

**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 30 JUNE 2014 - UNAUDITED**

	Current Period Quarter ended		Cumulative Quarter 6 months ended	
	30.06.14 (RM'000)	30.06.13 (RM'000)	30.06.14 (RM'000)	30.06.13 (RM'000)
<b>Continuing operations</b>				
Revenue	8,132	10,977	19,321	27,206
Cost of sale	(6,078)	(10,846)	(11,823)	(22,596)
<b>Gross profit</b>	<b>2,054</b>	<b>131</b>	<b>7,498</b>	<b>4,610</b>
Operating expenses	(6,225)	(12,054)	(13,247)	(25,027)
Other operating income	91	51	206	65
Interest expense	(227)	(527)	(429)	(812)
Interest income	106	191	292	300
<b>(Loss)/ Profit before taxation</b>	<b>(4,201)</b>	<b>(12,208)</b>	<b>(5,680)</b>	<b>(20,864)</b>
Income tax expense	(3)	(2)	(5)	(4)
<b>(Loss)/ Profit from continuing operations</b>	<b>(4,204)</b>	<b>(12,210)</b>	<b>(5,685)</b>	<b>(20,868)</b>
<b>Discontinued operation</b>				
Loss from discontinued operations, net of tax	(1,351)	(5,608)	(4,249)	(9,549)
<b>(Loss)/ Profit for the period</b>	<b>(5,555)</b>	<b>(17,818)</b>	<b>(9,934)</b>	<b>(30,417)</b>
<b>Other comprehensive expense, net of tax</b>				
Fair value of available-for-sale financial assets	(1,340)	18	(1,812)	(4,100)
<b>Total comprehensive expense for the period</b>	<b>(6,895)</b>	<b>(17,800)</b>	<b>(11,746)</b>	<b>(34,517)</b>
<b>(Loss)/ Profit attributable to:-</b>				
Owners of the Company	(5,479)	(17,805)	(9,800)	(30,404)
Non-controlling interests	(76)	(13)	(134)	(13)
<b>(Loss)/ Profit for the period</b>	<b>(5,555)</b>	<b>(17,818)</b>	<b>(9,934)</b>	<b>(30,417)</b>
<b>Comprehensive (expense)/ income attributable to:-</b>				
Owners of the Company	(6,819)	(17,787)	(11,612)	(34,504)
Non-controlling interests	(76)	(13)	(134)	(13)
<b>Total comprehensive (expense)/ income for the period</b>	<b>(6,895)</b>	<b>(17,800)</b>	<b>(11,746)</b>	<b>(34,517)</b>
<b>Basic (loss)/ earnings per ordinary share (Sen) :</b>				
from continuing operations	(1.01)	(2.98)	(1.35)	(5.09)
from discontinued operation	(0.33)	(1.37)	(1.04)	(2.33)
	(1.34)	(4.34)	(2.39)	(7.42)

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 2013 and the accompanying explanatory notes attached to the interim financial statements.

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(Incorporated in Malaysia)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014 - UNAUDITED**

	<b>As at 30-Jun-14 Unaudited (RM'000)</b>	<b>As at 31-Dec-13 Audited (RM'000)</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	131,538	134,304
Other investments	20,125	4,866
<b>Total Non-Current Assets</b>	<b>151,663</b>	<b>139,170</b>
<b>CURRENT ASSETS</b>		
Available-for-sale land & buildings	94,862	97,431
Receivables, deposits and prepayments	39,601	37,834
Current tax asset	77	1,636
Cash and cash equivalents	14,324	43,071
<b>Total Current Assets</b>	<b>148,864</b>	<b>179,972</b>
<b>TOTAL ASSETS</b>	<b>300,527</b>	<b>319,142</b>
<b>EQUITY</b>		
Share capital	81,981	81,981
Share premium	144,225	144,225
Reserves	16,409	28,021
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>242,615</b>	<b>254,227</b>
Non-controlling interests	(156)	(22)
<b>TOTAL EQUITY</b>	<b>242,459</b>	<b>254,205</b>
<b>LIABILITIES</b>		
Borrowings (secured)	36,667	39,342
<b>Total Non-Current Liabilities</b>	<b>36,667</b>	<b>39,342</b>
Payables and accruals	15,909	19,550
Borrowings (secured)	5,475	6,028
Income tax payable	17	17
<b>Total Current Liabilities</b>	<b>21,401</b>	<b>25,595</b>
<b>TOTAL LIABILITIES</b>	<b>58,068</b>	<b>64,937</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>300,527</b>	<b>319,142</b>
<b>Net assets per share attributable to owners of the parent <sup>(1)</sup> (RM)</b>	<b>0.59</b>	<b>0.62</b>

