

### 3.1.4 Supply Conditions

The following factors represent key trends, developments and events influencing market supply of the educational support services market in Malaysia.

#### **Strong Government Support**

The Economic Transformation Programme (“ETP”) is a comprehensive effort by the government to transform Malaysia into a high-income nation by 2020. A subsection of the ETP is dedicated to enhance the education sector as a National Key Economic Area (“NKEA”) in Malaysia. Some of the objectives are, among others, increasing the number of international schools and increasing enrolment of students in such schools. In view of this, international schools have been mushrooming around the country, from 66 schools in 2010 to 126 schools in 2016.

Enrolment in international schools has been steadily increasing since 2006. The government move to liberalise the intake of Malaysian students by international schools has also. Out of the total of 61,156 students studying at international schools in Malaysia, Malaysian made up to 64.0 percent, while remaining 36.0 percent are foreign students. This development clearly highlights the shifting dynamics in the local education industry with more local parents already manoeuvring steps to send their children for higher education overseas by giving them early exposure to internationally based syllabus offered at local international schools.

In another development, the EduCity@Iskandar was launched in Johor as part of the ETP programme. It comprises universities and institutes of higher educational, academia industry action and research and development centres, student accommodations, as well as recreational and sports facilities. Such development can go a long way in catalysing the growth of the local education sector and propelling efforts to transform Malaysia as a regional hub in the global education network. As a stakeholder in the local education services industry, the local educational support services market also stands to benefit from a strong government support.

### 3.1.5 Government Regulations and Policies

The educational support services market is not governed by any specific laws and regulations. However, higher education in Malaysia is under the purview of the MOHE and governed by a number of acts as follows:

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- Private Higher Educational Institutions Act 1996 (Act 555)

The act governs the activities and procedures of establishment, registration, management, regulation and the quality control of education offered by PHEIs.

- Universities and University Colleges Act 1971 (Act 3)

The act governs the activities of universities and public universities colleges on matters pertaining to its internal establishment, organisation and management.

- National Council on Higher Education Act 1996 (Act 546)

The act spells out the establishment of the National Council on Higher Education and its functions. The functions of the National Higher Education Act are to plan and formulate national policies and strategies for higher education development, to coordinate the development, to promote and facilitate orderly growth of HEIs, to set criteria for the allocation of fund to HEIs, to determine policies and guidelines relating to the entry requirements of student into HEIs, on matters pertaining to the remuneration of HEIs staffs; to determine policies on fee structure, on HEIs internal and transnational courses, on universities involvement with other business activities and to take actions against unfit activities.

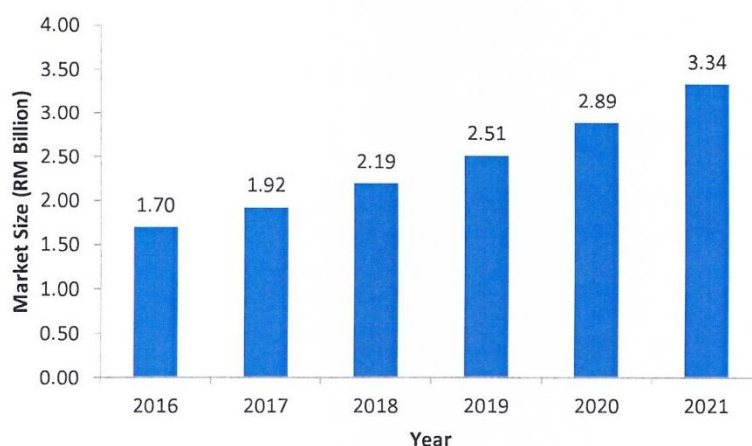
- National Higher Education Fund Board Act, 1997 (Act 566)

The act spells out the establishment of National Higher Education, an educational loan aiming to provide financial assistance to students. A National Higher Education Fund Board was also established to supervise and collect loan repayments. National Higher Education Fund Board also would provide saving schemes for the purpose of future higher education.

### **3.1.6 Market Outlook and Future Prospects of the Educational Support Services Market in Malaysia**

Moving forward, the other education services market, which includes the educational support services market, is expected to register a steady growth throughout the forecast period. The following figure illustrates the market size and forecast for the other education services market in Malaysia from 2016 to 2021.

**Figure 7: Market Size and Forecast for the Other Education Services Market in Malaysia, 2016-2021**



*Source: Protégé Associates*

Growth in the educational support services market is likely to be mainly driven by the continuing strong recognition of education as a key enabler of future employment and sustainable livelihood as the labour market continues to favour academic qualification as a heuristic to determine occupational competence. The local educational support services market is also set to expand in tandem with the increase in number of Malaysian students pursuing higher education abroad. In terms of supply, strong government support through the on-going initiatives gives the local educational support services market further impetus for expansion.

The gross output value of the local other education services market is estimated to grow at a CAGR of 14.5 percent from RM1.70 billion in 2016 to reach approximately RM3.34 billion in 2021. The educational support services market, which is part of the other education services market, is also expected to expand accordingly.

### 3.2 THE TVET MARKET IN MALAYSIA

In Malaysia, TVET programmes are offered by both public and private TVET institutions. These programmes can be further divided into 3 sectors, namely skills sector, vocational and technical sector, and higher education sector. TVET programmes in Malaysia offer different mode of qualification levels such as certificate, diploma, advanced diploma and bachelor's degree. There are 2 accreditation bodies in Malaysia namely the Department of Skills

#### 4 IMR REPORT PREPARED BY PROTÉGÉ ASSOCIATES (CONT'D)



Development ("DSD") under the Ministry of Human Resources (for the skills sector) and MOHE (for the vocational and technical sector and the higher education sector).

TVET programmes focuses on employability of its future graduates by providing skills required in various areas such as agriculture, food and beverage, hospitality and tourism, business management, manufacturing, automobile, engineering, building construction, electronic and electrical.

In addition, Skills Development Fund Corporation ("PTPK"), the statutory corporation of the Ministry of Human Resources was set up with the main purpose of providing study loans for trainees who undergo some skill trainings in any public or private TVET institutions recognised by DSD.

### 3.2.1 Historical Market Performance and Growth Forecast

The total gross output value of the TVET market in Malaysia stood at RM226.0 million in 2016. The forecast CAGR for the gross output value of the TVET market in Malaysia from 2017 to 2021 is 14.5 percent. The market is projected to register a total gross output value of RM447.6 million in 2021.

**Figure 8: Historical Performance and Growth Forecast of the TVET Market in Malaysia, 2015-2021**

Year	Market Size (Gross Output Value) (RM Million)	Growth Rate (%)
2015	200.0	-
2016	226.0	13.0
2017	256.5	13.5
2018	292.4	14.0
2019	334.8	14.5
2020	385.0	15.0
2021	444.7	15.5

*CAGR (2017-2021) (Base Year of 2016): 14.5 percent*

*Source: Protégé Associates*

Moving forward, the growth in the local TVET market is expected to be driven by the growing demand of skilled workforces to increase the productivity of the country. Furthermore, the market is also likely to grow in tandem with strong government support to produce workforce



with high-value and specialised skills in order to improve the innovation and productivity of various industries.

### 3.2.2 Competitive Analysis

In 2015, there were 150 private training institutions in Malaysia that offering TVET programmes at pre-higher education level. These training institutions are located in different region in the country. Each institution has different student capacity and offer variety of TVET programmes that may be similar or different from each other.

#### **COMPARABLE MARKET PLAYERS**

For comparison purpose, Protégé Associates has selected the following DSD accredited private TVET education providers in Selangor that offer between 8 to 21 TVET programmes focusing on skills sector, and has a student capacity of less than 1,000 students.

##### **Inpens International College**

Inpens International College is currently offering 20 TVET courses in areas such as transportation, hospitality and tourism, information and communication technology ("ICT"), mechanical and electrical services and maintenance, medical and pharmaceuticals, electrical and electronic, telecommunication and broadcasting as well as textile and apparel.

It is currently operating from its premise in Kuala Selangor, Selangor and has a planned student capacity of 800 students.

##### **Techterrain College**

Techterrrian College is currently offering 19 TVET courses in areas such as machinery and equipment, business management and distributive trade.

It is currently operating from its premise in Subang Jaya, Selangor and has a planned student capacity of 475 students.

##### **College MCS**

College MCS is currently offering 16 TVET courses in areas such as machinery and equipment, hospitality and tourism, ICT and business management.

It is currently operating from its premise in Banting, Selangor and has a planned student capacity of 650 students.



### **Intra International College**

Intra International College is currently offering 15 TVET courses in areas such as textile and apparel, business management, education and training services, ICT, mechanical and electrical service and maintenance, medical and pharmaceuticals, electrical and electronic as well as telecommunication and broadcasting.

It is currently operating from its premise in Kuala Selangor, Selangor and has a planned student capacity of 800 students.

### **MARKET SHARE**

In its financial year ended 31 December 2016, JM Education Group generated revenue of RM1.8 million from its TVET segment. This is equivalent to a 0.8 percent share of the estimated market size (gross output value) of the TVET market in Malaysia which was valued at RM226.0 million in 2016.

### **3.2.3 Demand Conditions**

The following factors represent key trends, developments and events influencing market demand of the TVET market in Malaysia.

#### **Growing Demand for Skilled Workforce**

The effectiveness of Malaysia's economic transformation efforts is dependent on the capacity of skills human capital. Skilled workforces are needed to spur productivity to meet the demand of various economic sectors and contribute towards economic growth. Therefore, under the Eleventh Malaysia Plan ("11MP"), greater emphasis is placed on increasing productivity.

Educated workforces that possess the skills and technical know-how are in demand to help the economy to diversify and grow. Additionally, quality workforce can help to increase country's labour productivity, employment and long-term economic success. Productivity remains the main driver of Malaysia's economic development. In 2016, Malaysia's labour productivity expanded by 3.5 percent to RM78,218 from RM75,548 as compared to 2015. This development is expected to boost further demand for programmes offered by TVET in Malaysia.

### 3.2.4 Supply Conditions

The following factors represent key trends, developments and events influencing market supply of the TVET market in Malaysia.

#### **Continuous Support from Malaysian Government**

As outlined in the 11MP, the Malaysian Government is investing in the development of workforce with high-value and specialised skills in order to improve the innovation and productivity of various industries in line with Malaysia's transformation into a high-income nation. Hence, the Malaysian Government continues to support TVET programmes by underlining several measurements such as strengthening the governance of TVET, enhancing TVET programmes quality, as well as promoting TVET branding to increase its appeal.

