

HELP INTERNATIONAL CORPORATION BERHAD

(Company No. 700568-H)

(A) EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention. The unaudited interim financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the pro forma consolidated financial information and the accountants’ report for the financial period/year ended 31 October 2006 as disclosed in the Prospectus dated 27 April 2007 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the period/year ended 31 October 2006.

2. Accounting Policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those of the audited financial statements for the period/year ended 31 October 2006 except for the adoption of the new/revised Financial Reporting Standards (“FRS”) effective for the following financial periods and the adoption of the merger method of accounting for subsidiaries under common control transfers.

(a) Adoption of New/Revised FRS

<u>FRS</u>		Effective for financial periods beginning on or <u>after</u>
FRS 2	Share-based Payment	1 January 2006
FRS 3	Business Combinations	1 January 2006
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2006
FRS 101	Presentation of Financial Statements	1 January 2006
FRS 102	Inventories	1 January 2006
FRS 108	Accounting Policies, Changes in Estimates and Errors	1 January 2006
FRS 110	Events after the Balance Sheet Date	1 January 2006
FRS 116	Property, Plant and Equipment	1 January 2006

(a) Adoption of New/Revised FRS (Contd.)

<u>FRS</u>		Effective for financial periods beginning on or <u>after</u>
FRS 117	Leases	1 October 2006
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 127	Consolidated and Separate Financial Statements	1 January 2006
FRS 128	Investments in Associates	1 January 2006
FRS 131	Interests in Joint Ventures	1 January 2006
FRS 132	Financial Instruments: Disclosure and Presentation	1 January 2006
FRS 133	Earnings Per Share	1 January 2006
FRS 136	Impairment of Assets	1 January 2006
FRS 138	Intangible Assets	1 January 2006
FRS 140	Investment Property	1 January 2006

The adoption of the new and revised FRS does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the FRSs are disclosed as follows:

FRS 101: Presentation of Financial Statements

The adoption of this FRS has affected the presentation of minority interests and other disclosures. Prior to 1 November 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. This revised FRS also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to shareholders of the Company and to minority interests.

(b) Adoption of Merger Method of Accounting

All subsidiaries are consolidated using the acquisition method of accounting except for subsidiaries arising from common control transfers, which are consolidated using the principles of merger method of accounting. The common control transfers are acquisitions of entities whereby these entities have common ultimate controlling parties prior to and immediately after such transfers. The difference between the carrying value of the investment and the nominal value of ordinary shares acquired is treated as a merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that laws or statutes do not prohibit the use of such reserves. The results of the companies being merged are included as if the merger had been effected throughout the entire financial year-to-date.

The effect of the adoption is disclosed in Note 12 of this section.

3. Audit Report of the Preceding Audited Financial Statements

The auditors' report of the preceding audited financial statements was not subject to any qualification.

4. Seasonal or Cyclical Factors

The Group recognises tuition fees income based on the number of teaching weeks. The revenue and profit for the first and third quarter of each financial year are usually lower due to summer holidays for courses of institutions from United Kingdom/United States and Australia.

5. Unusual Significant Items

Save for the information disclosed in this interim financial statements, there were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current financial year-to-date.

6. Changes in Estimates

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

7. Changes in Debt and Equity Securities

On 5 April 2007, HELP International Corporation Berhad (“HIC”) completed the acquisition of the entire equity interest in HELP University College Sdn. Bhd. (“HUC”) for a total purchase consideration of RM45,611,857, satisfied wholly by the issuance of 73,999,996 new ordinary shares of RM0.50 each in HIC (“HIC Shares”), at an issue price of approximately RM0.62 per HIC Share.

Other than the above, there have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial year-to-date.

8. Dividends Paid

There was no dividend paid during the current financial year-to-date.

9. Segmental Reporting

The Group is principally involved in education activities carried out in Malaysia and accordingly no segment reporting has been prepared.

10. Valuation of Property, Plant and Equipment

The Group did not revalue its property, plant and equipment.

11. Material Subsequent Events

Listing on the Second Board of Bursa Securities

On 27 April 2007, the Company launched its Prospectus for its Initial Public Offering (“IPO”) in conjunction with its listing on the Second Board of Bursa Securities involving a public issue of 14,776,000 new ordinary shares of RM0.50 each at an issue price of RM0.80 per new ordinary share, payable in full on application comprising:-

- 8,776,000 new ordinary shares of RM0.50 each for application by the eligible employees and directors, and persons who have contributed to the success of the Group; and
- 6,000,000 new ordinary shares of RM0.50 each for application by the Malaysian public.

The entire issued and paid-up share capital of the Company comprising 88,776,000 ordinary shares of RM0.50 each was listed on the Second Board of Bursa Securities on 22 May 2007.

12. Changes in the Composition of the Group

In conjunction with and as an integral part of the listing exercise, HIC completed the following acquisitions on 5 April 2007:

- (a) Acquisition of the entire equity interest in HUC comprising 22,293,000 ordinary shares of RM1 each in HUC from the shareholders of HUC for a total purchase consideration of RM45,611,857, satisfied wholly by the issuance of 73,999,996 new ordinary shares of RM0.50 each in HIC, credited as fully paid-up, at an issue price of approximately RM0.62 per HIC Share.
- (b) Acquisition of the entire equity interest in HELP Training Centre Sdn. Bhd. and HELP Executive Advanced Training Sdn. Bhd. ("HEAT"), both of which comprise 2 ordinary shares of RM1 each, HELP Academy Sdn. Bhd., which comprises 200,000 ordinary shares of RM1 each, and International Centre for Security Management Sdn. Bhd., which comprises 204,000 ordinary shares of RM1 each, from HUC for a total cash consideration equal to their respective unaudited net tangible assets as at 31 March 2007 except for HEAT, which is acquired for cash consideration of RM1.

