

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 1st quarter ended 31 December 2014

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 2014. 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 2014.

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 2014.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial period ended 30 September 2014 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 Indonesia education market typically corresponds to the Indonesia 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 save for the following: -

On 24 December 2014, 704,400 new ordinary shares of RM0.10 each were issued for the Employee Share Option Scheme.

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 2014				
	<u>Results</u>			
	Revenue and other income RM('000)	Profit/ (Loss) before tax for the period RM('000)	Less: Taxation RM('000)	Net Profit/ (Loss) for the period RM('000)
Malaysia	3,518	(4,370)	-	(4,370)
Singapore	5,000	1,069	-	1,069
Indonesia	420	(340)	-	(340)
	<u>8,938</u>	<u>(3,641)</u>	<u>-</u>	<u>(3,641)</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	Preceding Year Corresponding Quarter	
<u>Revenue comparison</u>	RM'000	RM'000	RM'000
Complementary business activities	594	605	(11)
Sale of goods	4,903	1,299	3,604
Fees from IT literacy courses	3,441	2,945	496
	8,938	4,849	4,089

For the current quarter under review, the Group's revenue increased by 84.3% to RM8.938 million from RM4.849 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities decreased by 1.8% from RM0.605 million to RM0.594 million reported in the previous year's corresponding quarter. The decrease in net revenue from complementary business activities was due to school holiday in Malaysia.

The income from sale of goods increased by 277.4% to RM4.903 million from RM1.299 million reported in the previous year corresponding quarter. The increased was mainly due to the sales of education tools for the Digital schools and Literatu Smart Learning Project.

The fees from IT literacy courses increased by 16.8% to RM3.441 million from RM2.945 million reported in the previous year's corresponding quarter due mainly to the consolidation of the income from newly acquired subsidiaries, Multiple Technology MSC Sdn Bhd and PT Eduspec Indonesia.

The increased cost of sales was pertaining to the cost of goods sold for the education tools for Digital school and Literatu Smart Learning Project.

The other income consists of bank interest received from the fixed deposit placement with interest bearing bank account, management fees and royalty from overseas associates companies.

Other expenses of the group consist of depreciation and amortization of development costs. Other expenses of current quarter have increased due to the additional development costs amortization for development cost incurred in previous years.

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

B2 Variation of results against 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

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 2014.

B5 Taxation

DES Sdn Bhd, a wholly owned subsidiary of EHB, has submitted its application for MSC Malaysia Status and the application has been accepted on the 25 July 2014. We are progressively submitting the necessary documents i.e business plan, financial plan and others to facilitate the approval requirements and it is expected to be granted subject to approval within 3 months from the full document submission.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
Taxation	-	(3)	-	(3)

B6 Status of corporate proposals

Save for the following, there were no corporate proposals announced but not completed as at the date of this announcement.

On 16 February 2015, the Company announced that the Company proposed to undertake the following:

- (i) proposed private placement of up to 117,244,200 Placement Shares to independent third party investors to be identified at a later date

B7 Utilisation of proceeds

Proposed utilisation	Expected time frame for utilisation from date of listing of Rights Shares and Warrants	Proceeds raised (RM'000)	Unutilised proceeds channelled to working capital (RM'000)	Utilisation (RM'000)	Balance (RM'000)
Expansion of existing business	Within 36 months	12,966	(3,382)	4,641	4,943
Future business expansion	Within 36 months	4,792	-	4,223	569
R & D	Within 24 months	6,552	(1,450)	2,746	2,356
Working Capital of the Group	Within 36 months	11,907	5,049	16,102	854
Estimated expenses for the Proposals	Within 3 months	800	(217)	583	-
		37,017	-	28,296	8,721

B8 Borrowings and debt securities

	31/12/2014 RM('000) Unaudited	30/9/2014 RM('000) Audited
<u>Borrowings: -</u>		
Short-term borrowing	6,220	1,661
Bank overdraft	2,681	1,706
Long-term borrowing	335	359

B9 Material litigations

There were no material litigations pending at the date of this announcement.

B10 Dividends

No dividends have been declared in respect of the financial quarter under review and the year-to-date.

B11 Additional information for statement of comprehensive income

	CURRENT QUARTER	YEAR TO DATE
	RM'000	RM'000
Interest income	74	74
Other income including investment income	942	942
Interest expense	155	155
Depreciation and amortization	1,142	1,142
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)	285	285
Gain or loss on derivatives	Not applicable	Not applicable
Exceptional items (with details)	NIL	NIL

B12 Earnings per share

		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
(i)	Basic earnings per share (sen)				
	Net profit/ (loss) for the financial quarter (RM'000)	(3,384)	(3,787)	(3,384)	(3,787)
	Weighted average number of ordinary shares in issue ('000)	765,538	491,511	765,538	491,511
	Basic earnings per share (sen)	(0.44)	(0.77)	(0.44)	(0.77)
(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: 26 February 2015