TVET has been receiving close attention and support from the Malaysian Government. The Malaysian Government has prepared to offer TVET Excellent Students Scholarships totalling RM4.5 million in 2017 in order to encourage TVET graduates to continue pursuing higher TVET education.

In line with the National Transformation 2050, the Malaysian Government has announced new initiatives to drive TVET transformation, including developing a comprehensive TVET master plan. The allocation of RM50.0 million through the Human Resources Development Funds to implement strategic TVET programmes, and RM75.0 million to support Industry 4.0 (*Industry 4.0 is the term used to describe the use of automation and data exchange in manufacturing technologies, including the cyber-physical systems and the Internet of things*) through cooperation with TVET institutions and employer associations. In the recent Budget 2018, the Malaysian Government has announced a RM4.9 billion allocation to implement the TVET master plan in order to propel the transformation of TVET thus increasing the number of skilled workers in Malaysia.

In addition, in order to produce skilled workers in the rail industry, the Malaysian Government is also establishing a National Rail Centre of Excellence to provide national rail education and to offer training courses and accreditation to skilled workers in the railway industry in Malaysia. Such development augurs well for the expansion of the TVET market in Malaysia moving forward.



### 3.2.5 Government Regulations and Policies

The relevant government regulations that govern the TVET market in Malaysia are as follows:

- National Skills Development Act 2006 (Act 652)

The act governs the skills training providers, whether in the form of corporation, organisation or other body of persons which conduct skills training programme. The primary purpose of the act is to meet the requirement of the National Occupational Skills Standard.

- The Malaysian Qualification Agency Act 2007 (replacing National Accreditation Act 1996) (Act 556)

The act spells out the establishment of the National Accreditation Board. The main functions of the National Accreditation Board include formulation of policies on the standard and quality control of the courses of study and the conferred accreditation, to constantly monitor the standard and quality of the courses of study and the conferred awards, to determine the level of achievement for the national language and compulsory subjects as pre-requisite to the awards of undergraduate programmes and to advise the Minister on the matters pertaining to the approval of courses of study to be conducted by educational institutions.

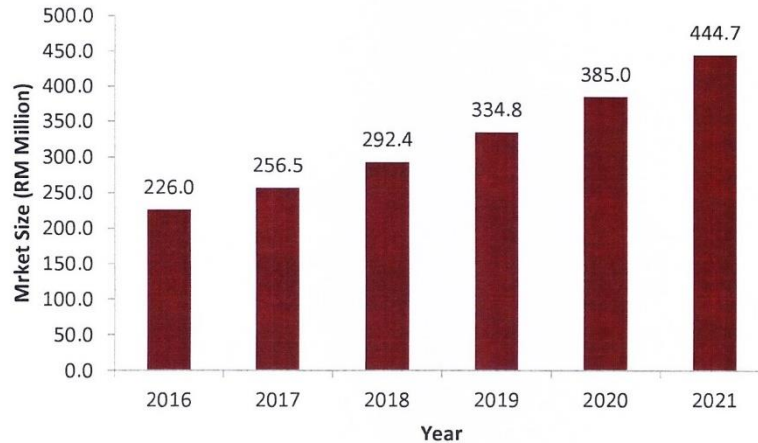
In addition, the Malaysian Government has also established the skills development fund aiming to provide skills training loan to students who pursued skills training courses that accredited by DSD. The fund is under SDFC's management and is governing under Skills Development Fund Act 2004.

### 3.2.6 Market Outlook and Future Prospects of the TVET Market in Malaysia

Moving forward, the local TVET market is expected to register a steady growth throughout the period from 2017 to 2021. The following figure illustrates the market size and forecast of the TVET market in Malaysia from 2016 to 2021.



**Figure 9: Market Size and Forecast of the TVET Market in Malaysia, 2016-2021**



*Note: Market size and forecast of the gross output value of the TVET market in Malaysia.*

*Source: Protégé Associates*

Human capital development is crucial towards improving innovation and productivity of industries. Therefore, the TVET market assumes a vital role in producing skilled workforces that can meet industry demand and support the migration of all economic sectors in order to transform the country into a high-income nation. As such, demand for the TVET market is anticipated to grow accordingly moving forward.

The market size of the TVET market in Malaysia, measured in gross output value is projected to grow at a CAGR of 14.5 percent from RM226.0 million in 2016 to reach RM444.7 million in 2021.

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**4 IMR REPORT PREPARED BY PROTÉGÉ ASSOCIATES (CONT'D)**

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Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "SEOW CHEOW SENG". The signature is stylized with a large, looped initial 'S' and 'C'.

SEOW CHEOW SENG

Managing Director

Protégé Associates Sdn Bhd

## **5 RISK FACTORS**

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The LEAP Market has been positioned as a market designed to accommodate corporations to which a higher investment risk may be attached than other corporations listed on Bursa Securities. It is a qualified market which is meant mainly for Sophisticated Investors only. Only existing securities holders and Sophisticated Investors are allowed to participate in corporate exercises undertaken by our Company. Sophisticated Investors should be aware of the potential risks of investing in such corporations and should make the decision to invest after due and careful considerations and, if appropriate, consultation with stockbroker, manager, solicitor, accountant and other professional advisers.

In this regard, Sophisticated Investors should carefully consider the following material risk factors in addition to information contained elsewhere in this Information Memorandum.

If any of the following risks were to materialise, our Group's business, financial condition, results of future operations could be materially and adversely affected. In such cases, the market price of our Company's shares could decline and investors may lose part or all of their monies.

### **5.1 Risks Relating to our Business, Operation and Industry**

#### **5.1.1 Exposed to Business Risk**

Our Group is exposed to a number of business risks including changes in the demand for our services, changes in the legal and regulatory framework, entry of new players into the industry, business seasonality, other business risks common to going concerns, failure in renewing and/or obtaining business license and permits and maintaining accreditations in relation to the TVET programmes by the regulatory authorities.

We have been taking proactive measures to mitigate such business risks, including constantly reviewing our business strategies in response to the changing market conditions, keeping abreast of regulatory developments.

However, there is no assurance that such unexpected events would not occur or if occur, would not have a material adverse impact on our business and financial conditions.

#### **5.1.2 Subject to Competition**

Our Group operates in a competitive market with competition from our competitors. If our competitors respond with lower and more attractive product/service offering, or respond to the educational institutions' requirements more effectively and efficiently, the educational institutions may choose to collaborate with our competitors which in turn, may have a material adverse impact on our business, profit margin and operations results.

In addition, educational institutions that currently work with us may seek to attract the students to enrol directly via online platforms or during education fairs; without requiring the assistance of third-party student placement providers like us. This may result in the reduction in the number of students that our Group may be able to place out to the educational institutions.

We seek to mitigate the risk through continuously reviewing our business strategies in order to remain competitive in the industry. Nevertheless, there is no assurance that we will be able to maintain or increase our market share in the future in light of competition from existing competitors and/or potential new entrants to the industry.

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## **5 RISK FACTORS (CONT'D)**

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### **5.1.3 Subject to Exchange Rate Fluctuations**

Currency fluctuations are one of the major deciding factors for students who choose to study abroad, as it affects tuition fees and living costs. Therefore, during the period where RM weakens against the foreign currencies, students may choose to defer or not to study abroad. This may have a direct impact on the demand for our student counselling and student placement services which may in turn have a material impact on our business and financial performance.

There is no assurance that any fluctuation in RM and foreign currencies will not have a material adverse impact on our financial performance in the future.

### **5.1.4 Dependence on Educational Institutions and Organisations**

Our business is dependent on our relationship with our clients – both local and overseas educational institutions and organisations. Our ability to retain the relationships is crucial for the continuation and growth of our business.

Our Group has not encountered any request for cessation of relationships by our clients. We will continue to undertake efforts to sign up with new educational institutions to balance our portfolio and increase our business volume.

However, there is no assurance that there will not be any cessation or unilateral termination of the relationship with our clients which will have a material adverse impact on the operations and financial performance of our Group.

### **5.1.5 Dependence on Our Directors and Key Management Personnel**

Our Group's continued success depends on the abilities, experience and efforts of our directors and key management personnel. Having an experienced management team is important in maintaining the quality of our Group's services and relationships with our clients.

In order to retain our key personnel, we have in place human resource strategies and practices that include suitable compensation packages, career development and training programmes for our key personnel.

The loss of any of these key personnel without suitable and timely replacements, and inability to attract or retain qualified and suitable personnel would have an unfavourable and material impact on our Group's ability to compete effectively and this in turn may affect our business and operating results. Notwithstanding our Group's efforts, there can be no assurance that the above measures will be successful in retaining our key personnel.

### **5.1.6 Subject to Changes in the Social, Economic or Political Conditions**

Any adverse social, economic or political conditions in the countries that our Group's student placement services are involved in may cause students to defer or not to study abroad. This may have a direct impact on the demand for our student counselling and student placement services. Our Group cannot provide any assurance that such conditions and developments will not occur. If such conditions and developments occur, they may affect our business operations and the subsequent financial performance.

### **5.1.7 Compliance with Laws and Regulations**

We are required to obtain certain approvals, licences and permits from relevant governmental authorities for our business operations. Further, details of such approvals, licences and permits are set out in Section 3.10 of this Information Memorandum. These approvals, licences and permits need to be renewed on a periodic basis or reassessed by relevant authorities where required.

## **5 RISK FACTORS (CONT'D)**

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Non-renewal or revocation of our Group's approvals, licences and permits may have an adverse impact on our operations, business and reputation, hence affecting our financial performance.

In addition, new laws and regulations could in the future require us to incur additional costs, or affect our financial positions. If there are any changes imposed by the relevant authorities on the standards of compliance or conditions imposed from time to time, we may also incur additional costs to comply with such new or modified standards. This may result in a material adverse impact on our business, financial condition and results of our operations.

### **5.1.8 Exposure to Loss or Damage of Our Brand Names**

We are offering our educational counselling and student placement services and TVET programmes under our brand names, "JM Education" and "Miraj Academy" respectively. Our inability to protect our brand names from being abused by third-parties may impact the goodwill of our brand names which, in turn, may affect the demand for our services. Therefore, we have submitted applications to register our brand names as registered trademarks. Details of our trademarks are set out in Section 3.10.2 of this Information Memorandum.

So far, we have not experienced any issue which affects our brand names. However, there can be no assurance that our applications to register our brand names as registered trademarks will be successful or our brand names will not be tarnished.