The operating results, assets and liabilities of HUC and its subsidiaries are consolidated using the principles of merger accounting. Under the merger method of accounting, the results of companies being merged are included as if the merger had been effected throughout the entire financial year-to-date.

The results contributed by the above subsidiaries were as follows:-

	Current Year Quarter RM'000	Current Year-To-Date RM'000
Revenue	18,623	31,991
Profit for the financial period	<u>3,647</u>	<u>4,911</u>

The assets and liabilities contributed by the above subsidiaries as at 30 April 2007 are as follows:-

	30.4.07 RM'000
Property, plant and equipment	44,320
Trade and other receivables	8,832
Marketable securities	2
Tax recoverable	308
Cash and bank balances	36,777
Fees received in advance	(12,118)
Other payables	(17,257)
Tax payable	(2,108)
Deferred tax liabilities	(581)
Increase in Group net assets	<u>58,175</u>

13. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or assets of the Group since 1 November 2006.

(B) ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (PARAGRAPH 9.22 AND APPENDIX 9B)

1. Review of Performance

For the 3 months ended 30 April 2007, the Group recorded an encouraging profit before taxation of RM5.4 million on the back of a revenue of RM18.6 million. For the 6 months ended 30 April 2007, the Group recorded a revenue of RM32.0 million. In line with the revenue recorded, the Group reported a profit before taxation of RM7.3 million.

No comparative figures are presented in the preceding corresponding periods as this is the Group's first quarterly report on consolidated results after its listing on the Second Board of Bursa Securities.

2. Material Changes in the Profit Before Taxation for the Quarter Reported on as Compared to the Immediate Preceding Quarter

No comparative figures are presented in the preceding quarter as this is the Group's first quarterly report on consolidated results after its listing on the Second Board of Bursa Securities.

3. Prospects

The Group will continue to expand by diversifying into new courses and intensify its marketing efforts in the international market.

Based on the student enrolment and financial performance achieved as at 30 April 2007, the Directors are of the opinion that the profit forecast for the financial year ended 31 October 2007 is achievable.

4. Variance on Profit Forecast/ Profit Guarantee

Save for the profit forecast issued in its Prospectus dated 27 April 2007, the Group did not issue any profit forecast or profit guarantee in a public document during the current financial period. Disclosure on explanatory notes for the variance between actual and forecasted results would only be required in the final quarterly report for the current financial year ending 31 October 2007.

5. Taxation

	Current Year Quarter RM'000	Current Year- To-Date RM'000
Current period charge	1,736	2,514
Deferred taxation	<u>-</u>	<u>(151)</u>
	<u>1,736</u>	<u>2,363</u>

The effective tax rate of the Group for the period under review is higher than the statutory tax rate due principally to certain expenses that were not deductible for tax purposes and the absence of Group relief for losses incurred by certain subsidiaries.

6. Profits/(Losses) on Sale of Unquoted Investments and/or Properties

There were no sales of unquoted investments or properties during the current quarter and financial year-to-date.

7. Quoted Securities other than Securities in Existing Subsidiaries and Associated Companies

- (a) There were no purchases or disposal of quoted securities during the current quarter and financial year-to-date.
- (b) Investment of the Group in quoted securities as at the end of the reporting period comprise marketable securities as follows:

	RM'000
At cost	3
At carrying value	2
At market value	<u>2</u>

8. Corporate Proposals

(a) Status of Corporate Proposals

There are no corporate proposals announced but not completed as at 21 June 2007 (being the latest practical date).

(b) Status of Utilisation of Proceeds Raised from Corporate Proposal

As at 30 April 2007, there are no proceeds raised from corporate proposals. Subsequent to the end of the reporting period, the proceeds raised from the IPO was received. The status of utilisation of these proceeds will be disclosed in the next quarterly report.

9. Group Borrowings and Debt Securities

The Group did not have borrowings as at the end of the reporting period.

10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 30 April 2007.

11. Material Litigation

There were no changes in material litigation since the last annual balance sheet date as at 21 June 2007, being a date not earlier than 7 days from the date of issue of this quarterly report.

12. Dividends

The Board of Directors does not recommend any dividend for the period ended 30 April 2007.

13. Earnings per share attributable to shareholders of the Company

(a) Basic earnings per share

The basic earnings per share for the current financial year-to-date has been calculated based on the Group's profit for the current financial year-to-date attributable to the shareholders of the Company of RM4.9 million and on the weighted average number of 74,000,000 ordinary shares assumed in issue during the period.

(b) Fully diluted earnings per share

Fully diluted earnings per share were not computed as there were no potential ordinary shares to be issued as at the end of the reporting period, other than the 14,776,000 new ordinary shares issued as part of the listing exercise, which are anti-dilutive.

BY ORDER OF THE BOARD

LIM YEW HEANG (MAICSA 7007653)

Company Secretary

Kuala Lumpur

26 June 2007