

# EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

## Report on results for 3rd quarter ended 30 June 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 31 May 2016, 59,200,000 new ordinary shares of RM0.10 each were issued following the completion of Private Placement.

On 2 Jun 2016, 1,300,000 new ordinary shares of RM0.10 each were issued following the completion of Private Placement.

**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 30 JUNE 2016</b>				
	<u>Results</u>			
	Revenue and other income RM('000)	Profit/ (Loss) before tax for the year RM('000)	Less: Taxation RM('000)	Net Profit/ (Loss) for the year RM('000)
Malaysia	29,744	2,505	(30)	2,475
Singapore	5,319	(711)	-	(711)
Indonesia	20,758	125	(146)	(21)
	<u>55,821</u>	<u>1,919</u>	<u>(176)</u>	<u>1,743</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: -

**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	1,649	1,746	(97)
Sale of goods	23,565	18,533	5,032
Fees from IT literacy courses	6,616	6,472	144
	<b>31,830</b>	<b>26,751</b>	<b>5,078</b>

For the current quarter under review, the Group's revenue increased by 19.0% to RM31.829 million from RM26.751 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities decreased by 5.6% to RM1.649 million from RM1.746 million reported in the previous year's corresponding quarter. The decreased in net revenue from complementary business activities was due to the reduction in enrollment for IT Learning intensive courses during the school holiday.

The income from sale of goods increased by 27.1% to RM23.565 million from RM18.533 million reported in the previous year's corresponding quarter. The increased was mainly due to the revenue from education projects in Indonesia.

The fees from IT literacy courses increased by 2.2% to RM6.616 million from RM6.472 million reported in the previous year's corresponding quarter due mainly to the additional number of student enrollment in the IT literacy courses.

The other income decreased by 59.0% to RM1.461 million from RM3.562 million reported in the previous year's corresponding quarter due mainly to the declined in realized and unrealized foreign exchange gain on receivables.

Administrative expenses of the group consist of human resource cost inclusive of employee share option, 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 decreased due to the reduction 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 decreased due to the reduction in depreciation/ amortization of development costs.

Finance cost of the group consists of interest on term loan and trade facilities utilized in the current quarter. Finance costs of current quarter have increased due to the addition in utilization of term loan and trade facilities for the business.

## 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 projects in Indonesia. The profit after taxation for the quarter is RM8.121 million compared to loss after taxation of RM2.017 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 these markets. 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 June 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
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
<b>Taxation</b>	(15)	(96)	(176)	(110)

## 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 19 May 2016, the Company has fixed the issue price of the first and second 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. At the date of this announcement, there is a remaining balance of 24,169,100 shares pending for subscription.

On 11 July 2016, 1,320,900 new ordinary shares of RM0.10 each were issued for the Employee Share Option Scheme.

## 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

(c)

<b>Proposed utilisation</b>	<b>Expected time frame for utilisation from date of listing of Private Placement</b>	<b>Proceeds raised (RM'000)</b>	<b>Unutilised proceeds channelled to working capital (RM'000)</b>	<b>Utilisation (RM'000)</b>	<b>Balance (RM'000)</b>
STEM Robotics & STEM CS	Within 24 months	7,000	-	252	6,748
Future business expansion	Within 12 months	1,000	-	-	1,000
Acquisition of system	Within 12 months	2,000	-	-	2,000
Working Capital of the Group	Within 12 months	6,225	-	5,923	302
Estimated expenses for the Proposals	Within 3 months	110	-	96	14
		16,335	-	6,271	10,064

**B8 Borrowings and debt securities**

	<b>30/6/2016 RM('000) Unaudited</b>	<b>30/9/2015 RM('000) Audited</b>
<u>Borrowings:</u> -		
Short-term borrowing	1,283	3,820
Bank overdraft	1,192	1,297
Long-term borrowing	13,311	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	33	96
Other income including investment income	1,461	2,976
Interest expense	358	851
Depreciation and amortization	931	3,699
Provision for and write off of receivables	151	282
Provision for and write off of inventories	2	2
Gain or loss on disposal of quoted or unquoted investments or properties	Not applicable	Not applicable
Impairment of assets	71	71
Foreign exchange gain or (loss)	931	(257)
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
		30/6/2016	30/6/2015	30/6/2016	30/6/2015
<b>(i)</b>	<b>Basic earnings per share (sen)</b>				
	Net profit/ (loss) for the financial quarter (RM'000)	7,886	6,972	1,859	1,249
	Weighted average number of ordinary shares in issue ('000)	853,020	794,888	853,020	794,888
	Basic earnings per share (sen)	0.92	0.88	0.22	0.16
<b>(ii)</b>	<b>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 August 2016