



MASTERSKILL EDUCATION GROUP BERHAD

(Company No. 746920-M)
(Incorporated in Malaysia)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
FOR THE QUARTER ENDED 31 MARCH 2013 - UNAUDITED				
	Current Period Quarter ended		Cumulative Quarter 3 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	21,520	44,109	21,520	44,109
Cost of sale	(15,666)	(26,417)	(15,666)	(26,417)
Gross profit	5,854	17,692	5,854	17,692
Operating expenses	(18,019)	(22,299)	(18,019)	(22,299)
Other operating income	56	14	56	14
Interest expense	(597)	(716)	(597)	(716)
Interest income	109	937	109	937
(Loss) / Profit before taxation	(12,597)	(4,372)	(12,597)	(4,372)
Income tax expense	(2)	1,451	(2)	1,451
(Loss) / Profit for the period	(12,599)	(2,921)	(12,599)	(2,921)
Other comprehensive income, net of tax				
Fair value of available-for-sale financial assets	(4,118)	4,278	(4,118)	4,278
Total comprehensive (loss) / income for the period	(16,717)	1,357	(16,717)	1,357
<i>(Loss) / Profit attributable to:-</i>				
Owners of the Company	(12,599)	(2,921)	(12,599)	(2,921)
Non-controlling interests	-	-	-	-
(Loss) / Profit for the period	(12,599)	(2,921)	(12,599)	(2,921)
<i>Comprehensive (loss) / income attributable to:-</i>				
Owners of the Company	(16,717)	1,357	(16,717)	1,357
Non-controlling interests	-	-	-	-
Total comprehensive (loss) / income for the period	(16,717)	1,357	(16,717)	1,357
Basic earnings per ordinary share (Sen)	(3.07)	(0.71)	(3.07)	(0.71)
Diluted earnings per ordinary share (Sen)	(3.07)	(0.71)	(3.07)	(0.71)

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the annual financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
AS AT 31 MARCH 2013 - UNAUDITED		
	As at 31-Mar-13 Unaudited (RM'000)	As at 31-Dec-12 Audited (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	358,875	361,960
Intangible assets	42,286	42,286
Available for sale investments	5,984	10,102
Total Non-Current Assets	407,145	414,348
CURRENT ASSETS		
Receivables, deposits and prepayments	40,159	63,417
Current tax asset	1,603	8,982
Cash and cash equivalents	43,293	32,195
Total Current Assets	85,055	104,594
TOTAL ASSETS	492,200	518,942
EQUITY		
Share capital	81,981	81,981
Share premium	144,225	144,225
Reserves	179,351	196,068
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	405,557	422,274
Non-controlling interests	131	131
TOTAL EQUITY	405,688	422,405
LIABILITIES		
Borrowings (secured)	42,276	47,546
Deferred tax liabilities	0	0
Total Non-Current Liabilities	42,276	47,546
Payables and accruals	22,055	28,268
Borrowings (secured)	22,177	20,719
Income tax payable	4	4
Total Current Liabilities	44,236	48,991
TOTAL LIABILITIES	86,512	96,537
TOTAL EQUITY AND LIABILITIES	492,200	518,942
Net assets per share attributable to owners of the parent (1) (RM)	0.99	1.03
Note: (1) computed based on the net assets of the Group divided by 409,905,780 as at 31 March 2013 and 31 December 2012 respectively.		



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 MARCH 2013 - UNAUDITED						
	← Equity Attributable to Owners of the Company →					
	Non-distributable			Distributable	Non-	Total
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Controlling Interests RM'000	
Balance as at 1 January 2012 (audited)	81,981	144,225	7,156	282,942	-	516,304
Fair value of available-for-sale financial assets	-	-	(108)	-	-	(108)
Loss for the year	-	-	-	(28,192)	-	(28,192)
Dividends to owners of the Company	-	-	-	(65,749)	-	(65,749)
Changes in ownership interest in a subsidiary				19	131	150
Balance as at 31 December 2012 / 1 January 2013 (audited)	81,981	144,225	7,048	189,020	131	422,405
Fair value of available-for-sale financial assets	-	-	(4,118)	-	-	(4,118)
Loss for the period	-	-	-	(12,599)	-	(12,599)
Dividends to owners of the Company	-	-	-	-	-	-
Changes in ownership interest in a subsidiary						
Balance as at 31 March 2013	81,981	144,225	2,930	176,421	131	405,688



