

ASIAMET 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 SEPTEMBER 2016 - UNAUDITED**

	Current Period Quarter ended		Cumulative Quarter 9 months ended	
	30.09.16 (RM'000)	30.09.15 (RM'000)	30.09.16 (RM'000)	30.09.15 (RM'000)
Continuing operations				
Revenue	5,004	7,538	17,616	22,084
Cost of sale	(4,809)	(4,927)	(14,608)	(15,986)
Gross profit	195	2,611	3,008	6,098
Operating expenses	(6,244)	(5,175)	(17,804)	(18,292)
Other operating income	547	560	1,646	1,625
Interest expense	(125)	(477)	(393)	(1,557)
Interest income	18	217	179	329
Loss before taxation	(5,609)	(2,264)	(13,364)	(11,797)
Income tax expense	(1)	(942)	(19)	(957)
Loss from continuing operations	(5,610)	(3,206)	(13,383)	(12,754)
Discontinued operation				
Loss from discontinued operations, net of tax	-	-	-	-
Loss for the period	(5,610)	(3,206)	(13,383)	(12,754)
Other comprehensive expense, net of tax				
Fair value of available-for-sale financial assets	-	-	-	-
Total comprehensive expense for the period	(5,610)	(3,206)	(13,383)	(12,754)
Loss attributable to:-				
Owners of the Company	(5,610)	(3,141)	(13,383)	(12,575)
Non-controlling interests	-	(65)	-	(179)
Loss for the period	(5,610)	(3,206)	(13,383)	(12,754)
Comprehensive (expense) attributable to:-				
Owners of the Company	(5,610)	(3,141)	(13,383)	(12,575)
Non-controlling interests	-	(65)	-	(179)
Total comprehensive (expense) for the period	(5,610)	(3,206)	(13,383)	(12,754)
Basic loss per ordinary share (Sen) :				
from continuing operations	(1.49)	(0.84)	(3.56)	(3.34)
from discontinued operation	-	-	-	-
	(1.49)	(0.84)	(3.56)	(3.34)

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 2015 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 FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016 - UNAUDITED**

	As at 30-Sep-16 Unaudited (RM'000)	As at 31-Dec-15 Audited (RM'000)
NON-CURRENT ASSETS		
Property, plant and equipment	21,844	22,964
Investment Property	21,307	22,734
Total Non-Current Assets	43,151	45,698
CURRENT ASSETS		
Available-for-sale land & buildings	85,258	85,258
Receivables, deposits and prepayments	11,934	23,445
Current tax asset	45	45
Cash and cash equivalents	8,361	11,911
Total Current Assets	105,598	120,659
TOTAL ASSETS	148,749	166,357
EQUITY		
Share capital	81,981	81,981
Share premium	144,225	144,225
Treasury shares	(12,294)	(12,294)
Retained Earnings/ (Loss)	(83,486)	(69,094)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	130,426	144,818
Non-controlling interests	-	(699)
TOTAL EQUITY	130,426	144,119
LIABILITIES		
Borrowings (secured)	7,515	9,004
Total Non-Current Liabilities	7,515	9,004
Payables and accruals	8,832	11,304
Borrowings (secured)	1,976	1,911
Income tax payable	-	19
Total Current Liabilities	10,808	13,234
TOTAL LIABILITIES	18,323	22,238
TOTAL EQUITY AND LIABILITIES	148,749	166,357
Net assets per share attributable to owners of the parent ⁽¹⁾ (RM)	0.35	0.38

Note:

(1) computed based on the net assets of the Group divided by 376,075,880 outstanding issued Ordinary Shares excluding Treasury Shares

The condensed consolidated statement of financial position should be read in conjunction with the annual financial statements for the financial year ended 31 December 2015 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 SEPTEMBER 2016 - UNAUDITED

← Equity Attributable to Owners of the Company →

	Non-distributable				Distributable	Non-Controlling Interests	Total
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	RM'000	
Balance as at 1 January 2016 (audited)	81,981	144,225	(12,294)	-	(69,094)	(699)	144,119
Loss for the period	-	-	-	-	(13,383)	-	(13,383)
Changes in ownership interest in a subsidiary	-	-	-	-	(1,009)	699	(310)
Share buy back	-	-	(0)	-	-	-	(0)
Balance as at 30 September 2016	81,981	144,225	(12,294)	-	(83,486)	-	130,426

