

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 6th quarter ended 28 February 2019

NOTES

A EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in compliance with FRS 134: "Interim Financial Reporting" and Rule 9.22 (2) and Appendix 9B of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the period ended 30 September 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the period ended 30 September 2017.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those of the audited financial statements for the period ended 30 September 2017.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial period ended 30 September 2017 was not subject to any qualification.

A3 Seasonal or cyclical factors

The major significant business contributions are from the Malaysia Information Technology (IT) learning market. As the renewal/award of contracts typically corresponds to the Malaysian academic year, the business is not subject to any other material seasonal and cyclical factors.

The renewal/award of contracts for the Philippines education market typically corresponds to the Philippines academic year. Save for this and as mentioned above, the Group's business is not subject to any other material seasonal and/or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Company since the last annual audited financial statements.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years which may have a material effect in the current financial quarter.

A6 Debt and equity securities

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter:

On 8 February 2019, 100,000,000 new ordinary shares were issued at RM0.02 per placement share following the completion of private placement.

On 20 February 2019, the Company has issued circular to shareholders in relation to the proposed reduction of the issued share capital via the cancellation of the paid-up share capital which is lost or unrepresented by available assets of RM107,305,230 pursuant to Section 117 of the Companies Act, 2016.

A7 Dividend paid

There were no dividends paid during the current financial quarter.

A8 Segment Reporting

The principal businesses of the Group are in the development and provision of IT learning products and services, which are substantially within a single business segment, and therefore business segment reporting is deemed not necessary.

Segmental revenue and results in geographical areas of the Group for the 17 months period ended 28 February 2019 are as follows :-

| 17 MONTHS PERIOD ENDED 28 FEBRUARY 2019 | | | | |
|--|---------------|---------------------------------------|----------------|--------------------------------|
| <u>Results</u> | | | | |
| | Revenue | Profit/(Loss) before tax for the year | Less: Taxation | Net Profit/(Loss) for the year |
| | RM('000) | RM('000) | RM('000) | RM('000) |
| Malaysia | 38,164 | (49,240) | 185 | (49,055) |
| Singapore | - | (7,664) | (29) | (7,693) |
| Hong Kong | 1,492 | 437 | - | 437 |
| Thailand | 892 | (138) | - | (138) |
| Philippines | 10,367 | 5,765 | (545) | 5,220 |
| | <u>50,915</u> | <u>(50,840)</u> | <u>(389)</u> | <u>(51,229)</u> |

A9 Valuation of property, plant and equipment

There are no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have effect in the current financial quarter under review.

A10 Material events subsequent to the end of the quarter

There are no material events subsequent to the end of the quarter.

A11 Changes in the composition of the Group

There are no changes in the composition of the Group for the current financial quarter.

A12 Contingent liabilities

There are no material contingent liabilities as at the date of this announcement.

A13 Capital commitments

There are no capital commitments as at the date of this announcement.

A14 Significant related party transactions

There are no significant related party transactions as at the date of this announcement.

A15 Change of financial year end

On 18 September 2018, the Companies Commission of Malaysia has approved the Company's application for change of its financial year end from 30 September to 28 February. Accordingly, the financial period of the Company and its subsidiaries (the "Group") presented for this Quarterly Report is for the seventeen month period ended 28 February 2019.

Following the change of financial year end, these financial statements are made up from 1 October 2017 to 28 February 2019 covering a period of 17 months. Thereafter, the financial year end of the Company shall end on 28 February for each subsequent year.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET

B1 Review of performance

Programs

IT learning and Robotics program

Eduspec has been at the forefront in providing Systematic IT learning and Robotics programs to kindergarten and primary school students since 1984. The programs are customized according to students' age and prepared by a group of dedicated and experienced teachers. The course includes cyber wellness and three main components namely General Knowledge, Software Application, and Online Application.

STEM Computer Science and STEM Robotics

STEM with Computer Science is more than just learning how to program. It's also about learning how to succeed in a high-technology and socially interconnected world, embracing exploration, discovery, creation, collaboration and problem-solving.

STEM with Robotics is the branch of mechanical engineering, electrical engineering, electronic engineering and computer science that deals with the design, construction, operation, and application of robots as well as computer systems for their control, sensory feedback, and information processing

Digital School Solutions (DSS)

Digital School solution is a concept that captures the vision of digitalizing a school's learning and management system to equip students with 21st century competencies and skill sets. The world is changing rapidly and skill sets needed are also evolving. Traditional schools that are not equipped to incorporate 21st century competencies and skill sets will no longer be enough to support the increasingly diverse and innovation-oriented societies of the future. Eduspec believes in integrating education technology with relevant content and pedagogy into the education system by preparing the young for the 21st century workforce. Digital School Solutions aims to equip students with knowledge and skill sets that will enable them to be successful in their future roles.

