

EA HOLDINGS BERHAD (878041-A)

NOTES TO THE QUARTERLY REPORT

PART A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134 : Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Securities. No comparative figures are available for the preceding year's individual and cumulative corresponding quarter as EA Holdings Berhad (“EAH” or the “Company”) was listed on the ACE Market of Bursa Securities on 20 July 2010.

The interim financial statements should be read in conjunction with the proforma consolidated financial information and the Accountants’ Report for the financial year ended 31 December 2009 as disclosed in the Prospectus of the Company dated 28 June 2010 and the accompanying explanatory notes attached to the interim financial report.

The accounting policies and methods of computation adopted by EAH and its subsidiaries (“Group”) for these interim financial statements are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board.

A2. Adoption of new and revised accounting policies

The accounting policies and methods of computation adopted by the Group in these condensed consolidated financial statements are consistent with those adopted in the proforma consolidated financial statements for the financial year ended 31 December 2009, except for the adoption of the following new/revised FRSs effective for financial period beginning 1 January 2010 :-

a) FRSs

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 101 (2009)	Presentation of Financial Statements
FRS 123 (2009)	Borrowing Costs
FRS 139 (2010)	Financial Instruments : Recognition and measurement

- b) Amendments to FRSs
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| Amendment to FRS 1 and FRS 127 | First-time adoption of financial reporting standards and consolidated and separate financial statements : Cost of an investment in a subsidiary, jointly controlled entity or associate. |
| Amendments to FRS 2 | Share-based payment : Vesting conditions and cancellations |
| Amendments to FRS 117 | Leases |
| Amendments to FRS 132 | Financial instruments : Presentation |
| Amendments to FRS 139 | Financial instruments : Disclosures and IC interpretation 9 : Reassessment of embedded derivatives |
- c) IC interpretations
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| IC Interpretation 9 | Reassessment of Embedded Derivatives |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |
| IC Interpretation 11 | FRS 2- Group and Treasury Transactions |
| IC Interpretation 13 | Customer Loyalty Programmes |
| IC Interpretation 14 | FRS 119 – The limit on a defined benefit assets, minimum funding requirement and their interaction |

The above FRSs, IC interpretation and amendments are not relevant to the Group's operation except for FRS 7, FRS 101, Amendments to FRS 1 and FRS 127 and IC Interpretation 10.

The application of the above FRSs, Amendments to FRSs and Interpretation did not result in any significant changes in the accounting policies and presentation of the financial result of the Group.

A3. Qualification on the Auditors' Report of preceding annual financial statements

There were no audit qualification to the annual audited financial statements of the Company's subsidiaries for the financial year ended 31 December 2009. The Company did not prepare an annual audited financial statements for the financial year ended 31 December 2009 as it was incorporated on 6 November 2009.

A4. Seasonal or cyclical factors

The business operations within the industry are not affected by seasonal and cyclical factors.

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter under review and financial year-to-date.

A6. Changes in estimates of amounts reported

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the current financial quarter under review and financial year-to-date.

A7. Issuance or repayment of debt and equity securities

Save as disclosed below, there were no issuance or repayment of debt or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current financial quarter under review and financial year-to-date :

Date of allotment	No. of shares	Par Value (RM)	Consideration	Total (RM)
08.02.2010	115,000,000	0.10	Acquisition of subsidiary companies, EASS Sdn Bhd and CSS MSC Sdn Bhd	11,500,000

A8. Dividend paid

There was no dividend paid nor declared for the current financial quarter under review.

A9. Segmental information

The Group is organised into the following operating segments :

- a) ICT services;
- b) Software solutions; and
- c) RFID and access control systems.

Quarter Ended 30 June 2010	ICT Services	Software Solutions	RFID and Access Control Systems	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	186	4,442	521	-	5,149
Total revenue	186	4,442	521	-	5,149
Profit before taxation					1,622
Income tax expenses					(1)
Profit after tax					1,621
Other comprehensive income					-
Total Comprehensive Income					1,621

The Group segmental information by geographical location is not shown as the activities of the Group are predominantly in Malaysia and the overseas segment does not contribute to more than 1% of the consolidated Group revenue.

A10. Valuation of property, plant and equipment

The Company has not carried out valuation on its property, plant and equipment in the current financial quarter under review and financial year-to-date.

A11. Capital commitments

There are no material capital commitments in respect of property, plant and equipment as at 30 June 2010.

A12. Capital Expenditure

The major additions and disposals of the property, plant and equipment during the current financial quarter and financial year-to-date were as follows :-

	Current Quarter Ended 30 June 2010 RM'000	Cumulative Year-to-Date 30 June 2010 RM'000
Property, plant & equipment: Additions	466	473

A13. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

A14. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets arising since the last audited financial statements of EAH's subsidiaries for the financial year ended 31 December 2009.

A15. Subsequent material events

On 28 June 2010, the Company issued its prospectus for its Initial Public Offering in conjunction with its listing on the ACE Market of Bursa Securities involving the following :-

a) Public Issue

The Public Issue of 40,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.25 per ordinary share comprising :-

- (i) 2,000,000 ordinary shares of RM0.10 each available for application by the Malaysian Public;
- (ii) 7,000,000 ordinary shares of RM0.10 each available for application by the eligible directors and employees of the Group; and
- (iii) 31,000,000 ordinary shares of RM0.10 each available for application by way of placement to identified investors.

b) Offer For Sale

The Offer for Sale of 18,000,000 ordinary shares of RM0.10 each at an offer price of RM0.25 per ordinary share available for application by way of placement to identified investors.

