

# EDUSPEC HOLDINGS BERHAD

**Company No. 646756-X**

(Incorporated in Malaysia)

## **Report on results for 2nd quarter ended 31 March 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 : -

<b>CURRENT YEAR TO DATE 31 MARCH 2013</b>			
	<u>Revenue</u>	<u>Results</u>	
		Profit/ (Loss) before tax for the period	Net Profit/ (Loss) for the period
	Revenue RM('000)	Less: Taxation RM('000)	RM('000)
Malaysia	12,337	(2,390)	(2,402)
Singapore	40	-	(220)
	<u>12,377</u>	<u>(2,610)</u>	<u>(2,622)</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	
<u>Revenue comparison</u>	RM'000	RM'000	RM'000
Complementary business activities	454	250	204
Sale of goods	2,329	2,295	34
Fees from IT literacy courses	5,519	5,339	180
	<b>8,302</b>	<b>7,884</b>	<b>418</b>

For the current quarter under review, the Group's revenue increased by 5.3% to RM8.302 million from RM7.884 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities increased by 81.6% from RM0.250 million to RM0.454 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 by 1.5% to RM2.329 million from RM2.295 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 RM5.519 million from RM5.339 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.

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 3.27% to RM4.197 million from RM4.064 million. The difference is mainly due to the increase in human resource cost and professional fees pertaining to fundraising exercise.

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 increased by 20% to RM0.365 million from RM0.304 million reported in the previous year's corresponding quarter. The increase mainly due to higher promotional costs and commissions reported in the current year's quarter.

### B2 Variation of results against preceding quarter

The profit before tax for the quarter amounted to RM0.049 million which is about RM2.708 million better than the loss before tax of the immediate preceding quarter. The result of the quarter is better compared to immediate preceding quarter due to school reopen, as such revenue increase accordingly.

### 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 March 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	Current Year	Preceding Year
	31/3/2013	31/3/2012	To Date	Corresponding Quarter
	RM'000	RM'000	RM'000	RM'000
<b>Taxation</b>	(7)	(13)	(12)	(32)

#### **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.

#### **B7 Borrowings and debt securities**

	<b>31/3/2013</b>	<b>30/9/2012</b>
	<b>RM('000)</b>	<b>RM('000)</b>
	<b>Unaudited</b>	<b>Audited</b>
<u>Borrowings: -</u>		
<u>Short term</u>		
Hire purchase	66	18
Bank overdraft	1,803	1,666
Term loan	74	-
<u>Long term</u>		
Hire purchase	-	58
Term loan	376	-

The above borrowings are secured and denominated in Ringgit Malaysia

	<b>31/3/2013</b>	<b>30/9/2012</b>
	<b>RM('000)</b>	<b>RM('000)</b>
	<b>Unaudited</b>	<b>Audited</b>
<u>Borrowings: -</u>		
<u>Short term</u>		
Term loan	1,452	-
<u>Long term</u>		
Term loan	877	-

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	543	612
Interest expense	81	112
Depreciation and amortization	724	1444
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	(91)	(93)
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
		31/3/2013	31/3/2012	31/3/2013	31/3/2012
<b>(i) Basic earnings per share (sen)</b>					
	Net Profit/ loss for the financial quarter (RM'000)	36	888	(2,637)	(1,657)
	Weighted average number of ordinary shares in issue ('000)	383,333	367,033	383,333	367,033
	Basic earnings per share (sen)	0.01	0.24	(0.69)	(0.45)
<b>(ii) Diluted earnings per share</b>		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 May 2013