### **5.1.9 Risk Relating to Internal Control**

Our Board acknowledges that internal controls are important for risk management and is committed to articulating, implementing and reviewing our Company's internal controls system. Under our risk management framework, periodic testing of the effectiveness and efficiency of the internal controls procedures and processes will be conducted to ensure that the system of internal controls is adequate. We shall conduct regular reviews on the effectiveness of the risk management and internal controls processes within the Group. Reporting of the outcome of the review will be made to our Board on a yearly basis.

Notwithstanding the above, there is no assurance that there will not be any material weaknesses in internal control in the future that may have an impact on our operation and financials.

## **5.2 Risks Relating to Investment in Our Shares**

### **5.2.1 No Prior Market for Our Shares and Possible Volatility of Our Share Price**

There is no prior market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Proposed Listing or if developed, that such market will be sustained. In addition, our Shares could trade at prices that may be lower than the Placement Price of RM0.45 per Share as a result of many factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These include, amongst others, prevailing global and local economic conditions, the depth and liquidity of the market for our Shares and investors' individual perceptions of our Group.

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## 5 RISK FACTORS (CONT'D)

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### 5.2.2 Control by Our Promoters

Upon the Proposed Listing, our Promoters will collectively hold approximately 90.0% of our enlarged issued share capital. Depending on how they choose to vote and because of their shareholdings, our Promoters will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by law and/or as required by the relevant authorities.

Nevertheless, our Board will ensure that any future transactions involving related parties are entered into on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

### 5.2.3 Failure/delay in Our Proposed Listing

Our Proposed Listing is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) we are unable to meet the public shareholding spread requirement as determined by Bursa Securities, whereby at least 10.0% of our enlarged issued share capital for which the Proposed Listing is sought is in the hands of public shareholders;
- (ii) the revocation of approvals from the relevant authority for our Proposed Listing and/or admission to the Official List of the LEAP Market of Bursa Securities for whatever reason; and
- (iii) the occurrence of any force majeure events, which are beyond our control, before our Proposed Listing.

Although we will endeavour to comply with the regulatory requirements for our successful Proposed Listing, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Proposed Listing.

In the event the Proposed Listing does not take place within six (6) months from the date Bursa Securities approves the Proposed Listing on the LEAP Market (or such further extension of time as Bursa Securities may allow) or we abort the Proposed Listing on the LEAP Market, Sophisticated Investors will not receive any Shares but we will return in full, without interest, all monies paid in respect of any application for our Shares within fourteen (14) days and our directors shall be jointly and severally liable to repay the monies with interest at the rate of 10.0% per annum or such other rate as may be prescribed by Bursa Securities upon expiration of that period until full refund is made.

In the event our Proposed Listing is aborted and/or terminated and our Shares have been allotted to the shareholders, a return of monies to all of our shareholders could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

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## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 6.1 Promoters, Substantial Shareholders, Directors and Key Management Personnel

The Promoters, substantial shareholders and directors of our Company are as follows:

Name	Position/directorship	Shareholding in our Company			
		As at the LPD		After Proposed Placement	
		No. of Shares	%	No. of Shares	%
Teh Cheong Hua	Promoter, substantial shareholder, Managing Director	56,425,000	92.5	56,425,000	83.2
Su Cheia Yee	Promoter and substantial shareholder	4,575,000	7.5	4,575,000	6.8
Goh Chi Jin	Independent Non-Executive Chairman	-	-	-	-
Yong Lai Peng	Chief Financial Officer and Executive Director	-	-	-	-

Details of our key management, aside from our Promoters and directors and their respective shareholdings in our Company are as follows:

Name	Position/directorship	Shareholding in our Company			
		As at the LPD		After Proposed Placement	
		No. of Shares	%	No. of Shares	%
Teh Saw Sim	General Manager (JM Education)	-	-	-	-
Norashida Binti Sarwe	Academic Director (Miraj Academy)	-	-	-	-

### 6.2 Profile of the Promoters, Substantial Shareholders and Directors

- (a) **Teh Cheong Hua**, Malaysian, aged 50  
Promoter, Substantial Shareholder, Managing Director

He is responsible for the overall strategy and business direction of our Company. He completed his Bachelor of Business (Property) from Royal Melbourne Institute of Technology (now known as RMIT University) ("RMIT") in 1991.

He interned as a trainee valuer at Richard Ellis Pty Ltd in Melbourne, Australia in 1990 as part of RMIT's supervised professional practice. Upon his return to Malaysia at the end of 1991, he joined his family owned business, GHS Strategic Holdings Sdn Bhd that is principally involved in investment holdings, property and hardware trading as an executive.

In 1998, he joined Sunway College as a lecturer in finance and real estate subjects under the twinning programme with University of Greenwich, London and participated in a number of education fairs to market twinning programmes offered by Sunway College.

Subsequently, he left Sunway College in 2001 and became a private equity investor. In 2006, he acquired 75.0% of the equity interest of JM Education and was appointed as a director of our Company. He subsequently acquired the remaining 25.0% of the equity interest in our Company in 2008. He has since been responsible in managing our Group.

In 2017, he became a nominated Exco member of Federation of JPK Accredited Centers Malaysia ("FeMAC"). FeMAC is an association of accredited TVET providers in Malaysia.

## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

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- (b) **Su Cheia Yee**, Malaysian, aged 49  
Promoter and Substantial Shareholder

She was appointed as our Group's Executive Director in 2009 and resigned from her position in 2017. She obtained her Bachelor of Business (Banking and Finance) from Monash University in 1992. Save for the abovementioned, she is not attached to any other companies or organisations. She is the spouse of Teh Cheong Hua.

- (c) **Goh Chi Jin**, Malaysian, aged 50  
Independent Non-Executive Chairman

He was appointed as our Independent Non-Executive Chairman on 4 December 2017. He obtained his Degree in Bachelor of Commerce and Administration from Victoria University of Wellington, New Zealand in 1990. He is a Chartered Accountant of New Zealand Institute of Chartered Accountants and Malaysian Institute of Accountants ("**MIA**").

He started his career as an auditor in Ernst and Young in 1991 and left the firm in 1994 to take on the position of an accountant in Keebler Company (Malaysia) Sdn Bhd. He was promoted as the Financial Controller of the company in 2000. In 2003, his employment was transferred to Danone Marketing (Malaysia) Sdn Bhd as Finance Manager-Business Planning Analyst, following the global corporate exercise undertaken by Danone Group. He left Danone Marketing (Malaysia) Sdn Bhd in 2008 and joined Munchy Food Industries Sdn Bhd as the General Manager, Finance.

- (d) **Yong Lai Peng**, Malaysian, aged 43  
Chief Financial Officer and Executive Director

She is responsible for our Group's finance and accounting functions. She obtained her LCCI qualification from Systematic Business Training Centre, Kuala Lumpur in 1995. She further completed her Association of International Accountants professional qualification at Jasa Accountancy Centre, Kuala Lumpur in 1997.

She started her career with Yong Siew Wah & Co. as an Audit Assistant in January 1997, where she was responsible for assisting the Audit Manager in documentation and evaluation of client's accounting and internal control system, as well as preparing and finalising formal audit reports. She left in 2000 and joined Inter-Pacific Travel & Tours Sdn Bhd as an Accounts Executive.

She then joined LKL Advance Metaltech Sdn Bhd later in 2000 as an Account Manager and was responsible for the company's accounts and finance. She left LKL Advance Metaltech Sdn Bhd and joined our Group in June 2008.

She was appointed as the Executive Director of JM Education Group with effect from 30 June 2017.

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## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

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### 6.3 Profile of the Key Management Personnel

The profiles of the key management personnel are as follows:

The profiles of Teh Cheong Hua and Yong Lai Peng are disclosed in the Section 6.2 of this Information Memorandum.

- (a) **Teh Saw Sim**, Malaysian, aged 38  
General Manager of JM Education

She is responsible for overseeing our Company's daily operations, developing strategic plans, analysing and monitoring sales strategies. She obtained her Bachelor of Science in Management Information System from Oklahoma State University, USA in 2002.

Upon her graduation, she worked as a Case Officer at AusAsia Migration Sdn Bhd from 2002 to 2003. She left AusAsia Migration Sdn Bhd in 2003 to join Scope International (M) Sdn Bhd as a Management Officer. From 2005 to 2006, she joined MSE Marketing (M) Sdn Bhd as an Assistant Marketing Manager. She joined Stamford College (PJ) Sdn Bhd as an Education Counsellor in 2006.

She left and joined StudyGroup International Ltd as an Assistant Regional Manager in 2007 and in 2009, was assigned to handle the Indonesia, Singapore and Thailand regions. She was responsible for conducting international recruitment drives for countries such as Australia, New Zealand, UK and USA.

Prior to joining JM Education Group in 2013, she was an Office Manager cum Human Resource Manager of InfiniteBiz Corporation Sdn Bhd from 2012 to 2013.

- (b) **Norashida Binti Sarwe**, Malaysian, aged 30  
Academic Director (Training and Management Division) of Miraj Academy

She is responsible for business development, marketing and student recruitment, training, as well as Miraj Academy's daily operations. She obtained her Bachelor of Business Administration (Hons) from Universiti Teknologi Mara, Johor in 2010.

She began her career in 2009 as a trainee with TRM Management Sdn Bhd. She was subsequently promoted to an executive in 2010 and was responsible for assisting the client to apply for business and/or trading license, liaise with government agencies, consulting the client on the government regulations and procedures. She joined JM Education Group in 2010 and was promoted to her current position in 2015.

