

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.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the FYE 31 December 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 audited financial statements for the FYE 31 December 2010, except for the adoption of the following new/revised FRSs effective for financial period beginning 1 January 2011:-

FRSs, Amendments to FRSs, IC Interpretation, TR and SOP		Effective for financial periods beginning on or after
FRS 1	First-Time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations (Revised)	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters	1 January 2011

FRSs, Amendments to FRSs, IC Interpretation, TR and SOP		Effective for financial periods beginning on or after
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 2	Company Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 3	Business Combinations	1 January 2011
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2011
Amendments to FRS 101	Presentation of Financial Statements	1 January 2011
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
Amendments to FRS 128	Investments in Associates	1 January 2011
Amendments to FRS 131	Interests in Joint Ventures	1 January 2011
Amendments to FRS 132	Classification of Rights Issues	1 March 2010
Amendments to FRS 134	Interim Financial Reporting	1 January 2011
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010

FRSs, Amendments to FRSs, IC Interpretation, TR and SOP		Effective for financial periods beginning on or after
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2011
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendments to IC Interpretation 13	Customer Loyalty Programmes	1 January 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
TR 3	Guidance on Disclosures of Transition to IFRSs	1 January 2011
TR i-4	Shariah Compliant Sale Contracts	1 January 2011

The Group and the Company plans to adopt the above FRSs, Amendments to FRSs, IC Interpretations, TR and SOP in the respective annual periods based on their effective dates and applicability.

The initial application of the above FRSs, Amendments to FRSs, IC Interpretations, TR and SOP are not expected to have any material impact on the financial statements of the Company.

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

There was no audit qualification to the annual audited financial statements of the Group for the FYE 31 December 2010.

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

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.

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.

Quarter Ended 31 March 2011	ICT Services	Software Solutions	RFID and Access Control Systems	Elimi- nations	Consoli- dated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	3,000	8,000	334	-	11,334
Total revenue	3,000	8,000	334	-	11,334
Profit before taxation					1,717
Income tax expenses					(1)
Profit after tax					1,716
Other comprehensive income					-
Total Comprehensive Income					1,716

The Group's 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 31 March 2011.

A12. Capital Expenditure

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

	Current Quarter Ended 31 March 2011 RM'000	Cumulative Year-to-Date 31 March 2011 RM'000
Property, plant & equipment: Additions	8	8

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 the Group for the FYE 31 December 2010.

A15. Subsequent material events

Save as disclosed below, there are no material events subsequent to the financial period ended 31 March 2011 that has not been reflected in this interim financial report:-

On 26 April 2011, OSK Investment Bank Berhad ("OSK") had, on behalf of the Board of Directors of EAH ("Board"), announced that the Company had on even date entered into a heads of agreement ("HOA") with Farisah binti Mohd Farid, Tan Soon Moi, Syed Shah Redza bin Syed Mohamed Redza and Peter Ambrose Sequerah (collectively referred to as "Vendors") of DDSB (M) Sdn Bhd ("DDSB") for the proposed acquisition of 510,000 ordinary shares of RM1.00 each in DDSB representing 51% of the total issued and paid-up share capital of DDSB ("Proposed Acquisition"). The indicative purchase consideration for the Proposed Acquisition of RM19,380,000 ("Purchase Consideration") will be fully satisfied by the issuance of new ordinary shares of RM0.10 each in EAH ("EAH Shares") at an issue price of RM0.40 per EAH Share ("Consideration Shares").

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 MALAYSIA SECURITIES BERHAD

B1. Review of the performance of the Group

For the current financial quarter ended 31 March 2011, the Group recorded revenues of RM11.33 million and profit before tax of RM1.72 million.

Revenue from the software solutions segment provided the largest contribution to the Group's revenue, amounting to RM8.00 million, representing 70.6% of the total Group's revenue. The other contributors to the Group's revenues are ICT services, which recorded revenue of RM3.00 million (26.5%) and the RFID and access control system, which recorded revenue of RM0.33 million (2.9%).