Note:

(1) computed based on the net assets of the Group divided by 409,905,780 as at 30 June 2014 and 31 December 2013 respectively.

The condensed consolidated statement of financial position should be read in conjunction with the annual financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2014 - UNAUDITED

←————— Equity Attributable to Owners of the Company —————→

	Non-distributable			Distributable	Non-Controlling Interests	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	RM'000	
<b>Balance as at 1 January 2013 (audited)</b>	81,981	144,225	7,048	189,020	131	422,405
Fair value of available-for-sale financial assets	-	-	(5,236)	-	-	(5,236)
Loss for the year	-	-	-	(162,811)	(153)	(162,964)
<b>Balance as at 31 December 2013 / 1 January 2014 (audited)</b>	81,981	144,225	1,812	26,209	(22)	254,205
Fair value of available-for-sale financial assets	-	-	(1,812)	-	-	(1,812)
Fair value of available-for-sale land & buildings	-	-	-	-	-	-
Loss for the period	-	-	-	(9,800)	(134)	(9,934)
Dividends to owners of the Company	-	-	-	-	-	-
Changes in ownership interest in a subsidiary	-	-	-	-	-	-
<b>Balance as at 30 June 2014</b>	81,981	144,225	-	16,409	(156)	242,459

	Non-distributable			Distributable	Non-Controlling Interests	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	RM'000	
<b>Balance as at 1 January 2012 (audited)</b>	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 interests in a subsidiary	-	-	-	19	131	150
<b>Balance as at 31 December 2012/1 January 2013 (audited)</b>	81,981	144,225	7,048	189,020	131	422,405
Fair value of available-for-sale financial assets	-	-	(5,236)	-	-	(5,236)
Loss for the year	-	-	-	(162,811)	(153)	(162,964)
<b>Balance as at 31 December 2013</b>	81,981	144,225	1,812	26,209	(22)	254,205

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED 30 JUNE 2014 - UNAUDITED**

	<b>As at 30-Jun-14 (Unaudited) (RM'000)</b>	<b>As at 31-Dec-13 (Audited) (RM'000)</b>
<b>Cash flows from operating activities</b>		
(Loss) / Profit before tax		
- continuing operations	(5,680)	(124,984)
- discontinued operations	(4,249)	(37,956)
	(9,929)	(162,940)
Adjustments for:		
Depreciation of property, plant and equipment	2,925	19,864
Impairment loss on :		
- property, plant and equipment	(116)	71,212
- trade receivables	3,411	13,599
- goodwill	-	42,286
Interest expense	1,191	3,297
Interest income	(292)	(545)
Loss / (Gain) on disposal of property, plant and equipment	227	(16,098)
Property, plant and equipment written off	11	7,496
<b>Operating profit before changes in working capital</b>	<b>(2,572)</b>	<b>(21,829)</b>
Change in receivables, deposits and prepayments	(5,179)	11,984
Change in payables and accruals	(3,641)	(8,718)
Cash generated from operating activities	(11,392)	(18,563)
Income tax paid	(5)	(75)
Income tax refund	1,559	7,410
Interest paid	(1,191)	(3,297)
Interest received	292	545
<b>Net cash generated from operating activities</b>	<b>(10,737)</b>	<b>(13,980)</b>
<b>Cash flows from investing activities</b>		
Acquisition of other investments	(17,071)	-
Pledged deposits withdrawn from licensed banks	(59)	568
Acquisition of property, plant and equipment	(410)	(12,657)
Proceeds from disposal of property, plant and equipment	2,700	60,408
<b>Net cash used in investing activities</b>	<b>(14,840)</b>	<b>48,319</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(2,505)	(19,839)
Repayment of finance lease liabilities	(723)	(3,056)
<b>Net cash used in financing activities</b>	<b>(3,228)</b>	<b>(22,895)</b>
Net decrease in cash and cash equivalents	(28,805)	11,444
Cash and cash equivalents at 1 January	42,728	31,284
<b>Cash and cash equivalents at end of reporting period</b>	<b>13,923</b>	<b>42,728</b>