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## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

### 6.4 Involvement of our Promoters, Substantial Shareholders, Directors and Key Management Personnel in Businesses/Corporations outside our Group

Save as disclosed below, our Promoters, substantial shareholders, directors and key management personnel do not have any other interest and directorships in other corporations outside our Group for the past three (3) years up to the LPD:

Name/position in JM Education	Company	Principal activities	Position held	Date of appointment	Date of resignation	Shareholdings (%)
Teh Cheong Hua/ Promoter, substantial shareholder, Managing Director	<b>Present involvement</b>					
	Choon Hui Holdings Sdn Bhd	Investment in properties and quoted shares	director/ shareholder	24 February 2000	-	100.0
	GHS Strategic Holdings Sdn Bhd	Investment holdings, property and hardware trading	director/ shareholder	6 December 1985	21 June 2017	20.0
	P & S Hardware Sdn Bhd	Traders in hardware	director/ shareholder	3 September 2002	30 May 2017	6.0
	Education UK Ltd	Investment holding in property	director/ shareholder	30 January 2008	-	80.0
	<b>Previous involvement – past three (3) years</b>					
	Guanguan Hardware Sdn Bhd	Dealer in building materials	director	6 December 1985	5 June 2017	-
	Unidigest Sdn Bhd	Administrative education services	director/ shareholder	3 February 2006	31 March 2017	-
	<b>Present involvement</b>					
Su Cheia Yee/ Promoter, substantial shareholder	Choon Hui Holdings Sdn Bhd	Investment in properties and quoted shares	director/ shareholder	19 May 2011	-	0.0 <sup>#</sup>
	Education UK Ltd	Investment holding in property	director/ shareholder	30 January 2008	-	20.0
	<b>Previous involvement – past three (3) years</b>					
	-	-	-	-	-	-

**6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)**

Name/position in JM Education	Company	Principal activities	Position held	Date of appointment	Date of resignation	Shareholdings (%)
Goh Chi Jin/ Independent Non- Executive Chairman	<b>Present involvement</b>					
	cCubeTV Sdn. Bhd.	Video production	director	19 June 2017	-	-
	<b>Previous involvement – past three (3) years</b>					
	-	-	-	-	-	-
Yong Lai Peng/ Chief Financial Officer, Executive Director	<b>Present involvement</b>					
	-	-	-	-	-	-
	<b>Previous involvement – past three (3) years</b>					
	Unidigest Sdn Bhd	Administrative education services	director	3 February 2006	31 March 2017	-

**Note:**

*Teh Saw Sim and Norashida Binti Sarwe do not have any other interest and directorships in other corporations outside our Group for the past three (3) years up to the LPD.*

# *Negligible.*

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## 6 DETAILS OF THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (CONT'D)

### 6.5 Directors' Remuneration and Benefit-in-kind

The aggregate remuneration and material benefit-in-kind and proposed to be paid for services rendered to our Group for the FYE 31 December 2017 and FYE 31 December 2018 are as follows:

Directors	Remuneration band	
	FYE 31 December 2017 (Estimate) RM'000	FYE 31 December 2018 (Estimate) RM'000
Teh Cheong Hua	151 - 200	101 - 150
Yong Lai Peng	101 - 150	151 - 200
Goh Chi Jin	0 - 50	0 - 50

The remuneration of our Directors includes salaries, bonuses, fees and allowances as well as other benefits.

### 6.6 Our Employees

The following depicts the breakdown of our full-time employees as at 31 December 2016 and as at LPD:

Category	Number of employees	
	As at 31 December 2016	As at the LPD
Directors	2	2
General/Senior Manager	4	4
Manager/Assistant Manager	11	9
Education Counsellor	23	24
Account/Admin Executive	4	3
Professional/Executive	1	2
Clerical/non-executive	2	2
Trainer (Executive)	7	5
Trainer (Non-executive)	5	5
	<b>59</b>	<b>56</b>

None of our employees belong to any labour union. The relationship and cooperation between the management and employees have always been good and this is expected to continue in the future. To date, there is no major industrial dispute pertaining to our employees.

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## 7 APPROVALS REQUIRED, CONDITIONS AND UNDERTAKINGS

### 7.1 Approvals Required/Conditions

The listing of and quotations for our entire enlarged issued share capital on the LEAP Market is subject to the following:

- (a) approval from Bursa Securities for the listing of the Shares; and
- (b) the successful completion of the Proposed Placement.

### 7.2 Details of Moratorium and Undertakings

In compliance with Rule 3.07 of the LEAP Market Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of the 61,000,000 Shares (representing approximately 90.0% of the enlarged issued share capital upon our Proposed Listing) held by our Promoters.

Our Promoters, who hold any of our Shares directly and indirectly upon our Proposed Listing, have fully accepted the moratorium whereby they will not be permitted to sell, transfer or assign any part of their interest in the Shares during the moratorium period as follows ("Promoters' Moratorium Period"):

- (i) the moratorium applies to our Promoters' entire shareholdings for a period of 12 months from the date of our listing on the LEAP Market; and
- (ii) upon expiry of the 12 months period stated above, our Promoters' aggregate shareholdings amounting to 30,510,000 Shares representing 45.0% of the total number of issued Shares shall remain under moratorium for another period of 36 months.

Our Promoters have also provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the Promoters' Moratorium Period.

In this respect, the Shares that are subject to moratorium are set out below:

Shareholders	Moratorium shares during the 12-month moratorium <sup>(1)</sup>		Moratorium shares during the 36-month moratorium <sup>(2)</sup>	
	No. of shares '000	% <sup>(3)</sup>	No. of shares '000	% <sup>(3)</sup>
Teh Cheong Hua	56,425	83.2	28,222	41.6
Su Cheia Yee	4,575	6.8	2,288	3.4
	61,000	90.0	30,510	45.0

**Notes:**

- (1) From the date of our Proposed Listing.
- (2) Upon the expiry of 12 months from the date of our Proposed Listing.
- (3) Based on the enlarged issued share capital of 67,800,000 Shares upon the completion of the Proposed Placement.

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## **7 APPROVALS REQUIRED, CONDITIONS AND UNDERTAKINGS (CONT'D)**

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### **7.3 Undertakings in Relation to the Proposed Placement**

- (a) JM Education undertakes to open a trust account with a financial institution licensed by Bank Negara Malaysia ("Trust Account") in accordance with Rule 3.10 of the LEAP Listing Requirements where all monies received from the Sophisticated Investors pursuant to subscription of our Shares will be deposited therein. The Trust Account will be jointly operated by JM Education and MainStreet;
- (b) JM Education and MainStreet undertake that all monies deposited in the Trust Account will not be withdrawn until the date of listing of our Shares on the LEAP Market; and
- (c) JM Education undertakes to forthwith repay within 14 days without interest all monies received from the Sophisticated Investors if:
  - (i) the Proposed Listing does not take place within six (6) months from the date of Bursa Securities' approval for the Proposed Listing on the LEAP Market or such further extension of time as Bursa Securities may allow; or
  - (ii) the Proposed Listing is aborted by JM Education.

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

### 8.1 Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets out the historical audited consolidated statements of profit or loss for the FYEs 31 December 2015 and 31 December 2016 as well as seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017, which have been extracted from our audited financial statements for FYE 31 December 2015 and 31 December 2016 and unaudited interim financial statements for the seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017 as set out in the Appendix II and III of this Information Memorandum respectively and shall be read in conjunction with this section:

	Audited		Unaudited	
	FYE 31 December		7-month FPE 31 July	
	2015	2016	2016	2017 <sup>(5)</sup>
	RM'000	RM'000	RM'000	RM'000
Revenue	9,467	9,962	4,723	5,457
Cost of sales	(1,449)	(867)	(383)	(823)
<b>GP</b>	<b>8,018</b>	<b>9,095</b>	<b>4,340</b>	<b>4,634</b>
Other income	282	55	7	109
Selling and marketing expenses	(1,047)	(863)	(580)	(580)
Administrative expenses	(4,080)	(4,518)	(2,366)	(2,596)
Other operating expenses	(416)	(571)	(324)	(187)
<b>Profit from operations</b>	<b>2,757</b>	<b>3,198</b>	<b>1,077</b>	<b>1,380</b>
Finance costs	(166)	(127)	(68)	(89)
<b>PBT</b>	<b>2,591</b>	<b>3,071</b>	<b>1,009</b>	<b>1,291</b>
Taxation	(702)	(810)	(472)	(483)
<b>PAT</b>	<b>1,889</b>	<b>2,261</b>	<b>537</b>	<b>808</b>
Other comprehensive income	-	-	-	-
Total comprehensive income	<b>1,889</b>	<b>2,261</b>	<b>537</b>	<b>808</b>
PAT/total comprehensive income attributable to:				
Owners of the company	<b>1,864</b>	<b>2,265</b>	<b>601</b>	<b>832</b>
Non-controlling interests	25	(4)	(64)	(24)
	<b>1,889</b>	<b>2,261</b>	<b>537</b>	<b>808</b>
EBITDA	3,156	3,642	1,327	1,575
Depreciation	399	444	250	195
GP margin (%) <sup>(1)</sup>	84.7	91.3	91.9	84.9
PBT margin (%) <sup>(2)</sup>	27.4	30.8	21.4	23.7
PAT margin (%) <sup>(3)</sup>	20.0	22.7	11.4	14.8
EPS (RM) <sup>(4)</sup>	9.32	11.33	3.00	4.16

#### Notes:

- (1) GP margin is computed based on the gross profit over revenue.
- (2) PBT margin is computed based on the PBT over revenue.
- (3) PAT margin is computed based on the PAT over revenue.
- (4) EPS is computed based on PAT attributable to owners of the Company over 200,000 JM Education shares for the financial years presented above.
- (5) Our Group's financial results are subject to seasonality as disclosed in Section 3.9 of this Information Memorandum. Therefore, the financial results for the seven (7)-month FPE 31 July 2017 is also subject to the seasonality factor.