Integrated Education Solutions & Services (IESS)

Eduspec's Integrated Education Solutions and Services (IESS) adopt a holistic approach to helping our customers and partners reach their goals successfully. We don't believe in merely selling hardware or provide software without ensuring the technology is being used efficiently and sustainably. It is this unique approach that has drawn partners and customers to collaborate with us on a long-term basis. We understand one size does not fit all when it comes to education. This is why we believe customized programs and systems would work best. To us, a partnership does not end when a project is successfully implemented. We ensure the programs and systems run sustainably by providing continuous support, consultation, and training.

Eduspec Services for Parents (ESP)

Eduspec Services to Parents (ESP) aims to foster the involvement of parents in empowering them with accurate information regarding their children's education.

This solution will involve a mobile App communicating information regarding a child's personalised learning and diagnostic feedback that supports various recommended learning supplements for parents to provide timely intervention and support for their children

The mobile App will include functionalities such as announcement system, E-wallet, analytics, attendance, assessment results and other valuable features.

The Group recorded total revenue of RM5.673 million and Profit after tax (PAT) of RM0.792 million for the current quarter ended 28 February 2019.

There is no comparative figure for this quarter's result which consists of two (2) months business operations following the change of financial year end from 30 September to 28 February.

B2 Variation of results against preceding quarter

The result of the quarter is improves compared to immediate preceding quarter due to the adjustment for impairment loss on other receivables amounting to RM5.958 million. The profit after taxation for the quarter is RM0.792 million compared to loss after taxation of RM3.554 million reported in the previous quarter.

B3 Prospects

The Group has continued to expand its regional presence in Thailand, which together with the Philippines and Vietnam shows good promise for growth over the next few years.

The Group also intends to continue to invest in its R&D to improve on its existing products and services, and to introduce more innovative products and services to schools in the region. The Group will progressively roll out the Eduspec Services to Parents (ESP) business in stage over the course of this year.. ESP will create better interaction between the school faculty and parents. It is an application providing students with tools such as self-assessment, lesson plans and e-wallet.

The Group is aware that the governments of several developed countries have transformed their education policies for the K-12 segment (Kindergarten to year-12 of school education), encouraging the private sector to be more involved in public school education. The Group identifies this to be an opportunity and will continue to explore further in this area.

Meanwhile the education sector remains competitive. The Board will, however, continue with its effort to sustain and improve the performance of the Group by focusing on its strengths and improving on the quality of its offerings to schools.

On a more cautious note, the Group is also mindful of its current poor performance resulting from the drop in revenue and gross profit contribution from the Indonesia IESS segment. In view with this, the Group is focusing on increasing revenue from program or fees-based recurring income segment. Additionally, the Group has been actively engaged in and prudently managing its expenditure.

B4 Profit forecast, profit guarantee and internal targets

There is no profit forecast, profit guarantee or internal targets made public for the financial quarter ended 28 February 2019.

B5 Taxation

DES Sdn Bhd, a wholly owned subsidiary of EHB, application for MSC Malaysia Status was approved on 9 November 2016.

| | Individual Quarter (2 months) | | Cumulative Quarter (17 months) | |
|-----------------|-------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To Date | Preceding Year Corresponding Quarter |
| | 28/2/2019 | | 28/2/2019 | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation | 51 | - | (389) | - |

B6 Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement save for the following:

On 30 April 2019, the Company has not received any application under Section 118(2) of the Companies Act, 2016 for the cancellation of the special resolution passed during the Company's extraordinary general meeting held on 15 March 2019 for the Proposed Share Capital Reduction. Pursuant thereto, the Company will lodge the relevant documents as required by Section 119(1) of the Companies Act, 2016 with the Registrar of Companies in due course.

The Proposed Share Capital Reduction will become effective once the Registrar of Companies has recorded the information lodged with the Registrar of Companies pursuant to Section 119 of the Companies Act, 2016 in the appropriate register. A notice confirming the reduction of share capital will be issued by the Register of Companies to the Company.

B7 Utilisation of proceeds

(a)

| Proposed utilisation | Expected time frame for utilisation from date of listing of Private Placement | Proceeds raised (RM'000) | Unutilised proceeds channelled to working capital (RM'000) | Utilisation (RM'000) | Balance (RM'000) |
|--------------------------------------|---|--------------------------|--|----------------------|------------------|
| Acquisition of Property | Within 12 months | 2,692 | - | 2,692 | - |
| Future business expansion | Within 36 months | 4,000 | (3,782) | 218 | - |
| R & D | Within 24 months | 3,000 | (188) | 2,812 | - |
| Working Capital of the Group | Within 36 months | 14,125 | 3,970 | 18,095 | - |
| Estimated expenses for the Proposals | Within 3 months | 700 | - | 700 | - |
| | | 24,517 | - | 24,517 | - |

