

# EDUSPEC HOLDINGS BERHAD

**Company No. 646756-X**

(Incorporated in Malaysia)

## **Report on results for 1st quarter ended 31 May 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 28 February 2019. 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 28 February 2019.

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 28 February 2019.

##### **A2 Auditors' report of preceding annual financial statements**

The auditors' report on the financial statements for the financial period ended 28 February 2019 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 29 May 2019, the Company had completed the proposed share capital reduction. Following the completion of the proposed share capital reduction, the issued share capital is RM41,818,059 comprising 1,101,813,500 Company shares.

##### **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 current year to date are as follows : -

CURRENT YEAR TO DATE 31 MAY 2019				
	Results			
	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	4,510	(3,432)	-	(3,432)
Singapore	-	4,697	-	4,697
Hong Kong	-	(142)	-	(142)
Thailand	125	(118)	-	(118)
Philippines	1,339	(80)	-	(80)
	5,974	925	-	925

## 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 save for the following:

Eduspec Pte Ltd ("EPL"), a wholly owned subsidiary of the Company had on 19 March 2019 entered into a Memorandum of Agreement for the disposal of 31,000 common shares in First Eduspec Inc ("FEI"), representing 62% equity interest in the issued and paid-up capital of FEI for a cash consideration of PHP56,646,916.90 or equivalent to RM4,376,335. Upon completion of the Disposal, EPL's shareholdings in FEI will be reduced from 95% to 33%. The disposal completed on 29 May 2019.

The Company had on 9 May 2019 completed the acquisition of 4,000 shares in Eduspec ACG Pte Ltd ("ACG"), representing the 40% equity interest in ACG. Upon completion of the Acquisition, ACG will be a wholly owned subsidiary of the Company.

## 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 Comparative figures

The financial statements of the preceding year were for a financial period of 17 months from 1 October 2017 to 28 February 2019. Hence, they are not comparable to the current financial year's results.

## **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.

#### **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 RM5.974 million and profit after tax (PAT) of RM0.925 million for the current quarter ended 31 May 2019.

There is no comparative figure for this quarter's result 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 has improved compared to the immediate preceding quarter. The PAT for the quarter is RM0.925 million compared to RM0.792 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		Cumulative Quarter	
Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
31/5/2019		31/5/2019	
RM'000	RM'000	RM'000	RM'000
<b>Taxation</b>	-	-	-

### 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 8 July 2019, Bursa Securities approved the multiple proposals as follows:-

- proposed issuance of up to 600,000,000 new 2% cumulative redeemable convertible preference shares ("RCPS") in Eduspec at an issue price of RM0.10 each;
- proposed diversification of the business of Eduspec and its subsidiaries to include the development and operation of an edutainment theme park;
- proposed amendments to the Constitution of the Company to facilitate the Proposed Issuance of RCPS; and
- proposed bonus issue of up to 550,906,750 free warrants in Eduspec on the basis of 1 Warrant B for every 2 existing ordinary shares in Eduspec held by shareholders of Eduspec on a date to be determined and announced later by the Board.

**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)
Repayment of bank borrowings	Within 3 months	950	-	950	-
Working Capital of the Group	Within 3 months	950	21	971	-
Estimated expenses for the Proposals	Within 3 months	100	(21)	79	-
		2,000	-	2,000	-

**B8 Borrowings and debt securities**

	31/5/2019 RM('000) Unaudited	28/2/2019 RM('000) Audited
<u>Borrowings: -</u>		
Short-term borrowing	19,294	20,518
Bank overdraft	765	807
Long-term borrowing	14,755	14,785

**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	16	16
Other income including investment income	6,536	6,536
Interest expense	353	353
Depreciation and amortization	1,829	1,829
Provision for and write off of receivables	NIL	NIL
Provision for and write off of inventories	NIL	NIL
Gain or (loss) on disposal of unquoted investments	3,654	3,654
Impairment of assets	NIL	NIL
Foreign exchange gain or (loss)	(516)	(516)
Fair value gain or (loss) on investments	1,945	1,945
Exceptional items (with details)	NIL	NIL

**B12 Earnings per share**

		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
		31/5/2019		31/5/2019	
<b>(i)</b>	<b>Basic earnings per share (sen)</b>				
	Net profit for the financial quarter (RM'000)	1,079	-	1,079	-
	Weighted average number of ordinary shares in issue ('000)	1,101,814	-	1,101,814	-
	Basic earnings per share (sen)	0.10	-	0.10	-
<b>(ii)</b>	<b>Diluted earnings per share</b>	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: 25 July 2019