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.2 Consolidated Statements of Financial Position

The following table sets out the historical audited consolidated statements of financial position as at 31 December 2015 and 31 December 2016 as well as unaudited interim financial statements of financial position as at 31 July 2016 and 31 July 2017, which have been extracted from our audited financial statements for FYE 31 December 2015 and 31 December 2016 and unaudited interim financial statements for the seven (7)-month FPE 31 July 2016 and FPE 31 July 2017 as set out in the Appendix II and III of this Information Memorandum respectively and shall be read in conjunction with this section:

	Audited 31 December		Unaudited 31 July	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>				
Property and equipment	3,920	6,089	5,682	5,640
Goodwill on Consolidation	2,391	2,285	2,391	2,285
<b>Total non-current assets</b>	<b>6,311</b>	<b>8,374</b>	<b>8,073</b>	<b>7,925</b>
<b>Current assets</b>				
Trade receivables	2,669	2,281	885	2,139
Other receivables, deposits and prepayments	293	445	1,204	480
Tax recoverable	-	73	132	85
Cash and bank balances	123	126	136	192
<b>Total current assets</b>	<b>3,085</b>	<b>2,925</b>	<b>2,357</b>	<b>2,896</b>
Asset held for sale	-	-(1)	-(1)	-
<b>Total assets</b>	<b>9,396</b>	<b>11,299</b>	<b>10,430</b>	<b>10,821</b>
<b>Equity</b>				
Share capital	200	200	200	200
Retained earnings	4,516	6,782	5,066	7,613
	<b>4,716</b>	<b>6,982</b>	<b>5,266</b>	<b>7,813</b>
Non-controlling interests	79	23	15	-(1)
<b>Total equity</b>	<b>4,795</b>	<b>7,005</b>	<b>5,281</b>	<b>7,813</b>
<b>Non-current liabilities</b>				
Hire purchase payables	452	308	153	39
Bank borrowings	1,036	1,213	-	1,060
Deferred taxation	63	96	63	96
<b>Total non-current liabilities</b>	<b>1,551</b>	<b>1,617</b>	<b>216</b>	<b>1,195</b>
<b>Current liabilities</b>				
Trade payables	149	80	57	102
Other payables, deposits and prepayment	439	290	120	247
Directors' accounts	77	1,408	28	-
Hire purchase payables	129	136	347	57
Bank borrowings	182	181	1,112	216
Bank overdraft	1,186	-	2,017	-
Provision for taxation	82	275	446	524
Deferred income	806	307	806	667
<b>Total current liabilities</b>	<b>3,050</b>	<b>2,677</b>	<b>4,933</b>	<b>1,813</b>
<b>Total liabilities</b>	<b>4,601</b>	<b>4,294</b>	<b>5,149</b>	<b>3,008</b>
<b>Total equity and liabilities</b>	<b>9,396</b>	<b>11,299</b>	<b>10,430</b>	<b>10,821</b>



## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

**Note:**

(1) Negligible.

### 8.3 Pro forma Consolidated Statement of Financial Position

The following table sets out a summary of the pro forma consolidated statement of financial position of our Group to show the pro forma effects of the Proposed Placement and utilisation of proceeds, which have been extracted from the letter on pro forma consolidated statement of financial position of JM Education Group as set out in the Appendix I of this Information Memorandum:

	Audited as at 31 December 2016	(I) After subsequent events	(II) After (I) and proposed bonus issue	(III) After (II) and Proposed Placement	(IV) After (III) and utilisation of proceeds <sup>(4)</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>					
Property and equipment	6,089	6,089	6,089	6,089	6,089
Goodwill on consolidation	2,285	2,285	2,285	2,285	2,285
<b>Total non-current assets</b>	<b>8,374</b>	<b>8,374</b>	<b>8,374</b>	<b>8,374</b>	<b>8,374</b>
<b>Current assets</b>					
Trade receivables	2,281	2,281	2,281	2,281	2,281
Other receivables, deposits and prepayments	445	445	445	445	445
Tax recoverable	73	73	73	73	73
Cash and bank balances	126	126	126	3,186	646
<b>Total current assets</b>	<b>2,925</b>	<b>2,925</b>	<b>2,925</b>	<b>5,985</b>	<b>3,445</b>
Asset held for sale	_(5)	_(5)	_(5)	_(5)	_(5)
<b>Total assets</b>	<b>11,299</b>	<b>11,299</b>	<b>11,299</b>	<b>14,359</b>	<b>11,819</b>
<b>Equity</b>					
Share capital	200	200	6,100	9,160	9,099
Retained earnings/(accumulated losses)	6,782	6,782	882	882	(707)
	<b>6,982</b>	<b>6,982</b>	<b>6,982</b>	<b>10,042</b>	<b>8,392</b>
Non-controlling interests	23	23	23	23	23
<b>Total equity</b>	<b>7,005</b>	<b>7,005</b>	<b>7,005</b>	<b>10,065</b>	<b>8,415</b>
<b>Non-current liabilities</b>					
Hire purchase payables	308	308	308	308	308
Bank borrowings	1,213	1,213	1,213	1,213	504
Deferred taxation	96	96	96	96	96
<b>Total non-current liabilities</b>	<b>1,617</b>	<b>1,617</b>	<b>1,617</b>	<b>1,617</b>	<b>908</b>
<b>Current liabilities</b>					
Trade payables	80	80	80	80	80
Other payables, deposits and prepayment	290	290	290	290	290
Directors' accounts	1,408	1,408	1,408	1,408	1,408
Hire purchase payables	136	136	136	136	136
Bank borrowings	181	181	181	181	-
Provision for taxation	275	275	275	275	275

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

	Audited as at 31 December 2016	(I)	(II)	(III)	(IV)
		After subsequent events	After (I) and proposed bonus issue	After (II) and Proposed Placement	After (III) and utilisation of proceeds <sup>(4)</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred income	307	307	307	307	307
<b>Total current liabilities</b>	<b>2,677</b>	<b>2,677</b>	<b>2,677</b>	<b>2,677</b>	<b>2,496</b>
<b>Total liabilities</b>	<b>4,294</b>	<b>4,294</b>	<b>4,294</b>	<b>4,294</b>	<b>3,404</b>
<b>Total equity and liabilities</b>	<b>11,299</b>	<b>11,299</b>	<b>11,299</b>	<b>14,359</b>	<b>11,819</b>
Number of Shares ('000)	200	2,000 <sup>(1)</sup>	61,000 <sup>(2)</sup>	67,800 <sup>(3)</sup>	67,800
NA per share (RM)	35.03	3.50	0.11	0.15	0.12
Gearing ratio (times)	0.26	0.26	0.26	0.18	0.12

### Notes:

- (1) Being effects of the subdivision of shares on the basis of ten (10) shares for every one (1) existing JM Education share.
- (2) Being effects of the proposed bonus issue of shares which entail an issuance of 59,000,000 bonus shares on the basis of 29.5 bonus shares for every one (1) existing JM Education share.
- (3) Being effects of the Proposed Placement of 6,800,000 new JM Education Placement Shares at the Placement Price of RM0.45 per Share.
- (4) Being effects of the utilisation of proceeds as disclosed in Section 1.4 of this Information Memorandum.
- (5) Negligible.

### 8.4 Consolidated Statements of Cash Flows

The following table sets out the historical audited consolidated statements of cash flows for the FYEs 31 December 2015 and 31 December 2016 as well as seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017, which have been extracted from our audited financial statements for FYE 31 December 2015 and 31 December 2016 and unaudited interim financial statements for the seven (7)-month FPE 31 July 2016 and for the seven (7)-month FPE 31 July 2017 as set out in the Appendix II and III of this Information Memorandum and shall be read in conjunction with this section:

	Audited		Unaudited	
	FYE 31 December		7-month FPE 31 July	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	2,499	2,469	1,482	1,647
Net cash (used in)/from investing activities	(133)	(2,600)	(2,012)	294
Net cash (used in)/from financing activities	(2,167)	1,320	(287)	(1,875)
Net increase/(decrease) in cash and cash equivalents	199	1,189	(817)	66
Cash and cash equivalents at beginning of the financial year/period	(1,262)	(1,063)	(1,063)	126
Cash and cash equivalents at the end of the financial year/period	(1,063)	126	(1,880)	192

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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### (i) Net cash generated from operating activities

Our Group has been generating positive operating cash flows for FYE 31 December 2015, FYE 31 December 2016, as well as 7-month FPE 31 July 2016 and 7-month FPE 31 July 2017.

### (ii) Net cash generated from investing activities

In FYE 31 December 2016, we recorded higher net cash used in investing activities compared to FYE 31 December 2015 mainly due to:

- (a) RM1.75 million used to purchase a property located at 11, Jalan Dravidan, Bandar Baru Ampang, 68000 Ampang, Selangor. The said property is currently used as a TVET centre;
- (b) RM0.48 million used to purchase a property located at 29-B, Jalan Wawasan 4/3, Bandar Baru Ampang, 68000 Ampang, Selangor. The said property is currently rented out to third-party;
- (c) RM0.13 million renovation cost for the branches and TVET centre; and
- (d) RM0.25 million is used for the purchase of office equipment and fixture and fittings.

The higher cash used in investing activities for seven (7)-month FPE 31 July 2016 compared to seven (7)-month FPE 31 July 2017 was mainly due to the aforementioned RM1.75 million used to purchase the property located at 11, Jalan Dravidan, Bandar Baru Ampang, 68000 Ampang, Selangor, with the remaining RM0.25 million used for the purchase of office equipment and fixture and fittings.

In seven (7)-month FPE 31 July 2017, the net cash generated from investing activities of RM0.29 million was from RM0.39 million proceeds received from disposal of a motor vehicle, off-set with RM0.10 million used for the purchase of equipment for Miraj Academy TVET centre.

### (iii) Net cash generated from financing activities

In FYE 31 December 2015, we recorded higher cash used in financing activities compared to FYE 31 December 2016 mainly due to payment of dividend of RM1.75 million.

In FYE 31 December 2016, we recorded net cash from financing of RM1.32 million which is mainly due to the advances from directors. These advances were made by the directors to enable our Group to purchase the aforementioned properties. Subsequently, these advances were fully repaid in seven (7)-month FPE 31 July 2017, which caused our Group to record a net cash used in financing activities in the said period.

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.5 Management Discussion and Analysis

The following management's discussion and analysis of our past financial condition, results of operations and prospects as set out in this section for FYEs 31 December 2015 and 31 December 2016 as well as seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017 are based on, and should be read in conjunction with our audited financial statements for FYE 31 December 2015 and FYE 31 December 2016 and unaudited interim financial statements for the seven (7)-month FPE 31 July 2016 and for the seven (7)-month FPE 31 July 2017 as set out in the Appendix II and III of this Information Memorandum.

This discussion and analysis contains data derived from our audited financial statements and unaudited interim financial statements as well as forward-looking statements that involve risk and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to, those risk factors set out in Section 5 of this Information Memorandum.