	Non-distributable				Distributable	Non-Controlling Interests	Total
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	RM'000	
Balance as at 1 January 2014 (audited)	81,981	144,225	-	1,812	26,209	(22)	254,205
Effect of retrospective restatement	-	-	-	-	6,802	-	6,802
Fair value of available-for-sale financial assets	-	-	-	(1,812)	-	-	(1,812)
Loss for the year	-	-	-	-	(42,636)	(454)	(43,090)
Changes in ownership interests in a subsidiary	-	-	-	-	18	-	18
Own share acquired	-	-	(12,288)	-	-	-	(12,288)
Balance as at 31 December 2014/1 January 2015 (audited)	81,981	144,225	(12,288)	-	(9,607)	(476)	203,835
Loss for the year	-	-	-	-	(21,879)	(223)	(22,102)
Dividends to owners of the Company	-	-	-	-	(37,608)	-	(37,608)
Own share acquired	-	-	(6)	-	-	-	(6)
Balance as at 31 December 2015 (audited)	81,981	144,225	(12,294)	-	(69,094)	(699)	144,119

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 2015 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 SEPTEMBER 2016 - UNAUDITED

	As at 30-Sep-16 (Unaudited) (RM'000)	As at 31-Dec-15 (Audited) (RM'000)
Cash flows from operating activities		
(Loss)/Profit before tax		
- continuing operations	(13,364)	(20,792)
- discontinued operations	-	-
	(13,364)	(20,792)
Adjustments for:		
Depreciation of:		
- property, plant and equipment	1,658	2,567
- Investment property	1,427	4,565
Impairment loss on :		
- property, plant and equipment	(24)	(41)
- Investment property	-	(3,863)
- trade receivables	369	556
Interest expense	393	2,148
Interest income	(179)	(436)
Loss/(Gain) on disposal of property, plant and equipment	22	(304)
Loss/(Gain) on disposal of available-for-sale land and buildings	-	(3,031)
Loss on disposal of subsidiary	(160)	(224)
Property, plant and equipment written off	-	88
Operating profit/(loss) before changes in working capital	(9,858)	(18,767)
Change in available-for-sale land & buildings, receivables, deposits and prepayments	11,143	(3,889)
Change in payables and accruals	(2,472)	(5,928)
Cash (used in)/generated from operating activities	(1,187)	(28,584)
Income tax paid	(38)	(1,894)
Income tax refund	-	60
Interest paid	(393)	(2,148)
Interest received	179	436
Net cash (used in)/generated operating activities	(1,439)	(32,130)
Cash flows from investing activities		
Acquisition of available-for-sale land and buildings	-	(714)
Increase in investment in subsidiary	(150)	-
Acquisition of property, plant and equipment	(539)	(717)
Proceeds from disposal of available-for-sale land and buildings	-	88,200
Proceeds from disposal of property, plant and equipment	2	802
Net cash generated from investing activities	(687)	87,571
Cash flows from financing activities		
Repurchase of treasury shares	(1)	(6)
Placement of deposits pledged with licensed banks	(12)	(253)
Repayment of borrowings	(1,424)	(28,391)
Repayment of finance lease liabilities	-	(36)
Dividend paid to owners of the Company	-	(37,608)
Net cash used in financing activities	(1,437)	(66,294)
Net decrease in cash and cash equivalents	(3,563)	(10,853)
Cash and cash equivalents at 1 January	11,228	22,081
Cash and cash equivalents at end of reporting period	7,665	11,228

The condensed consolidated statement of cash flows should be read in conjunction with the annual financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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i) Cash and cash equivalents

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

	As at 30-Sep-16 (Unaudited) (RM'000)	As at 31-Dec-15 (Audited) (RM'000)
Deposits placed with licensed banks	3,196	5,683
Cash and bank balances	5,165	6,228
Cash and cash equivalents	8,361	11,911
Less: Deposits pledged with licensed banks	(696)	(683)
Cash and cash equivalents	7,665	11,228

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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 2015.

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 2015.

