

## **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

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

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:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par Value (RM)</b>	<b>Consideration</b>	<b>Total (RM)</b>
08.02.2010	115,000,000	0.10	Acquisition of subsidiary companies, EASS Sdn Bhd and CSS MSC Sdn Bhd	11,500,000
12.07.2010	40,000,000	0.10	Cash	10,000,000

**A8. Dividend paid**

There was no dividend paid nor declared during the financial year-to-date.

**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.

<b>Quarter Ended 30 September 2010</b>	<b>ICT Services</b>	<b>Software Solutions</b>	<b>RFID and Access Control Systems</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue from external customers	4,090	1,460	979	-	6,529
<b>Total revenue</b>	4,090	1,460	979	-	6,529
Profit before taxation					837
Income tax expenses					(1)
<b>Profit after tax</b>					836
Other comprehensive income					-
<b>Total Comprehensive Income</b>					836

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 September 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:-

	<b>Current Quarter Ended 30 September 2010 RM'000</b>	<b>Cumulative Year-to-Date 30 September 2010 RM'000</b>
Property, plant & equipment: Additions	448	921

## **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 September 2010, OSK Investment Bank Berhad ("OSK") had, on behalf of the Board of Directors of EAH ("Board"), announced that the Company proposes to undertake a bonus issue of 77,500,500 free warrants in EAH ("Warrant(s)") on the basis of one (1) free Warrant for every two (2) existing ordinary shares of RM0.10 each in EAH held on an entitlement date to be determined later ("Proposed Bonus Issue of Warrants").

All relevant approvals for the Proposed Bonus Issue of Warrants had been obtained on 18 November 2010. On even date, OSK had, on behalf of the Board, further announced that the entitlement date for the Bonus Issue of Warrants would be 3 December 2010.

## **A16. Significant related party transactions**

There were no related party transactions for the financial year-to-date.

## **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 September 2010, the Group recorded revenues of RM6.529 million and profit before tax of RM0.837 million.

The ICT services segment provided the largest contribution to the Group's revenue, amounting to RM4.090 million, representing 62.6% of the total Group's revenue. The other contributors to the Group's revenues are Software Solutions, which recorded revenue of RM1.460 million (22.4%) and RFID and access control system, which contributed RM0.979 million (15.0%).

For the current financial year-to-date, the Group recorded revenues of RM17.116 million and profit before tax of RM3.854 million, thereby giving an average net profit margin of 22.51%.

Notwithstanding the performance of the different segments of the Group for the current financial quarter, the Board 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**

	<b>Current Quarter 30 September 2010 RM'000</b>	<b>Preceding Quarter 30 June 2010 RM'000</b>
Revenue	6,529	5,149
Profit before tax	837	1,622

For the current financial quarter ended 30 September 2010, the Group has recorded a higher revenue of RM6.529 million compared to RM5.149 million for the preceding financial quarter ended 30 June 2010. The lower profit margin for the current financial quarter was attributable to the high proportion of revenue generated from the ICT Services segment, which generally has lower 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 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**

	<b>Current Quarter Ended 30 September 2010 RM'000</b>	<b>Cumulative Year-to-Date 30 September 2010 RM'000</b>
Current tax	1	2
	<hr/>	<hr/>
	1	2

The effective tax rate for the current financial quarter and cumulative year-to-date is 0.12% and 0.05% respectively, 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**

On 28 September 2010, OSK had, on behalf of the Board, announced that the Company proposes to undertake a bonus issue of 77,500,500 free Warrants in EAH on the basis of one (1) free Warrant for every two (2) existing ordinary shares of RM0.10 each in EAH held on an entitlement date to be determined later.

All relevant approvals for the Proposed Bonus Issue of Warrants had been obtained on 18 November 2010. On even date, OSK had, on behalf of the Board, further announced that the entitlement date for the Bonus Issue of Warrants would be 3 December 2010.

## **B9. Status of utilisation of proceeds**

EAH was listed on 20 July 2010 on the ACE Market of Bursa Securities. The status of utilisation of the gross proceeds of RM10.0 million from the public issue by the Group as at 30 September 2010 are as follows:-

<b>Purposes</b>	<b>Proposed Amount RM'000</b>	<b>Amount Utilised RM'000</b>	<b>Amount Unutilised RM'000</b>	<b>Timeframe for Utilisation</b>
Business expansion	3,000	-	3,000	Within 24 months
Enhance R&D capabilities	2,000	432	1,568	Within 24 months
Working capital	3,500	3,113*	387	Within 24 months
Estimated listing expenses	1,500	1,500	-	Upon listing
<b>Total</b>	<b>10,000</b>	<b>5,045</b>	<b>4,955</b>	

\* Inclusive of excess in listing expenses amounting to RM489,516.



**B10. Group borrowings and debt securities**

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

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>
<b><u>Secured</u></b>		
Hire Purchases	98	560

**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.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year-To-Date</b>	<b>Preceding Year Corresponding Period</b>
<b>Basic Earnings Per Share</b>	<b>30 September 2010</b>	<b>30 September 2009</b>	<b>30 September 2010</b>	<b>30 September 2009</b>
Profit attributable to the equity holders of the Company (RM'000)	836	N/A	3,852	N/A
Weighted average number of shares in issue ('000)	150,218	N/A	110,862	N/A
Basic earnings per share (sen)	0.56	N/A	3.47	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: 30 November 2010