

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR 2ND QUARTER ENDED 31 MARCH 2016

	INDIVIDUAL QUARTER		YEAR TO DATE	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR	PRECEDING YEAR
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RM('000)	RM('000)	RM('000)	RM('000)
REVENUE	14,120	12,745	23,991	21,683
COST OF SALES	(5,953)	(5,944)	(11,521)	(10,454)
GROSS PROFIT	8,167	6,801	12,470	11,229
OTHER INCOME	860	1,037	1,515	1,979
	9,027	7,838	13,985	13,208
ADMINISTRATIVE EXPENSES	(6,987)	(7,942)	(14,078)	(14,669)
SELLING AND DISTRIBUTION EXPENSES	(945)	(727)	(1,652)	(1,377)
OTHER EXPENSES	(2,752)	(1,455)	(3,867)	(2,899)
FINANCE COSTS	(297)	(141)	(493)	(296)
SHARE OF RESULTS				
- ASSOCIATES	(30)	(212)	(33)	(190)
- JOINT VENTURE	(25)	(49)	(79)	(106)
PROFIT/ (LOSS) BEFORE TAXATION	(2,009)	(2,888)	(6,217)	(6,329)
INCOME TAX EXPENSES	(8)	(14)	(161)	(14)
PROFIT/ (LOSS) AFTER TAXATION	(2,017)	(2,702)	(6,378)	(6,343)
OTHER COMPREHENSIVE INCOME, NET OF TAX				
- FOREIGN CURRENCY TRANSLATION	12	(144)	(383)	(197)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>(2,005)</u>	<u>(2,846)</u>	<u>(6,761)</u>	<u>(6,540)</u>
PROFIT/ (LOSS) AFTER TAXATION ATTRIBUTED TO:				
Owners of the company	(1,465)	(2,339)	(6,027)	(5,723)
Minority Interest	(552)	(363)	(351)	(620)
	<u>(2,017)</u>	<u>(2,702)</u>	<u>(6,378)</u>	<u>(6,343)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the company	(1,453)	(2,483)	(6,410)	(5,920)
Minority Interest	(552)	(363)	(351)	(620)
	<u>(2,005)</u>	<u>(2,846)</u>	<u>(6,761)</u>	<u>(6,540)</u>
EARNINGS PER SHARE (SEN)				
(a) Basic				
* based on weighted average number of ordinary shares of 846,263,567 shares.	(0.17) *		(0.71) *	
** based on weighted average number of ordinary shares of 770,919,575 shares.		(0.30) **		(0.74) **
(b) Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements of Eduspec Holdings Berhad for the financial year ended 30 September 2015)

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	(Unaudited) 31-Mar-16 RM('000)	Audited 30-Sep-15 RM('000)
ASSETS		
NON-CURRENT ASSETS		
Property & Equipment	30,652	25,703
Goodwill on consolidation	6,069	6,069
Investment in associates	396	468
Investment in a joint venture	103	182
Intangible assets	4,130	6,962
Deferred tax assets	-	102
	<u>41,350</u>	<u>39,486</u>
CURRENT ASSETS		
Inventories	3,319	1,660
Trade receivables	48,850	54,909
Other receivables, deposits and prepayments	23,481	18,855
Amount owing by associates	4,654	3,062
Amount owing by a joint venture	926	923
Tax recoverable	-	390
Short-term funds	-	2,215
Fixed deposits with licensed banks	5,312	5,227
Cash and bank balances	3,074	9,385
	<u>89,616</u>	<u>96,626</u>
TOTAL ASSETS	<u><u>130,966</u></u>	<u><u>136,112</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	84,669	84,587
Reserves	9,758	14,678
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>94,427</u>	<u>99,265</u>
NON-CONTROLLING INTERESTS	(317)	33
TOTAL EQUITY	<u>94,110</u>	<u>99,298</u>
NON-CURRENT LIABILITIES		
Long-term borrowings	13,093	13,346
Deferred Taxation	251	351
	<u>13,344</u>	<u>13,697</u>
CURRENT LIABILITIES		
Trade payables	6,839	6,096
Other payables and accruals	10,529	10,430
Amount owing to associates	260	-
Amount owing to a joint venture	60	99
Short-term borrowings	1,356	3,820
Bank overdrafts	3,419	1,297
Provision for taxation	1,013	1,339
Derivative liability	36	36
	<u>23,512</u>	<u>23,117</u>
TOTAL LIABILITIES	<u>36,856</u>	<u>36,814</u>
TOTAL EQUITY AND LIABILITIES	<u><u>130,966</u></u>	<u><u>136,112</u></u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	11.2 *	12.3

* based on weighted average number of ordinary shares of 846,263,567 shares.