(b)

| Proposed utilisation | Expected time frame for utilisation from date of listing of Private Placement | Proceeds raised (RM'000) | Unutilised proceeds channelled to working capital (RM'000) | Utilisation (RM'000) | Balance (RM'000) |
|--------------------------------------|---|--------------------------|--|----------------------|------------------|
| STEM Robotics & STEM CS | Within 24 months | 9,550 | (1,692) | 7,858 | - |
| Future business expansion | Within 12 months | 2,000 | (276) | 1,724 | - |
| Acquisition of system | Within 12 months | 2,788 | (2,788) | - | - |
| Working Capital of the Group | Within 12 months | 6,225 | 4,770 | 10,995 | - |
| Estimated expenses for the Proposals | Within 3 months | 110 | (14) | 96 | - |
| | | 20,673 | - | 20,673 | - |

(c)

| Proposed utilisation | Expected time frame for utilisation from date of listing of Private Placement | Proceeds raised (RM'000) | Unutilised proceeds channelled to working capital (RM'000) | Utilisation (RM'000) | Balance (RM'000) |
|--------------------------------------|---|--------------------------|--|----------------------|------------------|
| STEM Robotics & STEM CS | Within 24 months | 3,288 | (2,986) | 302 | - |
| Working Capital of the Group | Within 12 months | 6,969 | 3,015 | 9,984 | - |
| Estimated expenses for the Proposals | Within 3 months | 90 | (29) | 61 | - |
| | | 10,347 | - | 10,347 | - |

(d)

| Proposed utilisation | Expected time frame for utilisation from date of listing of Private Placement | Proceeds raised (RM'000) | Unutilised proceeds channelled to working capital (RM'000) | Utilisation (RM'000) | Balance (RM'000) |
|--------------------------------------|--|---------------------------------|---|-----------------------------|-------------------------|
| Repayment of bank borrowings | Within 3 months | 950 | - | 290 | 660 |
| Working Capital of the Group | Within 3 months | 950 | 21 | 327 | 644 |
| Estimated expenses for the Proposals | Within 3 months | 100 | (21) | 79 | - |
| | | <u>2,000</u> | <u>-</u> | <u>617</u> | <u>1,304</u> |

B8 Borrowings and debt securities

| | 28/2/2019 RM('000) Unaudited | 30/9/2017 RM('000) Audited |
|----------------------|---|---|
| <u>Borrowings: -</u> | | |
| Short-term borrowing | 20,203 | 24,929 |
| Bank overdraft | 807 | 3,516 |
| Long-term borrowing | 14,866 | 11,880 |

B9 Material litigations

There are no material litigations pending at the date of this announcement.

B10 Dividends

No dividends have been declared in respect of the financial quarter under review and the year-to-date.

B11 Additional information for statement of comprehensive income

| | CURRENT QUARTER | YEAR TO DATE |
|--|--------------------|--------------|
| | RM'000 | RM'000 |
| Interest income | 9 | 201 |
| Other income including investment income | 1,302 | 6,810 |
| Interest expense | 235 | 3,092 |
| Depreciation and amortization | 2,850 | 11,747 |
| Provision for and write off of receivables | (4,664) | 30,833 |
| Provision for and write off of inventories | NIL | NIL |
| Gain or (loss) on disposal of quoted or unquoted investments or properties | NIL | NIL |
| Impairment of assets | 340 | 340 |
| Foreign exchange gain or (loss) | 310 | 205 |
| Gain or loss on derivatives | NIL | NIL |
| Exceptional items (with details) | NIL | NIL |

B12 Earnings per share

| | | Individual Quarter (2 Months) | | Cumulative Quarter (17 Months) | |
|-------------|--|-----------------------------------|--|--------------------------------------|---------------------------|
| | | Current Year Quarter 28/2/2019 | Preceding Year Corresponding Quarter | Current Year To Date 28/2/2019 | Preceding Year To Date |
| (i) | Basic earnings per share (sen) | | | | |
| | Net profit/ (loss) for the financial quarter (RM'000) | 854 | - | (50,777) | - |
| | Weighted average number of ordinary shares in issue ('000) | 1,015,710 | - | 1,015,710 | - |
| | Basic earnings per share (sen) | 0.08 | - | (5.00) | - |
| (ii) | Diluted earnings per share | N/A | N/A | N/A | N/A |

- (i) Basic earnings per share is calculated by dividing the net profit/ loss (Profit/ Loss after taxation and minority interest) for the financial period by the weighted average number of ordinary shares in issue.
- (ii) The Group has no potential equity instruments in issue as at the reporting date and therefore, diluted earnings per share have not been presented.

By Order of the Board

Lim Een Hong
Executive Director
Shah Alam
Date: 30 April 2019