

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 4th quarter ended 29 February 2020

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:

Redeemable Convertible Preference Shares (RCPS)

| RCPS | | | | Ordinary Shares Issued | | |
|---------------|-------------------|------------|-------------------|------------------------|--------------------|---------------------|
| Subscriptions | | Conversion | | Issue price | No. of shares | RM |
| Date | No. of shares | Date | No. of shares | | | |
| 12/5/2019 | 10,000,000 | 12/27/2019 | 10,000,000 | 0.0173 | 57,803,468 | 1,000,000.00 |
| 12/18/2019 | 10,000,000 | 1/7/2020 | 5,000,000 | 0.0173 | 28,901,734 | 500,000.00 |
| | | 1/28/2020 | 5,000,000 | 0.0173 | 28,901,734 | 500,000.00 |
| 1/8/2020 | 10,000,000 | 2/26/2020 | 10,000,000 | 0.0160 | 62,500,000 | 1,000,000.00 |
| 1/22/2020 | 15,000,000 | 2/26/2020 | 15,000,000 | 0.0160 | 93,750,000 | 1,500,000.00 |
| | <u>45,000,000</u> | | <u>45,000,000</u> | | <u>271,856,936</u> | <u>4,500,000.00</u> |

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 29 FEBRUARY 2020 | | | | |
|---------------------------------------|---------------|---------------------------------------|----------------|--------------------------------|
| 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 | 20,049 | (59,497) | (39) | (59,536) |
| Singapore | 1,906 | 6,009 | (484) | 5,525 |
| Hong Kong | 233 | (493) | - | (493) |
| Thailand | 1,082 | 158 | - | 158 |
| Philippines | 1,343 | (79) | - | (79) |
| | <u>24,613</u> | <u>(53,902)</u> | <u>(523)</u> | <u>(54,425)</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 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.

B1 Review of performance (Cont'd)

The Group recorded total revenue of RM3.800 million and loss after tax (LAT) of RM54.724 million for the current quarter ended 29 February 2020.

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 is lower compared to the immediate preceding quarter due to the provision of RM49 million which is contributed by impairments of goodwill, other investments and receivables which more than 365 days old adjusted in current quarter. The LAT for the quarter is RM54.724 million compared to RM1.907 million LAT reported in the previous quarter.

B3 Prospects

Due to the shifts in government policies for the provision of IT learning programs and educational services at public schools in July 2018 to stop the implementation of computer classes within the school timetable, Eduspec made some interim decision and implemented new programs and delivery options in order to deliver the best outcomes to the Group's business and relationship with customers at the highest level of attention. We are also actively engaging and negotiating with the Government to revive our computer class delivery to schools to ensure that the Group, as a growing business could continue its focus on fees-based recurring income education products such as the STEM and ESP.

Our ESP business is now under a new venture with Cube Solutions Sdn Bhd and we are improving all our solutions to Cloud-Based in order to be able to scale. Additionally, we have also introduced new features which are incorporated into four new models namely Parents, Teachers, Event and Membership.

Eduspec will continue to work on its expansion on the the Group's business model to include the B2C model which includes amongst others, the development and operation of the STEM EduPark which enables the Group to venture into the edutainment theme park business while at the same time, expanding market reach for its STEM-based learning programs and educational services.

The venture into the edutainment theme park business will serve to diversify the Group's revenue and earnings stream and is expected to provide a new earnings driver to reduce the reliance on its existing customer base. This progression is crucial as Eduspec steps up its foray into this growing area that will provide recurring income to the Group.

On the STEM Program development, Eduspec will continue to work closely with MWSB for the implementation of the STEM programs for primary schools and Robotics for secondary schools under MOE. The main objective of this is to build awareness and increase the exposure of STEM education in Malaysia. This synergistic partnership allows both parties to leverage on each other's expertise to achieve this goal. This is not only a positive development for Eduspec but more importantly also for the students.

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.

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 29 February 2020.

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 |
| | 29/2/2020 | | 29/2/2020 | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Taxation | (494) | - | (523) | - |

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:

