

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 4th quarter ended 30 September 2015

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 were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter. save for the following: -

On 10 July 2015, 3,042,200 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 30 SEPTEMBER 2015				
	<u>Results</u> Revenue and other income RM('000)	Profit/ (Loss) before tax for the year		Net Profit/ (Loss) for the year RM('000)
		RM('000)	Less: Taxation RM('000)	
Malaysia	50,822	(3,853)	(495)	(4,348)
Singapore	30,361	13,026	-	13,026
Indonesia	9,089	2,776	(256)	2,520
	90,272	11,949	(751)	11,198

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	1,532	669	863
Sale of goods	19,648	22,589	(2,941)
Fees from IT literacy courses	6,394	5,798	596
	27,574	29,056	(1,482)

For the current quarter under review, the Group's revenue reduced by 5.1% to RM27.574 million from RM29.056 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities increased by 128.9% to RM1.532 million from RM0.669 million reported in the previous year's corresponding quarter. The increase in net revenue from complementary business activities was due to various activities run in conjunction with Digital Campus 2015.

The income from sale of goods decreased by 13.0% to RM19.648 million from RM22.589 million reported in the previous year's corresponding quarter. The decreased was mainly due to the drop in hardware sales for e-Sabak Multifungsi education project.

The fees from IT literacy courses increased by 10.3% to RM6.394 million from RM5.798 million reported in the previous year's corresponding quarter due mainly to the increased in number of students enrollment in the IT literacy courses.

The other income increased by 111.6% to RM8.723 million from RM4.122 million reported in the previous year's corresponding quarter due mainly to the increased in realized and unrealized foreign exchange gain on trade receivables.

Administrative expenses of the group consist of human resource cost, occupancy cost, travelling expenses, professional services fees, finance charges and general administrative expenses. Administrative expenses of current quarter have increased due to higher human resource cost for STEM Computer Science and STEM Robotics, professional fees for private placement exercise, legal and related fees for term loan and unrealized foreign exchange losses on payables/borrowings.

Selling and distribution expenses of the group consist of expenses incurred for marketing/ events, promotional, transportation, entertainment expenses and provision of impairment on trade receivables. Selling and distribution expenses of current quarter have increased due to the increase in provision of impairment on trade receivables

Other expenses of the group consist of depreciation/ amortization of development costs and foreign exchange losses. Other expenses of current quarter have increased due to the increase in depreciation/ amortization of development costs.

B2 Variation of results against preceding quarter

The revenue of the quarter is RM0.823 million higher compared to immediate preceding quarter. The other income of the quarter is RM5.161 million higher compared to immediate preceding quarter due to the unrealized foreign exchange gain on trade receivables.

The profit after tax for the quarter increased by 45.4% to RM10.392 million from RM7.149 million reported in the preceding quarter.

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 were no profit forecast, profit guarantee or internal targets made public for the financial quarter ended 30 September 2015.

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
	30/9/2015	30/9/2014	30/9/2015	30/9/2014
	RM'000	RM'000	RM'000	RM'000
Taxation	(641)	(358)	(751)	(365)

B6 Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

B7 Utilisation of proceeds

(a)

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	3,807	15,673	1,100
Future business expansion	Within 36 months	4,792	(2,489)	(108)	2,411
R & D	Within 24 months	6,552	1,350	7,077	825
Working Capital of the Group	Within 36 months	11,907	(2,885)	8,803	219
Estimated expenses for the Proposals	Within 3 months	800	217	1,017	-
		<u>37,017</u>	<u>-</u>	<u>32,462</u>	<u>4,555</u>

(b)

Proposed utilisation	Expected time frame for utilisation from date of listing of Private Placement	Proceeds raised (RM'000)	Utilisation (RM'000)	Balance (RM'000)
Acquisition of Property	Within 12 months	2,692	2,692	-
Future business expansion	Within 36 months	4,000	-	4,000
R & D	Within 36 months	3,000	2,812	188
Working Capital of the Group	Within 36 months	14,125	9,348	4,777
Estimated expenses for the Proposals	Within 3 months	700	700	-
		<u>24,517</u>	<u>15,552</u>	<u>8,965</u>

B8 Borrowings and debt securities

	30/9/2015	30/9/2014
	RM('000)	RM('000)
	Unaudited	Audited
<u>Borrowings: -</u>		
Short-term borrowing	2,288	1,661
Bank overdraft	1,293	1,706
Long-term borrowing	14,088	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	185	500
Other income including investment income	8,723	14,264
Interest expense	191	471
Depreciation and amortization	655	4,487
Provision for and write off of receivables	5,122	5,122
Provision for and write off of inventories	18	18
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)	2,125	4,828
Gain or loss on derivatives	36	36
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 To Date
		30/9/2015	30/9/2014	30/9/2015	30/9/2014
(i)	Basic earnings per share (sen)				
	Net profit/ (loss) for the financial quarter (RM'000)	8,541	7,257	9,790	6,884
	Weighted average number of ordinary shares in issue ('000)	807,662	696,440	807,662	696,440
	Basic earnings per share (sen)	1.06	1.04	1.21	0.99
(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 November 2015