3. Seasonal or Cyclical Factors

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

4. Unusual Significant Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

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 quarter under review, except for the 1,000 treasury shares that was purchased on 12 May 2016.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**7. Operating Segments**

30.09.2016	Cheras RM'000	Kota Kinabalu RM'000	Kuching RM'000	Pasir Gudang RM'000	Total RM'000
Segment (loss)/profit before tax	(10,294)	(903)	(981)	(384)	(12,562)

Included in the measure of segment (loss)/profit are:

Revenue from external customers	5,625	2,552	2,335	5,256	15,768
Impairment of property, plant and equipment	19	4	-	-	23
Interest expense	(393)	-	-	-	(393)
Interest income	170	-	-	-	170
Depreciation of property, plant and equipment	(2,988)	(6)	(8)	(41)	(3,043)

30.09.2015	Cheras RM'000	Kota Kinabalu RM'000	Kuching RM'000	Pasir Gudang RM'000	Total RM'000
Segment (loss)/profit before tax	(4,572)	(1,847)	(342)	(2,793)	(9,554)

Included in the measure of segment (loss)/profit are:

Revenue from external customers	14,804	2,261	2,726	1,229	21,020
Impairment of property, plant and equipment	-	-	-	-	-
Interest expense	(1,336)	-	-	(221)	(1,557)
Interest income	217	-	-	-	217
Depreciation of property, plant and equipment	(1,908)	(14)	(12)	(13)	(1,947)

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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

	30.09.2016	30.09.2015
	RM'000	RM'000
Profit or loss		
Total (loss)/profit for reportable segments	(12,562)	(10,433)
Other non-reportable segments	(432)	(2,321)
Elimination of inter-segment transactions or balance	(389)	-
Consolidated (loss)/profit before tax	(13,383)	(12,754)
Revenue		
Total revenue for reportable segments	15,768	21,020
Other non-reportable segments	1,848	1,064
Consolidated revenue	17,616	22,084
Interest Income		
Total interest income for reportable segments	170	217
Other non-reportable segments	9	112
Consolidated total interest income	179	329
Depreciation of property, plant and equipment		
Total depreciation for reportable segments	(3,043)	(1,947)
Other non-reportable segments	(42)	(42)
Consolidated total depreciation	(3,085)	(1,989)

8. Material Subsequent Events

There were no material subsequent events as of the date of this report.

9. Changes in the Composition of the Group

On 4th July 2016, Asiamet (M) Sdn. Bhd. (AMSB) a wholly owned subsidiary of AEGB disposed its entire 10,000 ordinary shares of Asiamet Executive Education Centre Sdn. Bhd. (AEESB) a wholly owned subsidiary of AMSB for a cash consideration of RM185,000 (Ringgit Malaysia One Hundred Eighty Five Thousand Only) to Yeoh Ah Leong.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Changes in Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets as of the date of this report.

11. Commitments on Capital Expenditure

The capital commitments of the Group as at 30 September 2016 are as follows:

	As at 30.09.2016 (unaudited) RM'000	As at 31.12.2015 (audited) RM'000
Capital commitments		
Property, plant and equipment		
Contracted but not provided for	1,329	761

12. Related Party Transactions

Related parties are those defined under MFRS 124: Related Party Disclosures. The Directors are of the opinion that there is no new significant related party transactions and balances as of the reporting date.

13. Review of Performance

Asiamet Education Group Berhad (AEGB) recorded Revenues of approximately RM5.0 million and a Loss before Tax of RM5.6 million for the third quarter ended 30 September 2016. The decline in revenue compared to third quarter ended 30 September 2015 is due to a prolonged enrollment period until October 2016 for the final intake of students to accommodate increased student numbers. Revenues from the final intake will be delayed to the quarter ended 31 December 2016. Operating costs increased due to an adverse movement of doubtful debts and depreciation expense.

14. Comparison with Preceding Quarter's Results

The Group's loss in the current quarter amounted increased to RM5.6 million from a loss of RM4.7 million in the immediate preceding quarter. This is a result of the prolonged intake of students that has delayed revenue recognition of the new intake to the next quarter.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**15. Commentary on Prospects**

Despite the economic environment, the management is optimistic of the future. The Faculty of Medicine is actively recruiting students for the 2016 intake after no intake in 2015. The focus is on enhancing student and revenue numbers with continued cost optimization initiatives to ensure a lean structure. The management remains committed to pursuing the asset light strategy via asset disposals to enhance the Group's cash position.

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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Income and deferred tax	1	942	19	957

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 is no further corporate proposal as of the release date of this quarterly result.

19. Group Borrowings and Debt Securities

Other than as disclosed below, there were no borrowings or debt securities in the Group as at 30 September 2016.