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 MARCH 2013 - UNAUDITED		
	As at 31-Mar-13 (Unaudited) (RM'000)	As at 31-Mar-12 (Unaudited) (RM'000)
Cash flows from operating activities		
(Loss) / Profit before tax	(12,597)	(4,372)
Adjustments for:		
Depreciation of property, plant and equipment	6,412	6,226
Interest expense	597	716
Interest income	(109)	(937)
Loss / (Gain) on disposal of property, plant and equipment	-	470
Property, plant and equipment written off	5	-
Operating profit before changes in working capital	(5,692)	2,103
Change in receivables, deposits and prepayments	23,258	60,265
Change in payables and accruals	(6,212)	(12,487)
Cash generated from operating activities	11,354	49,881
Income tax refund	7,410	-
Income tax paid	(33)	(146)
Interest paid	(597)	(716)
Interest received	109	937
Net cash generated from operating activities	18,243	49,956
Cash flows from investing activities		
Acquisition of subsidiaries	-	-
Acquisition of other investments	-	-
Pledged deposits placed with licensed banks	-	-
Acquisition of property, plant and equipment	(3,333)	(4,192)
Proceeds from disposal of property, plant and equipment	-	57
Net cash used in investing activities	(3,333)	(4,135)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	-
Proceeds from loans or borrowings	-	5,000
Repayment of borrowings	(2,551)	(1,889)
Repayment of finance lease liabilities	(1,261)	(1,150)
Dividend paid to owners of the Company	-	(5,739)
Net cash used in financing activities	(3,812)	(3,778)
Net decrease in cash and cash equivalents	11,098	42,043
Cash and cash equivalents at 1 January	31,284	109,735
Cash and cash equivalents at end of reporting period	42,382	151,778



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Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statements comprise:		
	As at	As at
	31-Mar-13	31-Mar-12
	(Unaudited)	(Unaudited)
	(RM'000)	(RM'000)
Deposits placed with licensed banks	21,744	106,971
Cash and bank balances	21,549	3,615
Cash and cash equivalents	43,293	110,586
Less: Deposits pledged with licensed banks	(911)	(851)
Cash and cash equivalents	42,382	109,735



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure provisions of Main Market Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, *Interim Financial Reporting* in Malaysia and with IAS 34, *Interim Financial Reporting*.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The adoption of MFRS1 has no impact in the reported financial position and financial performance of the Group.

2. Accounting Policies

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those adopted by the Group's in its consolidated audited financial statements for the financial year ended 31 December 2012.

3. Seasonal or Cyclical Factors

The Group does not experience significant fluctuations in operations due to seasonal factor.

4. Unusual Significant Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial year-to-date.

5. Changes in Estimates

There were no changes in estimates of amounts reported in prior financial year that had a material effect in the current quarter and year-to-date results.

6. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial period-to-date.



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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Operating Segment

31.03.2013	University & University College RM'000	Colleges RM'000	Total RM'000
Segment (loss)/profit before tax	(6,420)	(5,915)	(12,335)
Included in the measure of segment (loss)/profit are:			
Revenue from external customers	8,814	12,690	21,504
Interest income	104	-	104
Interest expense	(430)	(167)	(597)
Depreciation of property, plant and equipment	(2,756)	(3,656)	(6,412)
Segment assets	249,532	189,524	439,056
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	466	(3,553)	(3,087)
Segment liabilities	(216,843)	(247)	(217,090)
31.03.2012			
Segment profit before tax	(8,694)	3,784	(4,910)
Included in the measure of segment profit are:			
Revenue from external customers	14,865	29,227	44,092
Interest income	264	-	264
Interest expense	(419)	(297)	(716)
Depreciation of property, plant and equipment	(2,968)	(3,258)	(6,226)
Segment assets	293,871	192,449	486,320
Included in the measure of segment assets are:			
Additions to non-current assets other than financial instruments and deferred tax assets	(1,754)	18,285	16,531
Segment liabilities	(112,430)	(375)	(112,805)



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7. Operating Segment (continued)