#### 8.5.1 Overview of Our Operations

We are principally involved in the following key segments:

- (i) educational counselling and student placements; and
- (ii) provision of TVET

which are detailed in Section 3.2.1 and Section 3.2.2 of this Information Memorandum. The revenue sources for these business segments are set out below:

Business segment	Revenue source
Educational counselling and student placement	Tuition fees commission
Provision of TVET	Tuition fees

#### 8.5.2 Revenue

The following tables set out our revenue by business segments and activities in FYEs 31 December 2015 and 2016, as well as seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017:

- (a) By company and business segments

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Educational counselling and student placements</b>								
JM Education	6,260	66.1	6,957	69.8	3,524	74.6	4,413	80.9
Education UK Network	1,395	14.8	1,004	10.1	229	4.9	246	4.5
JM Education (Sabah)	303	3.2	228	2.3	86	1.8	99	1.8
	7,958	84.1	8,189	82.2	3,839	81.3	4,758	87.2
<b>TVET</b>								
Miraj Academy	1,509	15.9	1,773	17.8	884	18.7	699	12.8
	<b>9,467</b>	<b>100.0</b>	<b>9,962</b>	<b>100.0</b>	<b>4,723</b>	<b>100.0</b>	<b>5,457</b>	<b>100.0</b>

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### (b) By geographical areas

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Overseas</b>								
Educational counselling and student placements								
Australia	3,321	35.1	4,000	40.2	2,585	54.7	2,766	50.7
UK	4,020	42.4	3,133	31.4	753	15.9	1,143	20.9
Others <sup>(1)</sup>	290	3.1	486	4.9	257	5.5	420	7.7
	7,631	80.6	7,619	76.5	3,595	76.1	4,329	79.3
<b>Local</b>								
Educational counselling and student placements	327	3.5	570	5.7	244	5.2	429	7.9
TVET	1,509	15.9	1,773	17.8	884	18.7	699	12.8
	1,836	19.4	2,343	23.5	1,128	23.9	1,128	20.7
	<b>9,467</b>	<b>100.0</b>	<b>9,962</b>	<b>100.0</b>	<b>4,723</b>	<b>100.0</b>	<b>5,457</b>	<b>100.0</b>

**Note:**

(1) Others comprise Canada, Ireland, New Zealand, Singapore and USA.

### (i) Comparison between FYE 31 December 2015 and FYE 31 December 2016

Our revenue increased by approximately 5.2% or RM0.50 million from RM9.47 million in FYE 31 December 2015 to RM9.96 million in FYE 31 December 2016. Our educational counselling and student placements segment revenue increased by 2.9% or RM0.23 million from RM7.96 million in FYE 31 December 2015 to RM8.19 million in FYE 31 December 2016. Such increase is mainly due to the increase in the number of students placed in Australian educational institutions, from 339 students placed in FYE 31 December 2015 to 411 students placed in FYE 31 December 2016. The Australian educational institutions tuition fees are relatively higher, which resulted in higher commission earned by us in FYE 31 December 2016 as compared to FYE 31 December 2015.

Our TVET segmental revenue grew by 17.5% or RM0.26 million from RM1.51 million in FYE 31 December 2015 to RM1.77 million in FYE 31 December 2016. For TVET segment, the tuition fees paid by the trainees at the point of registration will be recognised as revenue throughout the period of the programme which ranged from one (1) year to two (2) years. Therefore, part of the revenue from trainees registered in a particular financial year will also be recognised in the subsequent financial year.

In FYE 31 December 2015, there were 235 trainees' intake as against 145 trainees' intake in FYE 31 December 2016. As such, revenue from the said 235 trainees' intake were partly recognised in FYE31 December 2016.

The higher number of trainees' intake in FYE 31 December 2015 is contributed by a new intake of foreign trainees which amounted to 136 trainees. Although the number of foreign trainees were higher as compared to the local trainees, the fees charged to the foreign trainees were relatively lower due to the discounts given. Subsequently, the intakes for foreign trainees were discontinued in FYE 31 December 2016 as it was not commercially viable. Hence, the lower TVET revenue recorded in FYE 31 December 2015 despite the higher number of trainees' intake, as compared to FYE 31 December 2016.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### (ii) Comparison between seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017

Our revenue increased by 15.5% or RM0.73 million from RM4.72 million in seven (7)-month FPE 31 July 2016 to RM5.46 million in seven (7)-month FPE 31 July 2017. Such increase is mainly contributed by our educational counselling and student placements segment due to:

- (a) the increase in the number of students placed in Australian educational institutions, from 260 students placed in seven (7)-month FPE 31 July 2016 to 275 students placed in seven (7)-month FPE 31 July 2017; and
- (b) general increase in the tuition fees charged by educational institutions, which resulted in higher commission earned by us in seven (7)-month FPE 31 July 2017 as compared to seven (7)-month FPE 31 July 2016.

Our revenue in the aforementioned periods were mainly generated from the major student intake for educational institutions in Australia for the month of February and minor student intake for educational institutions in the UK for the month of January/February.

TVET segment registered 91 and 114 trainees' intake in seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017 respectively. Despite the increase in the trainees' intake in seven (7)-month FPE 31 July 2017, TVET revenue decreased by 20.9% or RM0.18 million from RM0.88 million in seven (7)-month FPE 31 July 2016 to RM0.70 million in seven (7)-month FPE 31 July 2017.

This is due to the fact that the tuition fees were recognised as revenue throughout the period of the programmes. Thus, trainees registered in fourth quarter of FYE 31 December 2015 will have part of their tuition fees recognised as revenue in seven (7)-month FPE 31 July 2016. The higher trainees' intake in seven (7)-month FPE 31 July 2017 as compared to seven (7)-month FPE 31 July 2016 is mainly due to the aggressive promotion conducted by our Group.

### 8.5.3 Cost of Sales

The following tables set out the breakdown of our Group's major cost of sales by business segments and cost component for FYEs 31 December 2015 and 31 December 2016, as well as seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017:

#### (a) By company and business segments

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Educational counselling and student placements</b>								
JM Education	771	53.2	610	70.4	191	49.9	637	77.4
Education UK Network	170	11.7	82	9.4	88	23.0	76	9.2
JM Education (Sabah)	1	0.1	1	0.1	1	0.2	1	0.1
	942	65.0	693	79.9	280	73.1	714	86.7
<b>TVET</b>								
Miraj Academy	507	35.0	174	20.1	103	26.9	109	13.3
	<b>1,449</b>	<b>100.0</b>	<b>867</b>	<b>100.0</b>	<b>383</b>	<b>100.0</b>	<b>823</b>	<b>100.0</b>

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### (b) By geographical areas

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Overseas</b>								
Australia	343	23.7	304	35.0	88	23.0	346	42.1
UK	423	29.2	214	24.7	155	40.5	262	31.8
Others <sup>(1)</sup>	144	9.9	116	13.4	18	4.7	60	7.3
	910	62.8	634	73.1	261	68.2	668	81.2
<b>Local<sup>(2)</sup></b>	539	37.2	233	26.9	122	31.8	155	18.8
	<b>1,449</b>	<b>100.0</b>	<b>867</b>	<b>100.0</b>	<b>383</b>	<b>100.0</b>	<b>823</b>	<b>100.0</b>

#### Notes:

- (1) Others comprise cost of sales for Canada, Ireland, New Zealand, Singapore and USA.  
(2) Comprised cost of sales for both education counselling and student placements and TVET.

### (c) By major cost component

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Advertisement and promotion expenses	345	23.8	341	39.3	165	43.1	387	47.0
Referral fees	636	43.9	368	42.4	117	30.5	287	34.9
TVET teaching and training material	27	1.9	32	3.7	18	4.7	39	4.8
Visa application fees	35	2.4	17	2.0	11	2.9	25	3.0
Depreciation	45	3.1	41	4.7	23	6.0	25	3.0
Travelling expenses	41	2.8	33	3.8	24	6.3	23	2.8
TVET JPK registration fee	36	2.5	18	2.1	13	3.4	12	1.5
Others <sup>(1)</sup>	284	19.6	17	2.0	12	3.1	25	3.0
	<b>1,449</b>	<b>100.0</b>	<b>867</b>	<b>100.0</b>	<b>383</b>	<b>100.0</b>	<b>823</b>	<b>100.0</b>

#### Note:

- (1) Others comprise TVET trainee welfare expenses, visa application fees, insurance payment, graduation expenses and discounts allowed net of discounts received.

### (i) Comparison between FYE 31 December 2015 and FYE 31 December 2016

Cost of sales decreased by 40.2% or RM0.58 million from RM1.45 million in FYE 31 December 2015 to RM0.87 million in FYE 31 December 2016 mainly due to:

- (a) lower referral fees paid to agents and subagents in FYE 31 December 2016 due to the increase in the number of students directly identified by our marketing and recruitment team; and
- (b) the cessation of Education Malaysia Global Services Visa application fees as we have solely focused on local recruitment under the TVET segment in FYE 31 December 2016.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### (ii) Comparison between seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017

On a contrary, cost of sales in seven (7)-month FPE 31 July 2017 of RM0.82 million significantly increased by 114.9% or RM0.44 million compared to seven (7)-month FPE 31 July 2016 of RM0.38 million mainly due to the:

- increase in number of educational fairs organised up to the month of July (from 14 fairs to 18 fairs) and the frequency of advertisement in newspaper, radio and social media platforms;
- increment in referral fees paid to agents and subagents due to the increase in the number of students identified by our agents and subagents; and
- higher advertising and promotion expenses as we allocated more marketing funds for brand building and organising of education fairs throughout major cities and towns as stated in Section 3.7 of this Information Memorandum.

### 8.5.4 GP and GP Margin

The following tables set out the breakdown of GP and GP margin by business segment and geographical areas:

#### (a) By company and business segment

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Education counselling and student placements</b>								
JM Education	5,489	68.4	6,347	69.8	3,333	76.8	3,776	81.5
Education UK Network	1,225	15.3	922	10.1	141	3.2	170	3.7
JM Education (Sabah)	302	3.8	227	2.5	85	2.0	98	2.1
	7,016	87.5	7,496	82.4	3,559	82.0	4,044	87.3
<b>TVET</b>								
Miraj Academy	1,002	12.5	1,599	17.6	781	18.0	590	12.7
	<b>8,018</b>	<b>100.0</b>	<b>9,095</b>	<b>100.0</b>	<b>4,340</b>	<b>100.0</b>	<b>4,634</b>	<b>100.0</b>
<b>GP Margin (%)</b>								
<b>Educational counselling and student placements</b>								
JM Education		87.7		91.2		94.6		85.6
Education UK Network		87.8		91.8		61.6		69.1
JM Education (Sabah)		99.7		99.6		98.8		99.0
<b>TVET</b>								
Miraj Academy		66.4		90.2		88.4		84.4
<b>Group</b>		<b>84.7</b>		<b>91.3</b>		<b>91.9</b>		<b>84.9</b>

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

(b) By geographical areas

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Overseas</b>								
Australia	2,978	37.1	3,696	40.6	2,497	57.5	2,420	52.2
UK	3,597	44.9	2,919	32.1	598	13.8	881	19.0
Others	146	1.8	370	4.1	239	5.5	360	7.8
	6,721	83.8	6,985	76.8	3,334	76.8	3,661	79.0
<b>Local</b>	1,297	16.2	2,110	23.2	1,006	23.2	973	21.0
	<b>8,018</b>	<b>100.0</b>	<b>9,095</b>	<b>100.0</b>	<b>4,340</b>	<b>100.0</b>	<b>4,634</b>	<b>100.0</b>
<b>GP Margin (%)</b>								
<b>Overseas</b>								
Australia		89.7		92.4		96.6		87.5
UK		89.5		93.2		79.4		77.1
Others		50.3		76.1		93.0		85.7
<b>Local</b>		70.6		90.1		89.2		86.3

**Note:**

(i) Others comprise Canada, Ireland, New Zealand, Singapore and USA.

