

# HELP INTERNATIONAL CORPORATION BERHAD

(Company No. 700568-H)

## (A) EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

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### 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 over the period of the respective courses. The revenue and profit for the first and third quarter of each financial year are usually lower due to summer period 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**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial year-to-date other than the issuance of 88,775,996 ordinary shares issued pursuant to the listing scheme as disclosed below:

### **(a) Acquisition of HELP University College Sdn. Bhd. (“HUC”)**

Acquisition by HELP International Corporation Berhad (“HIC”) of the entire equity interest in 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, which was completed on 5 April 2007.

### **(b) Public Issues**

Public issues of 14,776,000 ordinary shares at an issue price of RM0.80 per share in conjunction with the floatation of HIC on the Second Board of Bursa Securities on 22 May 2007.

## **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**

On 2 August 2007, the Company acquired the entire issued and paid-up capital of HELP M&E Sdn. Bhd. comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2.

On 6 August 2007, the Company entered into a conditional Share Acquisition Agreement with Excellenex Sdn Bhd to acquire the entire issued and paid-up capital of Sepang Education Centre Sdn. Bhd. ("SEC") comprising 5,000,000 ordinary shares of RM1.00 each for a total cash consideration of RM2.0 million.

The completion of the proposed acquisition of SEC is pending the approval of the relevant authorities.

## **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:-

	<b>Current Year Quarter RM'000</b>	<b>Current Year-To-Date RM'000</b>
Revenue	12,150	44,141
Profit for the financial period	<u>1,321</u>	<u>6,232</u>

The assets and liabilities contributed by the above subsidiaries as at 31 July 2007 are as follows:-

	<b>31.7.07 RM'000</b>
Property, plant and equipment	43,973
Trade and other receivables	9,210
Marketable securities	2
Tax recoverable	440
Cash and bank balances	35,127
Fees received in advance	(13,579)
Other payables	(13,591)
Tax payable	(1,212)
Deferred tax liabilities	<u>(496)</u>
Increase in Group net assets	<u>59,874</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)**

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**1. Review of Performance**

For the 3 months ended 31 July 2007, the Group recorded a profit before taxation of RM1.9 million on the back of revenue of RM12.2 million. For the 9 months ended 31 July 2007, the Group recorded revenue of RM44.1 million. In line with the revenue recorded, the Group reported a profit before taxation of RM9.2 million.

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

The Group reported a profit before taxation of RM1.9 million in the current quarter as compared to RM5.4 million recorded in the immediate preceding quarter due to lower revenue recorded in the current quarter. The lower revenue was due to lesser classes conducted during summer period for courses of institution from the Northern Hemisphere, namely United Kingdom/United States. This is in line with the seasonal factors disclosed in Note 4 of Part A.

**3. Commentary on Prospects and Profit Forecast**

- (a) The Group will continue to develop and roll out new proprietary courses to capture a wider base of students and to collaborate with reputable partner universities to offer courses that are in demand.

At the same time, the Group has intensified its marketing efforts to recruit international students.

- (b) The Group is on track with its year-to-date financial performance and its achievement of its profit forecast in the remaining period of the financial year/forecast period. The Group is also on track to achieve the projected student numbers.

The Group has taken steps as mentioned in Note 3(a) to ensure its achievability of the profit forecast as well as implemented various strategic steps to position the Group for growth.

**4. Statement on Profit Forecast**

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

## 5. 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.

## 6. Taxation

	<b>Current Year Quarter RM'000</b>	<b>Current Year- To-Date RM'000</b>
Current period charge	722	3,236
Deferred taxation	<u>(85)</u>	<u>(236)</u>
	<u>637</u>	<u>3,000</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.

## 7. 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.

## 8. 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:

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



## 9. Corporate Proposals

### (a) Status of Corporate Proposals

The status of corporate proposals announced but not completed as at 20 September 2007 (being the latest practical date) are as follows:

#### Proposed acquisition of Sepang Education Centre Sdn Bhd

The completion of the proposed acquisition is pending the approval of the relevant authorities.

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

Purpose	Proposed Utilisation	Actual Utilisation as at 31 July 2007	Intended Timeframe for Utilisation	Deviation/ Balance		Explanations
	RM'000	RM'000		Amount RM'000	%	
Improvement to existing facilities	4,000	1,259	By 21 November 2008	2,741	69	Note (i)
Investment in and development of intellectual property, including staff development	2,660	329	By 21 May 2009	2,331	88	Note (ii)
International business development	1,179	32	By 21 November 2008	1,147	97	Note (i)
Working capital	1,982	1,982	By 21 May 2008	-	-	-
	<u>9,821</u>	<u>3,602</u>		<u>6,219</u>	63	

(i) Progressive utilisation within 18 months from date of Company's listing.

(ii) Progressive utilisation within 24 months from date of Company's listing.

## 10. Group Borrowings and Debt Securities

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

## 11. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 31 July 2007.

## **12. Material Litigation**

There were no changes in material litigation since the last annual balance sheet date as at 20 September 2007, being a date not earlier than 7 days from the date of issue of this quarterly report.

## **13. Dividends**

The Board of Directors does not recommend any dividend for the period ended 31 July 2007.

## **14. 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 RM6.2 million and on the weighted average number of 77,788,718 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.

## **BY ORDER OF THE BOARD**

**LIM YEW HEANG (MAICSA 7007653)**  
Company Secretary

Kuala Lumpur  
26 September 2007