Reconciliations of reportable segment profit or loss, revenue, assets, liabilities and other material items

	31.03.2013 RM'000	31.03.2012 RM'000
Profit or loss		
Total (loss)/profit for reportable segments	(12,335)	(4,910)
Other non-reportable segments	(267)	274
Interest income	5	264
Consolidated (loss)/profit before tax	(12,597)	(4,372)
Revenue		
Total revenue for reportable segments	21,504	44,092
Other non-reportable segments	16	17
Consolidated revenue	21,520	44,109
Interest Income		
Total interest income for reportable segments	104	264
Other non-reportable segments	5	673
Consolidated total interest income	109	937
Assets		
Total assets for reportable segments	439,056	486,320
Other non-reportable segments	235,150	246,742
Elimination of inter-segment	(182,006)	(107,813)
Consolidated total assets	492,200	625,249
Liabilities		
Total liabilities for reportable segments	(217,090)	(112,805)
Other non-reportable segments	(1,754)	(522)
Elimination of inter-segment	132,332	-
Consolidated total liabilities	(86,512)	(113,327)



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8. Material Subsequent Events

On 30.05.2013, a subsidiary of the Group has accepted a conditional offer to sell the following 10 contiguous pieces of vacant land, all situated in Mukim Kajang, Daerah Ulu Langat, Negeri Selangor, for a total cash consideration of approximately RM 58.9 million.

Geran 51401, Lot 7622;
Geran 51402, Lot 7623;
Geran 51407, Lot 7628;
Geran 51408, Lot 7629;
Geran 51409, Lot 7630;
Geran 51385, Lot 7606;
Geran 51398, Lot 7620;
Geran 51406, Lot 7627;
Geran 51397, Lot 7619; and
Geran 51413, Lot 7635

The subsidiary will enter into a Sale & Purchase agreement to be finalised with the purchaser.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

10. Changes in Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets as at 31 March 2013.

11. Commitments on Capital Expenditure

The capital commitments of the Group as at 31 March 2013 are as follow:

	As at 31.03.2013 (unaudited) RM'000	As at 31.03.2012 (audited) RM'000
Capital commitments		
Property, plant and equipment		
Contracted but not provided for	9,344	48,467

12. Related Party Transactions



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Related parties are those defined under MFRS 124: Related Party Disclosures. The Directors are of the opinion that the related party transactions and balances, described below were carried out in the ordinary course of business and commercial terms that are no more favourable than those available to other third parties.

	Transaction Value		Balance outstanding	
	3 months ended		as at	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
With a Director				
Rental expense for premises	84	84	-	-

13. Review of Performance

For the first quarter ended 31 March 2013, Masterskill Education Group Bhd (MEGB) recorded a revenue of RM21.5million and a loss before tax of RM12.6 million respectively.

The lower revenue was attributed to a lower student population as new student enrolled in the reporting period as well as in preceding quarters continue to lag behind graduating student numbers in most of the diploma programs traditionally offered by the Group.

Fixed overheads including depreciation charges of RM6.4 million contributed to the loss before tax of RM12.6 million.

14. Comparison with Preceding Year Quarter's Results

The Group's reported revenue of RM21.5 million was 51% lower than the preceding year quarter. The decrease in revenue had resulted in a loss before tax of RM12.6 million compared with the preceding year quarter loss before tax of RM4.4 million.

Continuous management efforts to improve efficiency in operations had resulted in reduction of expenditure by approximately 30% compared with the first quarter of 2012. However, the net loss before tax continued to widen as revenue fell by a greater percentage of 51% between the two periods.

15. Commentary on Prospects

Moving forward, MEGB has repositioned itself to pursue opportunities in other segments of the domestic and international student market to reverse the student enrolment trend. This will be done through new and diversified product offerings such as business, hospitality and tourism programmes in the local as well as international market in line with its upgrading to a full-fledged university status.



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More focus will also be given to degree and post graduate programmes. The Group's new campus in Petaling Jaya when operational in the fourth quarter of 2013, is strategically positioned to cater to the business, technology, hospitality, and post graduate market segments.

15. Variance on Profit Forecast /Profit Guarantee

The Group has not issued any profit forecast or profit guarantee for the current quarter under review.