In conjunction with the Public Issue and Offer for Sale, the Company's entire enlarged issued and paid-up share capital comprising 155,001,000 ordinary shares of RM0.10 each was listed and quoted on the ACE Market of Bursa Securities on 20 July 2010, which will be reflected in the next financial quarter ended 30 September 2010.

A16. Significant related party transactions

There were no related party transactions during the current financial quarter under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of the performance of the Group

For the current financial quarter ended 30 June 2010, the Group recorded revenues of RM5.149 million and profit before tax of RM1.622 million.

The software solutions segment is the largest contributor to the Group's revenue amounting to RM4.442 million, representing 86.3% of the total Group's revenue. The other contributors to the Group's revenues are RFID and access control system which contributed RM0.521 million (10.1%) and ICT services with RM0.186 million (3.6%).

Notwithstanding the performance of the different segments of the Group for the current financial quarter, the Board of Directors believes that the contribution of each segment going forward will vary quarter to quarter due to the project-based nature of the Group's revenue under ICT services and software solutions.

B2. Comparison to the results of the preceding quarter

	Current Quarter 30 June 2010 RM'000	Preceding Quarter 31 March 2010 RM'000
Revenue	5,149	5,438
Profit before tax	1,622	1,395

For the current financial quarter ended 30 June 2010, the Group has recorded a slightly lower revenue of RM5.149 million compared to RM5.438 million for the preceding financial quarter ended 31 March 2010. Notwithstanding the decrease in revenue, the profit before tax for the current financial quarter increased by approximately RM0.227 million, representing an increase of 16.3% from the preceding financial quarter. This was mainly due to the higher portion of revenue contributed from the software solutions segment, which has higher profit margins.

B3. Prospects for the current financial year

With the domestic economy showing signs of recovery, the local ICT sector is expected to record higher growth in 2010, fuelled largely by government incentives and tax breaks, introduction of new applications and services, and the expected release of pent-up spending on ICT, which resulted from curtailed spending in the recent years.

The Group is expected to benefit from these positive developments. In addition, the listing of the Group on the ACE Market of Bursa Securities is expected to boost the Group's market presence and awareness, whilst equipping the Group with the necessary resources to enhance and improve its products, solutions and services, and to better penetrate the local and overseas market.

Barring any unforeseen circumstances and in view of the positive developments mentioned above, the Board of Directors is optimistic of achieving a satisfactory performance for the financial year ending 31 December 2010.

B4. Profit forecast and profit estimate

The Group has not issued any profit forecast or profit estimate for the current financial quarter under review or in any public documents.

B5. Taxation

	Current Quarter Ended 30 June 2010 RM'000	Cumulative Year-to-Date 30 June 2010 RM'000
Current tax	1	1
	<hr/>	<hr/>
	1	1

The effective tax rate for the current financial quarter and cumulative year-to-date is 0.06%, as compared to the statutory tax rate of 25%. The current taxation comprised of tax payable on interests received. The Group's income from approved MSC activities carried out by its subsidiary companies, namely CSS MSC Sdn Bhd and EA MSC Sdn Bhd are not subjected to income tax.

B6. Sale of unquoted investment and/ or property

There was no sale of unquoted investment and/ or property in the current financial quarter under review and financial year-to-date.

B7. Purchase and disposal of quoted security

The Company does not hold any quoted security nor was there any purchase or disposal of quoted security in the current financial quarter under review and financial year-to-date.

B8. Status of corporate proposals

In conjunction with, and as an integral part of the Company's Listing pursuant to the Prospectus dated 28 June 2010, the Company's entire enlarged issued and paid-up share capital comprising 155,001,000 ordinary shares of RM0.10 each was listed and quoted on the ACE Market of Bursa Securities on 20 July 2010.

B9. Status of utilisation of proceeds

Subsequent to the listing of EAH on the ACE Market of Bursa Securities, the gross proceeds from the public issue amounting to RM10.0 million is proposed to be utilised in the following manner :

Purposes	RM'000	Timeframe for utilisation
Business expansion	3,000	Within 24 months
Enhance R&D capabilities	2,000	Within 24 months
Working capital	3,500	Within 24 months
Estimated listing expenses	1,500	Upon listing
Total	<u>10,000</u>	

As at 30 June 2010, the IPO is pending completion and as such, there were no utilisation of proceeds.

B10. Group borrowings and debt securities

The Group's borrowings as at 30 June 2010 are as follows :-

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
Hire Purchase	40	308

B11. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instrument in the current financial quarter under review and financial year-to-date.

B12. Material Litigation

There was no material litigation as at the date of issuance of this announcement.

B13. Dividends

No interim dividends have been declared during the current financial quarter under review.

B14. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue for the period.

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
Basic Earnings Per Share	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Profit attributable to the equity holders of the Company (RM'000)	1,621	N/A	3,016	N/A
Weighted average number of shares in issue ('000)	90,857	N/A	90,857	N/A
Basic earnings per share (sen)	1.78	N/A	3.32	N/A

(b) Diluted earnings per share

The Company does not have any convertible shares or convertible financial instruments for the current financial quarter under review and financial year-to-date.

By Order of the Board

Laang Jhe How (MIA 25193)
(Company Secretary)

Date: 26 August 2010