

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 1st quarter ended 31December 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 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 31 DECEMBER 2012			
	<u>Revenue</u> Revenue RM('000)	<u>Results</u>	
		Profit/ (Loss) before tax for the period RM('000)	Less: Taxation RM('000)
			Net Profit/ (Loss) for the period RM('000)
Malaysia	4,035	(2,213)	(5)
Singapore	40	(446)	-
	<u>4,075</u>	<u>(2,659)</u>	<u>(5)</u>
			<u>(2,664)</u>

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 Quarter	Preceding Year Corresponding Quarter	
	RM'000	RM'000	RM'000
<u>Revenue comparison</u>			
Complementary business activities	674	635	39
Sale of goods	517	1,154	(637)
Fees from IT literacy courses	2,884	2,786	98
	4,075	4,575	(500)

For the current quarter under review, the Group's revenue declined by 10.9% to RM4.075 million from RM4.575 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities increased by 6.1% from RM0.635 million to RM0.674 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 declined by 55.2% to RM0.517 million from RM1.154 million reported in the previous year corresponding quarter. The decline was mainly due to the drop in sales of related goods for the implementation of digital schools.

The fees from IT literacy courses increased slightly to RM2.884 million from RM2.786 million reported in the previous year's corresponding quarter due mainly to the billing in a new school which was secured during the quarter under review.

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 declined by 2.08% to RM3.949 million from RM4.033 million. The difference is mainly due to the decrease in human resource cost.

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 4.9% to RM0.443 million from RM0.466 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 loss before tax for the quarter amounted to RM2.659 million which is about RM2.762 million lower than the profit before tax of the immediate preceding quarter. The result of the quarter is lower compared to immediate preceding quarter due to the school holiday period which coincided with the first quarter of the Company's financial year. The Group will usually prepare itself for the forthcoming academic year during this period, by purchasing the relevant workbooks and

refurbishing the laboratory.

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 31 December 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
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Taxation	(5)	(19)	(5)	(19)

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.

B7 Borrowings and debt securities

	31/12/2012	30/9/2012
	RM('000)	RM('000)
	Unaudited	Audited
<u>Borrowings: -</u>		
<u>Short term</u>		
Hire purchase	72	18
Bank overdraft	1,777	1,666
<u>Long term</u>		
Hire purchase	-	58
The above borrowings are secured and denominated in Ringgit Malaysia		

	31/12/2012	30/9/2012
	RM('000)	RM('000)
	Unaudited	Audited
<u>Borrowings: -</u>		
<u>Short term</u>		
Term loan	841	-
<u>Long term</u>		
Term loan	630	-
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	69	69
Interest expense	31	31
Depreciation and amortization	720	720
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	(2)	(2)
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
		31/12/2012	31/12/2011	31/12/2012	31/12/2011
(i) Basic earnings per share (sen)					
	Net Profit/ loss for the financial quarter (RM'000)	(2,643)	(2,545)	(2,643)	(2,545)
	Weighted average number of ordinary shares in issue ('000)	383,333	367,033	383,333	367,033
	Basic earnings per share (sen)	(0.69)	(0.69)	(0.69)	(0.69)
(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: 27 February 2013