16. Taxation

	Quarter ended		Cumulative to date	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	RM'000	RM'000	RM'000	RM'000
Income and deferred tax	2	(1,451)	2	(1,451)

Deferred tax asset is not recognized for unabsorbed tax losses because it is not probable that sufficient taxable profit will be available against which the benefit can be utilized.

17. Status of Corporate Proposals

There were no corporate proposals which had been announced but not yet completed.

18. Group Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2013.

Borrowings (secured)	As at	As at
	31.03.2013	31.12.2012
	(unaudited)	(audited)
	RM'000	RM'000
Non-current		
Finance lease liabilities	687	1,581



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Secured revolving credit (Islamic)	-	-
Secured term loan (Islamic)	41,589	45,965
	42,276	47,546
Current		
Finance lease liabilities	2,096	2,463
Secured revolving credit (Islamic)	10,626	11,213
Secured term loan (Islamic)	9,455	7,043
	22,177	20,719
	64,453	68,265

19. Material Litigation

As of the date of this announcement, the following are the developments to the material litigations against the Group or taken by the Group.

A. Kuala Lumpur High Court Suit No. S6-22-96-2007

Masterskill (M) Sdn Bhd -v- Kemacahaya Development Sdn Bhd (First Defendant), K. Pasupathy (Second Defendant), Chin Yam Meng (Third Defendant), Leong Kok Onn (Fourth Defendant) and Syarikat Kemacahaya Sdn Bhd (Fifth Defendant)

- The Court of Appeal fixed this matter for intervener's appeal on 21 June 2013 and further Case management on 27 June 2013.

B. Kuala Lumpur High Court Suit No. S-23-41-2010

Masterskill (M) Sdn Bhd -v- Sistem Televisyen Malaysia Berhad ("STMB")

- The High Court on 28.04.2011 allowed the Plaintiff's claim with damages of RM200,000 and RM50,000 as costs.
- TV3 filed an Appeal to the Court of Appeal against the High Court decision and Masterskill filed a Cross Appeal to increase the quantum of damages to RM100,000,000.
- The Court of Appeal fixed the matter for further hearing on the 06.08.2013.

20. Dividends

No dividend was paid or recommended during the current year quarter.

21. (Loss)/Earnings per Ordinary Share

Basic (loss)/ earnings per ordinary share

The basic (loss)/earnings per ordinary share as at 31 March 2013 is calculated based on net (loss) / profit attributable to ordinary shareholders of (RM12,599,000) (31.03.2012 – RM2,921,000) and the weighted average number of ordinary shares in issue during the quarter 409,905,780 (31.03.2012 – 409,905,780).



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	Current Period		Cumulative Quarter	
	Quarter ended		3 months ended	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
(Loss)/Profit for the period attributable to ordinary equity shareholders (RM'000)	(12,599)	(2,921)	(12,599)	(2,921)
Weighted average number of ordinary shares at 31 December ('000)	409,906	409,906	409,906	409,906
Basic and diluted earnings per ordinary share (Sen)	(3.07)	(0.71)	(3.07)	(0.71)

22. Auditors Report on Preceding Annual Financial Statements

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2012.

23. Additional notes to the Statement of Comprehensive Income

	Current Period		Cumulative Quarter	
	Quarter ended		3 months ended	
	31.03.13	31.03.12	31.03.13	31.03.12
	RM'000	RM'000	RM'000	RM'000
Results from operation activities is arrived at after charging:				
• Depreciation of property, plant and equipment	6,412	6,226	6,412	6,226
• Impairment loss for receivables	2,821	2,452	2,821	2,452
• Interest expense	597	716	597	716
• Loss/(Gain) on disposal of property, plant and equipment	-	470	-	470
• Property, plant and equipment written off	5	-	5	-



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and crediting:

• Interest income	109	937	109	937
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24. Disclosure of Realised and Unrealised Profits

	3 months ended 31.03.13 RM'000	12 months ended 31.12.2012 RM'000
Total retained earnings of Masterskill Education Group Berhad and its subsidiaries		
-Realised	199,121	211,715
-Unrealised	-	-
Less: Consolidation adjustment	(22,700)	(22,695)
Total	176,421	189,020

BY ORDER OF THE BOARD