The condensed consolidated statement of cash flows should be read in conjunction with the annual financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

## i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise:

	<b>As at 30-Jun-14 (Unaudited) (RM'000)</b>	<b>As at 31-Dec-13 (Audited) (RM'000)</b>
Deposits placed with licensed banks	4,701	36,642
Cash and bank balances	9,623	6,429
Cash and cash equivalents	14,324	43,071
Less: Deposits pledged with licensed banks	(401)	(343)
Cash and cash equivalents	13,923	42,728

## **MASTERSKILL EDUCATION GROUP BERHAD**

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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 2013.

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 2013.

#### **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 Segments

30.06.2014	← Discontinued →						Total RM'000
	Cheras RM'000	Kota Kinabalu RM'000	Kuching RM'000	Kota Bharu RM'000	Pasir Gudang RM'000	Ipoh RM'000	
<b>Segment (loss)/profit before tax</b>	<b>(3,056)</b>	<b>(3,679)</b>	<b>464</b>	<b>(2,833)</b>	<b>(1,097)</b>	<b>(319)</b>	<b>(10,520)</b>
Included in the measure of segment (loss)/profit are:							
Revenue from external customers	11,588	4,953	2,538	456	1,598	1,154	22,287
Impairment of property, plant and equipment	(54)	-	-	2	6	162	116
Interest expense	(429)	-	-	(356)	(403)	(3)	(1,191)
Interest income	267	-	-	-	-	-	267
Depreciation of property, plant and equipment	(1,850)	(697)	(127)	(73)	(31)	(73)	(2,851)

30.06.2013	← Discontinued →						Total RM'000
	Cheras RM'000	Kota Kinabalu RM'000	Kuching RM'000	Kota Bharu RM'000	Pasir Gudang RM'000	Ipoh RM'000	
<b>Segment (loss)/profit before tax</b>	<b>(14,129)</b>	<b>(5,720)</b>	<b>(152)</b>	<b>(4,460)</b>	<b>(2,139)</b>	<b>(2,950)</b>	<b>(29,550)</b>
Included in the measure of segment (loss)/profit are:							
Revenue from external customers	13,983	8,649	4,543	2,800	673	5,199	35,847
Impairment of property, plant and equipment	-	-	-	-	-	-	-
Interest expense	(810)	(2)	-	(400)	(433)	(90)	(1,735)
Interest income	262	-	-	-	-	-	262
Depreciation of property, plant and equipment	(4,658)	(2,475)	(702)	(2,192)	(679)	(1,891)	(12,597)

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****7. Operating Segment (continued)**

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

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Profit or loss</b>		
Total (loss)/profit for reportable segments	(10,520)	(29,550)
Other non-reportable segments	80,591	(901)
Elimination of inter-segment transactions or balance	(80,000)	38
<b>Consolidated (loss)/profit before tax</b>	<b>(9,929)</b>	<b>(30,413)</b>
<b>Revenue</b>		
Total revenue for reportable segments	22,287	35,847
Other non-reportable segments	242	30
<b>Consolidated revenue</b>	<b>22,529</b>	<b>35,877</b>
<b>Interest Income</b>		
Total interest income for reportable segments	267	262
Other non-reportable segments	25	38
<b>Consolidated total interest income</b>	<b>292</b>	<b>300</b>
<b>Depreciation of property, plant and equipment</b>		
Total depreciation for reportable segments	(2,851)	(12,597)
Other non-reportable segments	(74)	-
<b>Consolidated total depreciation</b>	<b>(2,925)</b>	<b>(12,597)</b>