Redeemable Convertible Preference Shares (RCPS)

| RCPS | | | | Ordinary Shares Issued | | |
|----------------------|----------------------|-------------------|----------------------|-------------------------------|----------------------|-------------------|
| Subscriptions | | Conversion | | Issue price | No. of shares | RM |
| Date | No. of shares | Date | No. of shares | | | |
| 4/20/2020 | 2,500,000 | 5/19/2020 | 2,500,000 | 0.015 | 16,666,667 | 250,000 |
| 5/18/2020 | 5,000,000 | 5/19/2020 | 5,000,000 | 0.015 | 33,333,333 | 500,000 |
| 5/19/2020 | 7,500,000 | 5/20/2020 | 7,500,000 | 0.015 | 50,000,000 | 750,000 |
| 5/27/2020 | 30,000,000 | 5/28/2020 | 30,000,000 | 0.015 | 200,000,000 | 3,000,000 |
| 5/28/2020 | 5,000,000 | 6/1/2020 | 5,000,000 | 0.015 | 33,333,333 | 500,000 |
| 6/4/2020 | 52,500,000 | 6/5/2020 | 52,500,000 | 0.015 | 350,000,000 | 5,250,000 |
| 6/5/2020 | 5,000,000 | 6/9/2020 | 5,000,000 | 0.015 | 33,333,333 | 500,000 |
| 6/16/2020 | 40,000,000 | 6/18/2020 | 40,000,000 | 0.015 | 266,666,666 | 4,000,000 |
| 6/17/2020 | 5,000,000 | 6/18/2020 | 5,000,000 | 0.015 | 33,333,333 | 500,000 |
| 6/18/2020 | 2,500,000 | 6/22/2020 | 2,500,000 | 0.015 | 16,666,666 | 250,000 |
| 7/2/2020 | 7,500,000 | 7/3/2020 | 7,500,000 | 0.015 | 50,000,000 | 750,000 |
| 7/14/2020 | 22,500,000 | 7/15/2020 | 22,500,000 | 0.015 | 150,000,000 | 2,250,000 |
| 7/15/2020 | 35,000,000 | 7/17/2020 | 35,000,000 | 0.015 | 233,333,333 | 3,500,000 |
| 7/21/2020 | 15,000,000 | 7/22/2020 | 15,000,000 | 0.015 | 100,000,000 | 1,500,000 |
| 7/22/2020 | 30,000,000 | 7/23/2020 | 30,000,000 | 0.015 | 200,000,000 | 3,000,000 |
| 7/23/2020 | 10,000,000 | 7/24/2020 | 10,000,000 | 0.015 | 66,666,666 | 1,000,000 |
| | <u>275,000,000</u> | | <u>275,000,000</u> | | <u>1,833,333,330</u> | <u>27,500,000</u> |

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 | | Balance (RM'000) |
|-----|--------------------------------------|---|-----------------------------|---|-------|---------------------|
| | | | | Utilisation (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 | - |

| (b) | Proposed utilisation | Expected time frame for utilisation upon receipt | Proposed utilisation of proceeds (RM'000) | Proceeds raised/Utilisation (RM'000) |
|-----|--|--|--|---|
| | Expenditures for STEM EduPark | Within 3 years | 38,100 | 2,350 |
| | Expenditures for flagship STEM EduLab and STEM Learning Centre | Within 2 years | 6,100 | 3,628 |
| | Working capital for the Group existing business | Within 2 years | 4,000 | 2,341 |
| | Part repayment of bank borrowings | Within 1 year | 6,000 | 1,934 |
| | Estimated expenses relating to Proposals | Within 5 years | 5,800 | 2,243 |
| | | | 60,000 | 12,496 |

B8 Borrowings and debt securities

| | 29/2/2020 RM('000) Unaudited | 28/2/2019 RM('000) Audited |
|----------------------|------------------------------------|----------------------------------|
| <u>Borrowings: -</u> | | |
| Short-term borrowing | 20,775 | 20,518 |
| Bank overdraft | 583 | 807 |
| Long-term borrowing | 14,102 | 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 | - | 48 |
| Other income including investment income | 141 | 8,064 |
| Interest expense | 1,099 | 2,671 |
| Depreciation and amortization | 3,225 | 8,255 |
| Provision for and write off of receivables | 45,029 | 45,029 |
| Provision for and write off of amount owing by associates | 42 | 42 |
| Provision for and write off of inventories | 255 | 255 |
| Provision for and write off of assets | - | 33 |
| Provision for and write off of intangible assets | 22 | 22 |
| Provision for and write off of goodwill | 447 | 447 |
| Provision for and write off of other investment | 3,483 | 3,483 |
| Gain or (loss) on disposal of unquoted investments | - | 3,804 |
| Foreign exchange gain or (loss) | (314) | (843) |
| Fair value gain or (loss) on investments | - | 2,025 |
| 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 |
| | | 29/2/2020 | | 29/2/2020 | |
| (i) | Basic earnings per share (sen) | | | | |
| | Net (loss)/profit for the financial quarter (RM'000) | (54,629) | - | (54,270) | - |
| | Weighted average number of ordinary shares in issue ('000) | 1,232,952 | - | 1,232,952 | - |
| | Basic earnings per share (sen) | (4.43) | - | (4.40) | - |
| (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: 24 July 2020