**(i) Comparison between FYE 31 December 2015 and FYE 31 December 2016**

Our Company recorded a higher GP margin of 91.3% in FYE 31 December 2016 compared to 84.7% in FYE 31 December 2015 mainly attributable to the educational counselling and student placements segment with higher number of students counselled and placed in their educational institution of choice. Further, we have paid lower referral fees to our agents and subagents in FYE 31 December 2016 due to the increase in the number of students directly identified by our own marketing and recruitment team.

**(ii) Comparison between seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017**

The GP margin recorded in seven (7)-month FPE 31 July 2017 of 84.9% declined from the GP margin of 91.9% recorded in seven (7)-month FPE 31 July 2016. This is mainly due to higher spending in advertising and promotion cost for brand building and organising of education fairs in the cities and towns as disclosed in Section 3.7 of this Information Memorandum. The increase in referral fees paid to the agents and subagents further contributed to the lower profit margin in seven (7)-month FPE 31 July 2017.

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.5.5 Other Operating Income

Our other operating income for FYEs 31 December 2015 and 31 December 2016, as well as seven (7)-month FPE 31 July 2016 and FPE 31 July 2017 are set out as below:

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental income <sup>(1)</sup>	1	0.4	12	21.9	7	100.0	22	20.2
Unrealised exchange gain	-	-	17	30.9	-	-	41	37.6
Gain on disposal of fixed assets <sup>(2)</sup>	147	51.9	13	23.6	-	-	40	36.7
Realised exchange gain	131	46.3	-	-	-	-	4	3.7
Others	3	1.4	13	23.6	-	-	2	1.8
	<b>282</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>109</b>	<b>100.0</b>

**Notes:**

- (1) Income generated from the rental of excess classrooms to a third-party tuition provider and rental of premises to third-parties.  
(2) Gain from disposal of motor vehicle.

### 8.5.6 Administrative and Other Operating Expenses

The breakdown of our administrative expenses for FYEs 31 December 2015 and 31 December 2016, as well as seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017 consists of the following:

	Audited				Unaudited			
	FYE 31 December				7-month FPE 31 July			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff salary and benefits	2,868	70.3	3,070	68.0	1,605	67.8	1,773	68.3
Rental expenses	403	9.9	388	8.6	247	10.4	261	10.0
Director's remuneration	311	7.6	299	6.6	172	7.3	173	6.7
Utilities	206	5.0	238	5.3	133	5.6	142	5.5
Repair and maintenance	65	1.6	96	2.1	55	2.3	57	2.2
Advertisement and promotion	-	-	46	1.0	20	0.9	45	1.7
Others <sup>(1)</sup>	227	5.6	381	8.4	134	5.7	145	5.6
	<b>4,080</b>	<b>100.0</b>	<b>4,518</b>	<b>100.0</b>	<b>2,366</b>	<b>100.0</b>	<b>2,596</b>	<b>100.0</b>

**Note:**

- (1) Others comprise upkeep and maintenance of premises, printing and stationery for TVET segment and other miscellaneous expenses.

**(i) Comparison between FYE 31 December 2015 and FYE 31 December 2016**

Our Company's administrative expenses increased by 10.7% or RM0.44 million from RM4.08 million in FYE 31 December 2015 to RM4.52 million in FYE 31 December 2016. This is mainly due to the increase in number of staff from 50 staff in FYE 31 December 2015 to 59 staff in FYE 31 December 2016, coupled with the increase in advertisement and promotion expenses and upkeep and maintenance for premises.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### (ii) Comparison between seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017

The administrative expenses increased by 9.7% or RM0.23 million from RM2.37 million in seven (7)-month FPE 31 July 2016 to RM2.60 million in seven (7)-month FPE 31 July 2017. This is mainly due to higher wages incurred with the increase in the number of staff from 52 staff in seven (7)-month FPE 31 July 2016 to 59 staff in seven (7)-month FPE 31 July 2017 and increased rental expenses due to the set-up of two (2) new branches in Bukit Mertajam and Cheras.

#### 8.5.7 Selling and Marketing Expenses

Our selling and marketing expenses for FYEs 31 December 2015 and 31 December 2016, as well as seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017 mainly consist of advertising and marketing expenses, travelling and accommodation expenses, printing and stationery and license fees.

#### 8.5.8 Other Operating Expenses

Our other operating expenses for FYEs 31 December 2015 and 31 December 2016, as well as seven (7)-month FPE 31 July 2016 and FPE 31 July 2017 consist of depreciation, realised exchange loss, administrative expenses and impairment loss on goodwill in relation to JM Education's investment in Miraj Academy.

#### 8.5.9 PAT and PAT Margin

PAT and PAT margin for FYEs 31 December 2015 and 31 December 2016, as well as seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017 are as follows:

	Audited		Unaudited	
	FYE 31 December		7-month FPE 31 July	
	2015	2016	2016	2017
Revenue (RM'000)	9,467	9,962	4,723	5,457
PBT (RM'000)	2,591	3,071	1,009	1,291
PAT (RM'000)	1,889	2,261	537	808
<i>PBT margin (%)</i>	27.4	30.8	21.4	23.7
<i>PAT margin (%)</i>	20.0	22.7	11.4	14.8

The segmental analysis and analysis by geographical location for PAT and PAT margin is not readily available as we do not segregate the expenses on the aforementioned basis.

### (i) Comparison between FYE 31 December 2015 and FYE 31 December 2016

Our Group's PBT and PAT increased by 18.5% and 19.7% respectively in FYE 31 December 2016 due to higher number of students placed and enrolled for educational counselling and student placement segment and TVET respectively. Further, we incurred lower referral fees in FYE 31 December 2016 due to the increase in the number of students directly identified by our marketing and recruitment team. These enabled us to register higher PBT and PAT margins for FYE 31 December 2016 as compared to FYE 31 December 2015.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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### (ii) Comparison between seven (7)-month FPE 31 July 2016 and seven (7)-month FPE 31 July 2017

Our Group's PBT and PAT for seven (7)-month FPE 31 July 2017 showed increment of 27.9% and 50.5% respectively due to the higher number of students enrolled into the educational institutions which in turn resulted in higher commissions received. This also enabled us to register higher PBT and PAT margins for seven (7)-month FPE 31 July 2017 as compared to seven (7)-month FPE 31 July 2016.

### 8.5.10 Significant Factors Affecting Our Financial Position and Result of Operations

Our financial position and result of operations have been and will continue to be affected by, amongst others, the following factors which may not be within our control:

#### (i) Demand for further education

The demand for further education is subject to the parents and students' personal preference and can be affected by various factors, such as:

- (a) the cost of further education;
- (b) reputation of the educational institution;
- (c) political condition and safety index of the destination countries (for overseas studies);
- (d) economic condition; and
- (e) types of courses and career prospects in the market.

#### (ii) Relationships with educational institutions and organisations

We are dependent on the relationships with the educational institutions and organisations that we collaborate with.

#### (iii) Changes in destination countries' student visa regime which may affect students' enrolment

Any change in the regulatory and requirement for foreign students' visa application may affect the students' enrolment positively or adversely.

### 8.5.11 Foreign Currency Fluctuations

We are exposed to foreign currency fluctuations as our transactions and balances are mostly denominated in foreign currencies. Any significant fluctuations in the foreign exchange rates may affect our financial results.

For seven (7)-month FPE 31 July 2017, approximately 79.2% of our revenue are denominated in foreign currencies and approximately 84.8% of our trade receivables balance are denominated in foreign currencies. Our foreign currency exposure arises mainly from the movement of Great Britain Pound ("GBP") and Australian Dollar ("AUD") against RM. In the recent years, the movement of GBP and AUD against RM has been in our favour given that these currencies have strengthened against the RM.

## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Our net realised foreign exchange gain for the financial years and financial periods under review are as follows:

	Audited		Unaudited	
	FYE 31 December		7-month FPE 31 July	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
Net exchange gain/(loss)	131	(82)	(108)	(25)

Our revenue is mainly denominated in two (2) main foreign currencies, namely GBP and AUD (collectively "**Foreign Currencies**"). Hence, our Group is exposed to foreign exchange fluctuations of Foreign Currencies against RM. Any significant changes in the foreign exchange rates may affect our Group's financial results. For FYE 31 December 2016, approximately 69.9% of our revenue was denominated in Foreign Currencies, whilst the balance is represented by other currencies and RM in the proportion of 5.4% and 24.7% respectively. All our purchases are denominated in RM.

For illustrative purposes only and based on the assumption that all other factors remain unchanged, the pro forma financial effects of 5% and 10% appreciation and depreciation in the Foreign Currencies against RM on our turnover and PAT are set out below.

	FYE 31 December 2016			
	Turnover RM'000	Increase/ (Decrease) %	PAT RM'000	Increase/ (Decrease) %
<b>Audited</b>	9,962		2,261	
GBP/RM:				
- strengthened by 5%	156	1.6	118	5.2
- strengthened by 10%	311	3.1	236	10.5
- weakened by 5%	(156)	(1.6)	(118)	(5.2)
- weakened by 10%	(311)	(3.1)	(236)	(10.5)
AUD/RM:				
- strengthened by 5%	193	1.9	147	6.5
- strengthened by 10%	387	3.9	294	13.0
- weakened by 5%	(193)	(1.9)	(147)	(6.5)
- weakened by 10%	(387)	(3.9)	(294)	(13.0)

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.5.12 Capital Expenditures and Divestitures

Save as disclosed below, we have not incurred any other capital expenditures for the FYE 31 December 2014, FYE 31 December 2015, FYE 31 December 2016 and up to the LPD:

	FYE 31 December 2015 RM'000	FYE 31 December 2016 RM'000	From 1 January 2017 up to the LPD RM'000
Leasehold land and buildings	-	2,227	-
Office equipment, furniture and fittings	34	125	63
Computers	47	47	53
Library books and training equipment	2	10	13
Motor vehicles	584	-	-
Renovation	12	188	56
Signboard	1	16	15
	<b>680</b>	<b>2,613</b>	<b>200</b>

The capital expenditures were mainly financed via a combination of internally generated funds and bank borrowings.