**8. Material Subsequent Events****A. Shares in Gayety Holdings Limited**

The Other investment at the carrying cost value of RM20,125,173.00 is the short term investment in Gayety Holdings Limited which was listed in GEM market under Hong Kong Stock Market. On 18<sup>th</sup> August 2014, the Company disposed off the entire investment in the Hong Kong Stock Exchange with an expected gain of RM12.3 million. Since during the reporting date the investment was disposed, no fair valuation reserve was carried out in the Financial Reporting for the quarter closing at 30<sup>th</sup> June 2014.

**B. Ipoh Campus**

The group has discontinued its Ipoh campus operation. The building and facilities is now being rented out to a private college with an option to sell the building with the facilities to the tenant. The option to sell to the existing tenant is available till 31<sup>st</sup> December 2016.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****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 30 June 2014.

**11. Commitments on Capital Expenditure**

The capital commitments of the Group as at 30 June 2014 are as follow:

	<b>As at 30.06.2014 (unaudited) RM'000</b>	<b>As at 31.12.2013 (audited) RM'000</b>
Capital commitments		
Property, plant and equipment		
Contracted but not provided for	1,611	2,343

**12. Related Party Transactions**

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 favorable than those available to other third parties.

	<b>Transaction Value</b>		<b>Balance outstanding</b>	
	<b>6 months ended</b>		<b>as at</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>With a former Director</b>				
Rental expense for premises	-	168	-	-

**13. Review of Performance**

For the second quarter ended 30 June 2014, Masterskill Education Group Berhad (MEGB) recorded a revenue and loss before tax of approximately RM8.1 million and RM4.2 million respectively excluding the results from discontinued operations. The lower revenue was attributed to reduction in student numbers.

**14. Comparison with Preceding Quarter's Results**

During the current quarter, the Group achieved a higher loss before tax of RM5.6 million as against RM4.4 million in the preceding quarter which was impacted by lower student number. Loss before tax for this quarter excluding interest expense, impairment of receivable, depreciation and amortisation was approximately RM2.1 million higher than preceding quarter of RM0.4 million.

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### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

#### **15. Commentary on Prospects**

The group's cost cutting initiatives has resulted in reduced operating costs. However, due to continued sluggishness in student enrolments, MEGB has started to implement the phasing out of its' operations in Ipoh, Pasir Gudang and Kota Bharu and concentrate on its' campuses in Cheras, Kota Kinabalu and Kuching. Since 1<sup>st</sup> July 2014, the operation in Ipoh has ceased. We expect to cease the operation in Pasir Gudang and Kota Bharu by 1<sup>st</sup> September 2014. This exercise will improve the Company's Balance Sheet as we sell the premises and keep the group in a better financial position.

The campus in Ipoh has been tenanted with an option to sell. Once the operation of Pasir Gudang and Kota Bharu are consolidated to Cheras, we will explore other business opportunity within our premises or dispose the properties.

The consolidation of all these three campuses to Cheras will improve our bottom line, as we will able to reduce our cost substantially.

We are also contemplating to maximize the value of our properties in Kota Kinabalu via sale or rental.

All the above initiatives will improve our operation, reduce our loss and strengthen our balance sheet.

#### **16. Variance on Profit Forecast /Profit Guarantee**

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

#### **17. Taxation**

	Quarter ended		Cumulative to date	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
<b>Income and deferred tax</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>4</b>

Deferred tax asset is not recognized for unabsorbed tax losses and Investment Tax Allowance because it is not probable that sufficient taxable profit from the qualifying segments will be available against which the benefit can be utilized.

#### **18. Status of Corporate Proposals**

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****19. Group Borrowings and Debt Securities**

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 30 June 2014.