Borrowings (secured)	As at	As at
	30.09.2016	31.12.2015
	(unaudited)	(audited)
	RM'000	RM'000
Non-current		
Secured term loan (Islamic)	7,515	9,004
	7,515	9,004
Current		
Secured term loan (Islamic)	1,976	1,911
	1,976	1,911
	9,491	10,915

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

20. Material Litigation

As of the date of this announcement, developments to the material litigations against the Group or taken by the Group include:

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 KokOnn (Fourth Defendant) and Syarikat Kemacahaya Sdn. Bhd. (Fifth Defendant)

- Pursuant to the High Court's decision, there were two appeals filed by Pasupathy to the Court of Appeal ("the two Appeals"). The first appeal was dated 21 September 2015, which was an appeal by Pasupathy against the decision by the High Court dated 4 September 2015 (COA Appeal no. W-02(W)-1683-10/2015). The second appeal was dated 16 November 2015 by Pasupathy being an appeal against the award of costs made by the High Court on 16 October 2015 (COA Appeal no. W-02(W)-1946-11/2015).
- Upon application by K.Pasupathy's solicitor, that K.Pasupathy wished to engage a different Counsel, the Court of Appeal had on 18 August 2016 postponed the Hearing for both Appeals to 25 October 2016. The Court of Appeal had on 25 October 2016 fixed the Decision for both the Appeals on 28 October 2016. However, the Court of Appeal has since postponed the Decision for both the Appeals to a date to be fixed later.

B. Shah Alam Sessions Court Summons No. B52NCvC-132-06/2015

KhidmatJujurSekuriti (M) Sdn. Bhd. -v- Masterskill (M) Sdn. Bhd. (Defendant)

- The plaintiff filed their legal suit on 6 July 2015 claiming RM317,169.60 as alleged outstanding payments for their security service in year 2014.
- On the 16 May 2016, the Court had dismissed the Plaintiff's legal suit with costs of RM12,325.00 to be paid to the Defendant.

C. Kuala Lumpur Sessions Court Summons No: B52NCVC-48-02-2015

Masterskill (M) Sdn. Bhd. -V-Syarikat Bekalan Air Selangor Sdn. Bhd (Defendant)

- The Writ of summons and statement of claim was filed in court on 11 February 2015 in order to recover the sum of RM800,000.00 paid to Syabas.
- The plaintiff had on 30 July 2015 obtained summary judgment against the Defendant. The Defendant had appealed against the said judgment. The Defendant's appeal was allowed by the court and the next date for Case management is yet to be set and informed by court.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**20. Dividends**

No dividend was paid or declared during the current quarter.

21. Loss/ (Earnings) per Share**Basic loss/ (earnings) per ordinary share**

The basic loss/ (earnings) per ordinary share as at 31 December 2015 is calculated based on the loss attributable to ordinary shareholders and the outstanding number of ordinary shares.

	Current Period		Cumulative Quarter	
	Quarter ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Loss/ (Profit) for the period attributable to ordinary equity shareholders (RM'000)	<u>(5,610)</u>	<u>3,141</u>	<u>(13,383)</u>	<u>12,575</u>
Loss/ (Profit) per ordinary share (Sen)	<u>(1.49)</u>	<u>0.84</u>	<u>(3.56)</u>	<u>3.34</u>

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 2015.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**24. Additional notes to the Statement of Comprehensive Income**

	Current Period		Cumulative Quarter	
	Quarter ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Results from operating activities is arrived at after charging:				
• Depreciation of property, plant and equipment	550	618	1,658	1,989
• Depreciation of Investment property	476	-	1,427	-
• Impairment losses for goodwill and PPE	(23)	(25)	(23)	(26)
• Impairment of doubtful debts	1,327	-	1,225	-
• Interest expense	124	478	393	1,557
• Loss/(Gain) on disposal of property, plant and equipment	7	(213)	7	(304)
• Reversal of provision for doubtful debts	(441)	(708)	(856)	(896)
• Property, plant and equipment written off	-	-	-	72
and crediting:				
• Interest income	(18)	(217)	(179)	(329)

25. Disclosure of Realised and Unrealised Profits

	9 months ended	12 months ended
	30.09.2016	31.12.2015
	RM'000	(audited) RM'000
Total retained earnings of Asiamet Education Group Berhad and its subsidiaries		
-Realised	(64,426)	(21,894)
-Unrealised	-	-
Less: Consolidation adjustment	(19,060)	(47,200)
Total	(83,486)	(69,094)

BY ORDER OF THE BOARD