

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 4th quarter ended 30 September 2012

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 2011. 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 2011.

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 2011.

Following the completion of the restructuring exercise during the previous financial period from 1.10.2009 to 30.4.2010, the financial year end have been changed from 30 April to 30 September to be coterminous with the financial year end of the majority of the subsidiaries of the restructured Group, as announced to Bursa Malaysia Securities Berhad on 30 June 2010.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial period ended 30 September 2011 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

Save as disclosed below, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

On 9 July 2012, the Company announced to Bursa Securities the issuance of 16,300,000 new ordinary shares of RM0.10 each, being year 3 performance shares consideration pursuant to the proposed acquisition of approximately 78% of the equity interest in Eduspec Sdn Bhd from Victory Solutions (M) Sdn Bhd. These shares were listed on Bursa Securities on 10 July 2012.

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 SEPTEMBER 2012				
	Revenue	Results		
	Revenue	Profit/ (Loss) before tax for the period	Less: Taxation	Net Profit/ (Loss) for the period
	RM('000)	RM('000)	RM('000)	RM('000)
Malaysia	28,978	1,136	(160)	976
Singapore	88	(429)	-	(429)
	29,066	707	(160)	547

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.

For information only, as announced to Bursa Securities on 9 March 2012 and 13 March 2012, the Group proposes to undertake a proposed private placement of new ordinary shares of RM0.10 each in the Company of up to 10% of the issued and paid-up share capital of EHB. On 2 October 2012, the Company has announced to Bursa Securities that the Company has decided to abort the Proposed Private Placement with immediate effect.

On 20 November 2012, the Company has announced to Bursa Securities that the Company had on 19 November 2012 received a notification from AmInvestment Bank Berhad ("AmInvestment Bank") in relation to its resignation as Sponsor effective from 1 December 2012. For information, Bursa Malaysia Securities Berhad had approved the resignation of AmInvestment Bank vide its letter dated 14 November 2012, which was received by AmInvestment Bank on 16 November 2012.

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 Quarter	Preceding Year Corresponding Quarter	
<u>Revenue comparison</u>	RM'000	RM'000	RM'000
Complementary business activities	607	203	404
Sale of goods	807	757	50
Fees from IT literacy courses	5,512	5,516	(4)
	6,926	6,476	450

For the current quarter under review, the Group's revenue increased by 6.9% to RM6.926 million from RM6.476 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities increased by 199% from RM0.203 million to RM0.607 million reported in the previous year's corresponding quarter. The increase in net revenue from complementary business activities was due to higher enrollment during school holidays.

The income from sale of goods increased by 6.6% to RM0.807 million from RM0.757 million reported in the previous year corresponding quarter. The better performance was mainly due to the sales of related goods for the implementation of digital schools.

The fees from IT literacy courses declined slightly to RM5.512 million from RM5.516 million reported in the previous year's corresponding quarter due mainly to the drop in the number of students enrolling for the IT literacy courses.

For the current quarter under review, the other income declined by RM0.354 million from RM0.932 million reported in the previous year's corresponding quarter. The difference mainly due to the unrealized foreign exchange gain and income from overseas ventures, namely management fees and royalties. These are charges for services rendered for the quarter under review. For information only, the annual income from overseas ventures was recognized in the final quarter of every financial year. For the current year under review, the Company had recognized the income on quarterly basis.

Administrative expenses for the group consist of human resources cost, office occupancy costs, unrealized foreign exchange losses and general administration cost. For the current quarter under review, the administrative expenses increased by 22.7% to RM3.725 million from RM3.036 million. The difference is mainly due to the increase in human resource cost and

unrealized foreign exchange losses. The increase in human resource cost mainly due to the yearly salary increment for year 2012 and additional headcount for support office. The increase in unrealized foreign exchange losses mainly due to the retranslation of amount owing by the Singapore's subsidiaries.

Selling and distribution expenses of the Group consist of selling and distribution expenses such as advertisement, promotional, commissions, transport/ carriage outwards, bad debts and etc. The selling and distribution expenses of the current quarter under review declined by 69.6% to RM0.306 million from RM1.005 million reported in the previous year's corresponding quarter. The decline mainly due to lower promotional costs and commissions reported in the current year's quarter.

Intangible assets of the Group consist of software development costs. Upon completion, the development cost will be reclassified to Equipment and amortized accordingly.

B2 Variation of results against preceding quarter

The revenue of current quarter was RM2.755 million lower than the preceding quarter's revenue of RM9.681 million. The major differences are mainly due to the non-recurring RM1.104 million complementary business activities and RM1.644 million sales of goods which took place in the preceding quarter. As a result, the profit before tax of the current quarter declined by 95% to RM0.103 million from RM2.249 million reported in the preceding quarter.

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 September 2012.

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
	30/9/2012	30/9/2011	30/9/2012	30/9/2011
	RM'000	RM'000	RM'000	RM'000
Taxation	(65)	(225)	(160)	(327)

B6 Status of corporate proposals

Save as disclosed in note A10, there were no corporate proposals announced but not completed as at the date of this announcement.

B7 Borrowings and debt securities

	30/9/2012 RM('000) Unaudited	30/9/2011 RM('000) Audited
<u>Borrowings: -</u>		
Bank overdraft	1,659	1,738

The above borrowings are secured and denominated in Ringgit Malaysia

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	52	52
Other income including investment income	632	2,523
Interest expense	30	125
Depreciation and amortization	621	2,336
Provision for and write off of receivables	33	33
Provision for and write off of inventories	32	50
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	10	108
Gain or loss on derivatives	Not applicable	Not applicable
Exceptional items (with details)	NIL	NIL

B11 Earnings per share**Basic earnings per share**

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.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30/9/2012	30/9/2011	30/9/2012	30/9/2011
Net Profit/ loss for the financial quarter (RM'000)	35	170	549	354
Basic earnings per share (sen)				
Weighted average number of ordinary shares in issue ('000)	370,685	329,211	370,685	329,211

Basic earnings per share (sen)	0.01	0.05	0.15	0.11

By Order of the Board

Lim Een Hong
Executive Director
Shah Alam
Date: 27 November 2012