<b>Borrowings (secured)</b>	<b>As at 30.06.2014 (unaudited) RM'000</b>	<b>As at 31.12.2013 (audited) RM'000</b>
<b>Non-current</b>		
Finance lease liabilities	-	36
Secured term loan (Islamic)	36,667	39,306
	<b>36,667</b>	<b>39,342</b>
<b>Current</b>		
Finance lease liabilities	265	952
Secured term loan (Islamic)	5,210	5,076
	<b>5,475</b>	<b>6,028</b>
	<b>42,142</b>	<b>45,370</b>

**20. 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 had instructed for this case to be consolidated and heard together with case no. S-22-589-2008, as it involved same subject matter and same parties.
- Trial will be continued from 28<sup>th</sup> August until 29<sup>th</sup> August 2014 after being adjourned on 4<sup>th</sup> July 2014.

**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 and 8% interest p.a. calculated from the date of filing of Writ ( i.e. 12.04.2010).
- 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.

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

- The appeal by both parties were dismissed by the Court of Appeal and it is fixed for Hearing on 11<sup>th</sup> June 2014 in respect of our application to amend Order dated 28.04.2011 to include interest.
- TV3 have fully settled the judgement, cost and interest of RM318,603.15 in July 2014.

#### C. Shah Alam High Court Suit No.: 22-783-2010 Ratatek (M) Sdn Bhd -v- Masterskill (M) Sdn Bhd

- High Court on 16.07.2013 allowed part of Ratatek's claim ie. RM306,000, interest on the judgement sum at 4% p.a. calculated from 02.06.2010 until 16.07.2013, interest on the judgement sum at 5% p.a. calculated from 17.07.2013 until full settlement and cost of RM15,000.00.
- An appeal (against the judgement dated 16.07.2013) to the Court of Appeal had been filed. Our appeal for conditional stay of execution pending appeal has been granted by the Court of Appeal on 04.10.2013.
- The appeal which was fixed on 18.08.2014 was adjourned as we had filed in an application to amend our Memorandum of Appeal on 05.08.2014 ("our application"). As such, the court has fixed the hearing for our application on 15.10.2014. The date for hearing for the proper appeal will only be fixed once our application is heard.

#### 21. Dividends

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

#### 22. (Loss)/ Earnings per Share

##### Basic (loss)/ earnings per ordinary share

The basic (loss)/ earnings per ordinary share is calculated based on the net loss attributable to ordinary shareholders of RM5,479,000 (30.06.2013 – RM17,805,000) and the weighted average number of ordinary shares in issue during the quarter 409,905,780 (30.06.2013 – 409,905,780).

	Current Period		Cumulative Quarter	
	Quarter ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
(Loss)/Profit for the period attributable to ordinary equity shareholders (RM'000)	(5,479)	(17,805)	(9,800)	(30,404)
Weighted average number of ordinary shares at 30 June ('000)	409,906	409,906	409,906	409,906
Basic earnings per ordinary share (Sen)	(1.34)	(4.34)	(2.39)	(7.42)

**MASTERSKILL EDUCATION GROUP BERHAD**

(Company No. 746920-M)

(Incorporated in Malaysia)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****23. Auditors Report on Preceding Annual Financial Statements**

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2013.

**24. Additional notes to the Statement of Comprehensive Income**

	Current Period		Cumulative Quarter	
	Quarter ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Results from operation activities is arrived at after charging:				
• Depreciation of property, plant and equipment	1,467	6,185	2,925	12,597
• Impairment loss for receivables	1,488	-	3,411	2,821
• Interest expense	601	1,138	1,191	1,734
• Loss/(Gain) on disposal of property, plant and equipment	93	(284)	227	(284)
• Property, plant and equipment written off	-	2,598	11	2,603
• Impairment losses for PPE	(105)	-	(116)	-
and crediting:				
• Interest income	106	191	292	300

**25. Disclosure of Realised and Unrealised Profits**

	6 months ended 30.06.2014	12 months ended 31.12.2013 (audited)
	RM'000	RM'000
<b>Total retained earnings of Masterskill Education Group Berhad and its subsidiaries</b>		
-Realised	38,823	48,758
-Unrealised	-	-
Less: Consolidation adjustment	(22,414)	(22,549)
<b>Total</b>	<b>16,409</b>	<b>26,209</b>

**BY ORDER OF THE BOARD**