec Shares to be issued pursuant to the exercise of the Warrants.

- (iv) The names, addresses and professions of our Board are set out under the section on Corporate Directory of this AP.
- (v) Save for the options to be granted under the Eduspec ESOS to eligible persons and the Rights Issue with Warrants for our Entitled Shareholders, no person has been or is entitled to be granted an option to subscribe for any securities of our Company. As at the LPD, no Eduspec ESOS has been offered to its employees.
- (vi) Save as disclosed in Section 6 of Appendix II, no securities of our Company have been issued or agreed to be issued as fully or partly paid-up in cash or otherwise than in cash within the two (2) years preceding the date of this AP.

2. REMUNERATION OF DIRECTORS

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows (capitalised terms mentioned are as defined in our Company's Articles of Association):

ARTICLE 87 – DIRECTORS' REMUNERATION

The fees payable to the Directors shall from time to time be determined by the Company in General Meeting, and such fees shall be divided among the Directors in such proportions and manner as that Directors may determine PROVIDED ALWAYS that:

- (a) fees payable to Directors who hold non-executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to Directors who hold an executive office in the Company may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a General Meeting where notice of the proposed increase has been given in the notice convening the meeting;
- (d) any fee paid to an alternate Director shall be such amount as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

The Directors may also be paid all travelling, hotel, and other expenses reasonably incurred by them in attending and returning from meeting of the Directors or any committee of the Directors or general meeting of the Company or in connection with the business of the Company. Any Director who is appointed to any executive office including the office of Chairman or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary percentage of profits or otherwise as the Directors may determine but not a commission on or percentage of turnover. Any such extra remuneration payable to a non-executive Director shall not include a commission on or a percentage of profits or turnover.

3. MATERIAL CONTRACTS

Save as disclosed below, neither we nor our subsidiaries has entered into any other material contract (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business of the Company or its subsidiaries during the two (2) years immediately preceding the date of this AP:

- (i) The Deed Poll dated 19 November 2013 constituting the salient terms of the Warrants are set out in Section 2.7 of this AP;
- (ii) On 19 September 2013, an extension of time to the SSA was given by the Vendors and Eduspec for a further period of three (3) months from 19 September 2013 to 19 December 2013 to facilitate the fulfilment of the conditions precedent set out in Clause 3.1 of the SSA;
- (iii) On 19 June 2013, an extension of time to the SSA was given by the Vendors to Eduspec for a further period of three (3) months from 19 June 2013 to 19 September 2013 to facilitate the fulfilment of the conditions precedent set out in Clause 3.1 of the SSA;
- (iv) On 25 March 2013, an extension of time to the SSA was given by the Vendors to Eduspec for a further period of three (3) months from 19 March 2013 to 19 June 2013 to facilitate the fulfilment of the conditions precedent set out in Clause 3.1 of the SSA.
- (v) On 20 December 2012, a share sale agreement was entered into between the Vendors and Eduspec in relation to the Acquisition.

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4. MATERIAL LITIGATION

Neither we nor our subsidiaries are engaged in any material litigation, claim and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of Eduspec Group and our Board is not aware of any proceedings, pending or threatened against Eduspec or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position and business of Eduspec or any of its subsidiaries during the two (2) years immediately preceding the date of this AP.

5. GENERAL

- (i) The total expenses of or in connection with the Rights Issue with Warrants including professional fees, fees payable to the relevant authorities, registration and other incidental expenses is estimated to be approximately RM700,000 which will be borne by our Company;
- (ii) None of our Directors has any existing or service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within one (1) year from the date of this AP;
- (iii) Save as disclosed in this AP and to the best knowledge of our Board, the financial condition and operations of our Group are not affected by any of the following:
 - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
 - (b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source of funding;
 - (c) unusual, infrequent events or transactions or significant economic changes which materially affected the amount of reported income from our operations and the extent to which income was so affected;
 - (d) known trends or uncertainties which have had, or that our Group reasonably expects will have, a material favourable or unfavourable impact on revenues or operating income; and
 - (e) material information, including all special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

6. CONSENTS

- (i) Our Principal Adviser, Share Registrar, Principal Bankers, Company Secretaries and Solicitors have given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto, as the case may be, in the form and manner in which they so appear in this AP.
- (ii) Our Auditors and Reporting Accountants, have given and have not subsequently withdrawn their written consents to the inclusion of their names in this AP, the Reporting Accountants' letter in relation to our proforma consolidated statements of financial position of our Company as at 30 September 2012 and the Auditors' Report on our audited consolidated financial statements of our Company for the FYE 30 September 2012, and all references thereto, as the case may be, in the form and manner in which they so appear in this AP.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection during normal business hours at the registered office of our Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur from Mondays to Fridays (except public holidays) during normal business hours for a period of twelve (12) months from the date of this AP:

- (i) the Memorandum and Articles of Association of Eduspec;
- (ii) the audited financial statements of Eduspec Group for the past two (2) FYE 30 September 2011 and FYE 30 September 2012 and the latest unaudited quarterly report of Eduspec Group for the financial period nine (9) months ended 30 June 2013;
- (iii) the proforma consolidated statements of financial position of the Company as at 30 September 2012 together with the Reporting Accountants' letter;
- (iv) the Directors' Report as set out in Appendix VI of this AP;
- (v) the material contracts referred to in Section 3 of Appendix VII of this AP;
- (vi) the Undertakings referred to in Section 9 of this AP;
- (vii) the letters of consent referred to in Section 6 of Appendix VII of this AP; and
- (viii) the Deed Poll governing the Warrants to be issued pursuant to the Rights Issue with Warrants.

8. RESPONSIBILITY STATEMENT

Our Directors have seen and approved this AP, together with the accompanying NPA and the RSF. They individually and collectively accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in this AP and the accompanying NPA and the RSF false or misleading.

MIDF Investment, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

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