Save as disclosed below, there are no other capital divestitures for the FYE 31 December 2014, FYE 31 December 2015, FYE 31 December 2016 and up to the LPD:

	FYE 31 December 2015 RM'000	FYE 31 December 2016 RM'000	From 1 January 2017 up to the LPD RM'000
Motor vehicles	1	-	350

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## 8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 8.5.13 Key Financial Ratios

	Audited		Unaudited	
	31 December		31 July	
	2015	2016	2016	2017
Trade receivables turnover period (days) <sup>(1)</sup>	103	84	39	82
Trade payables turnover period (days) <sup>(2)</sup>	37	33	32	26
Current ratio (times) <sup>(3)</sup>	1.01	1.09	0.48	1.60
Gearing ratio (times) <sup>(4)</sup>	0.62	0.26	0.69	0.18

**Notes:**

- (1)  $\frac{\text{Trade receivables}}{\text{Revenue}} \times \text{No. of days in the period}$
- (2)  $\frac{\text{Trade payables}}{\text{Cost of sales}} \times \text{No. of days in the period}$
- (3)  $\frac{\text{Total current assets}}{\text{Total current liabilities}}$
- (4)  $\frac{\text{Total borrowings}}{\text{Shareholders' equity}}$

**(i) Trade receivables**

Our trade receivables' turnover period has improved from 103 days as at 31 December 2015 to 39 days as at 31 July 2016. This improvement is mainly due to the prompt payment by our customers. Subsequently, our trade receivables turnover period increased to 84 days as at 31 December 2016 due to major intakes in the second half of FYE 31 December 2016. Our trade receivables turnover period as at 31 July 2017 remain constant at 82 days.

The normal trade credit period granted to our customers ranges from 30 to 60 days. The ageing analysis of our net trade receivables as at 31 December 2016 is as follows:

	Within credit period	Exceeding credit period				Total
		0-30 days	31-60 days	61-90 days	>90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	1,708	186	124	58	205	2,281
Less: Provision for doubtful debts	-	-	-	-	-	-
Net trade receivables	1,708	186	124	58	205	2,281
Percentage of total trade receivables (%)	74.9	8.2	5.4	2.5	9.0	100.0
Subsequent collections up to the LPD	1,589	166	84	36	172	2,047
Outstanding balance as at the LPD	119	20	40	22	33	234

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## **8 HISTORICAL FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

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As at the LPD, we have collected RM2.05 million or 89.7% of the total trade receivables outstanding as at 31 December 2016. We are in the process of collecting the remaining amount of RM0.23 million which represents only 10.3% of the total trade receivables as at 31 December 2016.

Our Board is of the opinion that the remaining amount of RM0.23 million is recoverable and no provision for impairment for trade receivables is required after taking into consideration the customers' credentials, payment track record as well as our relationship with them.

As part of our credit control policy, we continuously monitor our receivable which have exceeded the normal credit period granted by more than 30 days, by sending constant reminders and close follow up with our customers.

### **(ii) Trade payables**

Our trade payables balances are mainly amount owing to our advertisement and marketing suppliers in relation to our marketing activities. As at 31 December 2016, our trade payables balances amounted to RM0.08 million only.

### **(iii) Current ratio**

Our current ratio has gradually improved from 1.01 times as at 31 December 2015 to 1.09 times as at 31 December 2016 mainly due to the reduction in utilisation of bank overdraft in FYE 31 December 2016 and decrease in trade and other payables from RM0.59 million as at 31 December 2015 to RM0.37 million as at 31 December 2016.

As at 31 July 2017, the current ratio further improved to 1.60 times mainly due to the full settlement of the amount owing to directors.

### **(iv) Gearing ratio**

Our Group's borrowings mainly consist of term loans, hire purchase and overdraft to finance our capital expenditure. Our gearing ratio has improved from 0.62 times in the FYE 31 December 2015 to 0.26 times as at 31 December 2016. The improvement was mainly due to the increase in our shareholders' fund from RM4.80 million as at 31 December 2015 to RM7.00 million as at 31 December 2016.

Our gearing ratio improved from 0.69 times as at 31 July 2016 to 0.18 times as at 31 July 2017 mainly due to the repayment of overdraft amounted to RM2.02 million as at 31 July 2017 and the increase in our shareholders' fund from RM5.28 million as at 31 July 2016 to RM7.81 million as at 31 July 2017.

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## **9 OTHER INFORMATION**

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### **9.1 Responsibility Statements**

Our directors and the Promoters have seen and approved this Information Memorandum, and they collectively and individually accept full responsibility for the accuracy of the information contained herein, and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Information Memorandum false or misleading.

MainStreet acknowledges that, based on all available information and to the best of its knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing and the Proposed Placement.

### **9.2 Share Capital**

- (a) As at the date of this Information Memorandum, we have one (1) class of share, namely ordinary share;
- (b) Other than the Proposed Placement as disclosed in Section 1 of this Information Memorandum, there is no intention on the part of our Board to issue any new Shares in the Company; and
- (c) As at the date of this Information Memorandum, we do not have any outstanding convertible debt securities.

### **9.3 Material Contracts**

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiary companies within the past two (2) years immediately preceding the date of this Information Memorandum.

A Sale and Purchase Agreement dated 7 June 2016 entered between Vast Contracts Sdn Bhd and JM Education whereby Vast Contracts Sdn Bhd agreed to dispose and JM Education agreed to purchase the property held under H.S.(D) 112423, PT No. 9538, Seksyen 15, Bandar Baru Ampang, Daerah Ulu Langat, Negeri Selangor measuring approximately 153 square metres with three storey shophouse erected thereon bearing the postal address No. 11, Jalan Dravidan, Bandar Baru Ampang, 68000 Ampang, Selangor for a total consideration of RM1.75 million. This sale and purchase transaction was completed on 8 December 2016.

### **9.4 Material Litigation and Contingent Liabilities**

As at the LPD, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Board does not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business.

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have a material impact on our financial position or business.

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## 9 OTHER INFORMATION (CONT'D)

### 9.5 Related Party Transactions

Under the LEAP Market Listing Requirements, a “related party transaction” is a transaction entered into between the listed corporation or its subsidiaries and a related party. A “related party” of a listed issuer is:

- (i) a director having the same meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation or a chief executive of the listed corporation; or
- (ii) a major shareholder who has an interest of 10.0% or more of the total number of voting shares in a corporation; or
- (iii) a person connected with such director or major shareholder.

Save as disclosed below, we confirm that there are no existing or presently proposed related party transactions entered into between our Group and our directors, major shareholders and/or persons connected with them for the FYE 31 December 2016 and subsequent period up to the LPD.

Transacting parties	Nature of relationship	Nature of transaction	Actual	
			FYE 31 December 2016 RM'000	Subsequent period up to the LPD RM'000
Teh Cheong Hua and JM Education Group	Teh Cheong Hua is our substantial shareholder and Managing Director	Rental paid to Teh Cheong Hua with effect from July 2017 for rental of property located at No. 6, Jalan Gottlieb, 10350 Penang*	-	40
Teh Cheong Hua and JM Education Group	Teh Cheong Hua is our substantial shareholder and Managing Director	Disposal of motor vehicle to Teh Cheong Hua	-	390

**Note:**

\* The rental of the property ended on 31 October 2017.

Having considered all aspects of the related party transactions, we are of the opinion that these related party transactions are not detrimental to our Group and our minority shareholders and is in our best interests.

Upon the Proposed Listing, our Board will ensure that any related party transactions are transacted on normal commercial terms which are not more favourable to the related parties than those generally available to third-parties dealing at arm's length and are not detrimental to our minority shareholders.

### 9.6 Interest in Similar Business and Conflict of Interest

We confirm that none of our Promoters, substantial shareholders, directors and/or key management personnel has any interest, direct or indirect, in other businesses or corporations carrying on a trade similar to that of our Group or businesses or corporations which are also our customers or suppliers as at the LPD.

## **9 OTHER INFORMATION (CONT'D)**

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### **9.7 Further Information on Our Promoters, Directors and Key Management Personnel**

None of our directors:

- (a) are undischarged bankrupts nor are they subject to any proceedings under bankruptcy laws;
- (b) have ever been charged with, convicted for or compounded for any offence under securities laws, corporation laws or any other laws involving fraud or dishonesty in a court of law;
- (c) have ever had any action taken against them for any breach of the listing requirements or rules issued by Bursa Securities, for the past five (5) years; and
- (d) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past five (5) years.

### **9.8 Other Transactions**

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party during the FYE 31 December 2016 up to the LPD.

There are no outstanding loans, including guarantees of any kind made by our Group to or for the benefit of related parties during the FYE 31 December 2016 up to the LPD.

### **9.9 Declaration by Our Advisers**

#### **9.9.1 MainStreet**

MainStreet confirms that there is no existing or potential conflict of interest in relation to its capacity as the Approved Adviser and Placement Agent for our Proposed Listing.

#### **9.9.2 Crowe Horwath**

Crowe Horwath confirms that there is no existing or potential conflict of interest in relation to its capacity as the Auditors and Reporting Accountants for our Proposed Listing.

#### **9.9.3 Tay & Helen Wong**

Tay & Helen Wong confirms that there is no existing or potential conflict of interest in relation to its capacity as the Solicitors for our Proposed Listing.

#### **9.9.4 Protégé Associates Sdn Bhd**

Protégé Associates Sdn Bhd confirms that there is no existing or potential conflict of interest in relation to its capacity as the Independent Market Researcher for our Proposed Listing.

### **9.10 Consents**

The written consents of the Approved Adviser, Placement Agent, Continuing Adviser, Company Secretary, Auditors and Reporting Accountants, Solicitors, Independent Market Researcher, Principal Banker and Share Registrar to the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

**9 OTHER INFORMATION (CONT'D)**

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**9.11 Documents for Inspection**

Copies of this Information Memorandum are available free of charge for inspection during normal business hours on weekday (Saturday, Sundays and public holidays excepted) at JM Education's registered office at Third Floor, No. 79 (Room A), Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor, Malaysia, for at least one (1) month after our Proposed Listing on the LEAP Market.

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