** based on weighted average number of ordinary shares of 804,950,434 shares.

Note: Following the reverse acquisition, the current year balance sheet is prepared using Reverse Acquisition Accounting principles.

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of Eduspec Holdings Berhad for the financial year ended 30 September 2015)

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR 2ND QUARTER ENDED 31 MARCH 2016

(The figures have not been audited)

	Share Capital	Share Premium	Share Application Reserves	Reverse Acquisition Reserve	Capital Redemption Reserve	Warrant Reserve	Employees' Share Option Reserve	Foreign Exchange Translation Reserve	Retained Profits/ (Accumulated Loss)	Total	Minority Interest	Total
	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)
2nd Quarter ended 31 March 2016												
Balance at 1 January 2016	84,587	22,165	198	(18,570)	547	10,110	1,639	1	(5,374)	95,303	235	95,538
- Employees' share option scheme: - exercised	82	116	(198)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter	-	180	-	-	-	-	387	12	(1,465)	(876)	(552)	(1,428)
Balance at 31 March 2016	84,669	22,461	-	(18,570)	547	10,110	2,036	13	(6,839)	94,427	(317)	94,110
1st Quarter ended 31 December 2015												
Balance at 1 October 2015	84,587	22,165	-	(18,570)	547	10,110	840	396	(811)	99,264	34	99,298
Total comprehensive income for the quarter	-	-	198	-	-	-	799	(395)	(4,563)	(3,961)	201	(3,760)
Balance at 31 December 2015	84,587	22,165	198	(18,570)	547	10,110	1,639	1	(5,374)	95,303	235	95,538

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER 1 JANUARY 2016 TO 31 MARCH 2016**

(The figures have not been audited)

	(Unaudited) CURRENT YEAR QUARTER 31-Mar-16 RM('000)	(Unaudited) PRECEDING YEAR QUARTER 31-Mar-15 RM('000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (Loss) Before Taxation	(2,009)	(2,688)
Adjustments for:		
Amortisation of development costs	812	662
Depreciation of Plant and equipment	564	448
Share of results: -		
- Associates	30	212
- Joint venture	25	49
Operating profit before working capital changes	(578)	(1,317)
(Increase)/ decrease in inventories	(184)	1,021
(Increase)/ decrease in trade and other receivables	5,737	(1,493)
Increase/ (decrease) in trade and other payables	(2,587)	288
CASH FROM/ (USED IN) OPERATIONS	2,388	(1,501)
Income tax refund/ (paid)	301	(113)
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	2,689	(1,614)
CASH FLOWS FROM INVESTING ACTIVITIES		
Development costs incurred, net	(3,149)	(951)
Purchase of plant and equipment	(61)	-
Advances to associates	(260)	(2,092)
Advances to joint venture	26	(28)
NET CASH FROM/ (FOR) INVESTING ACTIVITIES	(3,444)	(3,071)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw down/ (Repayment) of borrowings	(693)	(2,286)
Proceeds from issuance of shares (ESOS)	198	-
Proceeds from issuance of shares	-	24,517
NET CASH FROM/ (FOR) FINANCING ACTIVITIES	(495)	22,231
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,250)	17,546
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL QUARTER	6,205	13,541
EFFECTS OF FOREIGN CURRENCY EXCHANGE	12	(144)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL QUARTER	4,967	30,943
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL QUARTER: -		
	RM('000)	RM('000)
Fixed deposits with a licenced bank	5,312	24,182
Cash and bank balances	3,074	8,579
Bank Overdraft	(3,419)	(1,818)
	4,967	30,943

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 2nd quarter ended 31 March 2016

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 2015. 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 2015.

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 2015.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial period ended 30 September 2015 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.

On 4 Jan 2016, 824,700 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 MARCH 2016				
<u>Results</u>				
	Revenue and other income	Profit/ (Loss) before tax for the year	Less: Taxation	Net Profit/ (Loss) for the year
	RM('000)	RM('000)	RM('000)	RM('000)
Malaysia	16,910	(6,739)	(13)	(6,752)
Singapore	5,367	(104)	-	(104)
Indonesia	1,714	626	(148)	478
	<u>23,991</u>	<u>(6,217)</u>	<u>(161)</u>	<u>(6,378)</u>

A9 Valuation of property, plant and equipment

There are 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 are no changes in the composition of the Group for the current financial quarter save for the following: -

The Company had on 17 February 2016 incorporated a wholly-owned subsidiary in Hong Kong namely Eduspec HK Limited, with an issued capital of USD50,000.00.

The Company had on 8 March 2016 incorporated a wholly-owned subsidiary in Hong Kong namely Centillion Robotics Limited, with an issued capital of USD10,000.00.