For the current financial year-to-date, the Group recorded revenues of RM11.33 million and profit before tax of RM1.72 million, with the resulting average net profit margin of 15.2%. The increase in profit before tax is directly attributable to the increase in revenue for the current financial quarter.

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 revenues.

B2. Comparison to the results of the preceding quarter

	Current Quarter 31 March 2011 RM'000	Preceding Quarter 31 December 2010 RM'000
Revenue	11,334	3,585
Profit before tax	1,717	196

For the current financial quarter ended 31 March 2011, the Group has recorded an increase of RM7.749 million in revenue from the preceding financial quarter ended 31 December 2010.

Correspondingly, profit before tax also increased to RM1.717 million compared to RM0.196 million for the preceding financial quarter ended 31 December 2010. The significant contribution from the software solutions segment, which generally has higher profit margin, has enabled the Group to record higher profit before tax margin of 15.1% for the financial quarter under review. The increase in profit before tax is directly attributable to the increase in revenue for the current financial quarter.

B3. Prospects for 2011

The local ICT sector is expected to carry its recovery momentum into 2011, with the government linked agencies leading the way in ICT spending and 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.

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 2011.

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 31 March 2011 RM'000	Cumulative Year-to-Date 31 March 2011 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 and deferred tax payable. 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

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of issuance of this announcement:-

On 26 April 2011, OSK had, on behalf of the Board, announced that the Company had on even date entered into a HOA with the Vendors of DDSB for the Proposed Acquisition. The Purchase Consideration will be fully satisfied by the issuance of Consideration Shares.

This proposal is still pending the execution of the Share Sale Agreement and subsequent completion.

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 31 March 2011 are as follows:-

Purposes	Proposed Amount RM'000	Amount Utilised RM'000	Amount Unutilised RM'000	Timeframe for Utilisation
Business expansion	3,000	178	2,822	Within 24 months from date of listing
Enhance R&D capabilities	2,000	750	1,250	Within 24 months from date of listing
Working capital	3,500	3,500*	-	Within 24 months from date of listing
Estimated listing expenses	1,500	1,500	-	Upon listing
Total	10,000	5,928	4,072	

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

B10. Realised and Unrealised Profits

The breakdown of retained profits of the Group and the Company for the financial quarter ended 31 March 2011 and 31 December 2010, is as follows :-

	Group Quarter Ended 31 March 2011 RM'000	Group Quarter Ended 31 December 2010 RM'000
Total retained profits of the Group:		
- Realised	9,291	7,575
- Unrealised (in respect of deferred tax recognized in the income statement)	(28)	(28)
	<hr/>	<hr/>
	9,263	7,547
Less : Consolidation adjustments	(5,733)	(5,733)
Total Group retained profits as per consolidated accounts	<hr/>	<hr/>
	3,530	1,814
	<hr/>	<hr/>
	Company Quarter Ended 31 March 2011 RM'000	Company Quarter Ended 31 December 2010 RM'000
Total retained profits of the Company :		
- Realised	2,961	3,471
- Unrealised (in respect of deferred tax recognized in the income statement)	-	-
Total Company's retained profits as per accounts	<hr/>	<hr/>
	2,961	3,471
	<hr/>	<hr/>

B11. Group borrowings and debt securities

The Group's borrowings as at 31 March 2011 are as follows:-

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
Hire Purchases	<hr/>	<hr/>
	60	557
	<hr/>	<hr/>

B12. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instrument as at the date of issuance of this announcement.

B13. Material Litigation

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

B14. Dividends

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

B15. 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 financial period.

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
Basic Earnings Per Share	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Profit attributable to the equity holders of the Company (RM'000)	1,716	1,395	1,716	1,395
Weighted average number of shares in issue ('000)	155,001	66,445	155,001	66,445
Basic earnings per share (sen)	1.11	2.10	1.11	2.10

(b) Diluted earnings per share

Diluted earnings per share is not applicable for the financial period as the unexercised convertible warrants were anti-dilutive in nature. This is due to the average market share price of the Company being below the exercise price of the warrants.

By Order of the Board

Laang Jhe How (MIA 25193)
(Company Secretary)
Date: 27 May 2011