A12 Contingent liabilities

There are no material contingent liabilities as at the date of this announcement.

A13 Capital commitments

There are no capital commitments as at the date of this announcement.

A14 Significant related party transactions

There are 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	400	298	102
Sale of goods	7,173	5,964	1,209
Fees from IT literacy courses	6,548	6,483	65
	14,120	12,745	1,375

For the current quarter under review, the Group's revenue increased by 10.8% to RM14.120 million from RM12.745 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities increased by 34.3% to RM0.400 million from RM0.298 million reported in the previous year's corresponding quarter. The increase in net revenue from complementary business activities was due to the increased in enrollment for IT Learning intensive courses during the school holiday.

The income from sale of goods increased by 20.3% to RM7.173 million from RM5.964 million reported in the previous year's corresponding quarter. The increased was mainly due to the increase in education solutions for e-Sabak Multifungsi education project.

The fees from IT literacy courses increased by 1.0% to RM6.548 million from RM6.483 million reported in the previous year's corresponding quarter due mainly to the increased in number of student enrollment in the IT literacy courses.

The other income decreased by 17.1% to RM0.860 million from RM1.037 million reported in the previous year's corresponding quarter due mainly to the decreased in realized and unrealized foreign exchange gain on receivables.

Administrative expenses of the group consist of human resource cost, occupancy cost, travelling expenses, professional services fees, finance charges and general administrative expenses. The administrative expenses of current quarter have decreased due to the capitalization of human resource cost pertaining to the development of STEM curriculum.

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 increased in marketing/ events and transportation costs.

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 increased in depreciation/ amortization of development costs.

B2 Variation of results against preceding quarter

The result of the quarter is better compared to immediate preceding quarter due to the higher revenue contributed from education solutions namely e-Sabak Multifungsi education projects. The loss after taxation for the quarter is RM2.017 million compared to RM4.361 million reported in the previous 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 31 March 2016.

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
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RM'000	RM'000	RM'000	RM'000
Taxation	(8)	(14)	(161)	(14)

B6 Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement save for the following: -

On 22 April 2016, the Company announced that the Company proposed to implement a private placement of up to 126,269,900 Placement Shares to independent third party investors to be identified at a later date.

On 25 April 2016, the Company announced that the listing application for the Placement Shares to be issued pursuant to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad.

On 27 April 2016, the Company is pleased to announce that Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 27 April 2016, approved the listing of and quotation for up to 126,269,900 new Placement Shares to be issued pursuant to the Proposed Private Placement on the ACE Market of Bursa Securities.

On 19 May 2016, the Company has fixed the issue price of the first tranche of the Placement Shares at RM0.27 per

Placement Share to be issued pursuant to the Private Placement. The aforementioned issue price of RM0.27 per Placement Share represents a discount of approximately RM0.0166 or 5.79% from the five (5)-day weighted average market price of Eduspec from 13 May 2016 to 19 May 2016 of approximately RM0.2866 per share.

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	(3,860)	9,106	-
Future business expansion	Within 36 months	4,792	874	5,666	-
R & D	Within 24 months	6,552	(2,013)	4,539	-
Working Capital of the Group	Within 36 months	11,907	5,216	17,123	-
Estimated expenses for the Proposals	Within 3 months	800	(217)	583	-
		37,017	-	37,017	-

(b)

Proposed utilisation	Expected time frame for utilisation from date of listing of Private Placement	Proceeds raised (RM'000)	Unutilised proceeds channelled to working capital (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 24 months	3,000	(188)	2,812	-
Working Capital of the Group	Within 36 months	14,125	188	14,313	-
Estimated expenses for the Proposals	Within 3 months	700	-	700	-
		24,517	-	20,517	4,000

B8 Borrowings and debt securities

	31/3/2016 RM('000) Unaudited	30/9/2015 RM('000) Audited
<u>Borrowings: -</u>		
Short-term borrowing	1,356	3,820
Bank overdraft	3,419	1,297
Long-term borrowing	13,093	13,346

B9 Material litigations

There are 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	28	63
Other income including investment income	860	1,515
Interest expense	297	493
Depreciation and amortization	1,475	2,768
Provision for and write off of receivables	131	131
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)	(1,714)	(1,188)
Gain or loss on derivatives	NIL	NIL
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
		31/3/2016	31/3/2015	31/3/2016	31/3/2015
(i)	Basic earnings per share (sen)				
	Net profit/ (loss) for the financial quarter (RM'000)	(1,465)	(2,339)	(6,027)	(5,723)
	Weighted average number of ordinary shares in issue ('000)	846,263	770,919	846,263	770,919
	Basic earnings per share (sen)	(0.17)	(0.30)	(0.71)	(0.74)
(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: 25 May 2016