

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 4th quarter ended 28 February 2021

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 year ended 29 February 2020. 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 year ended 29 February 2020.

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 year ended 29 February 2020.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 29 February 2020 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:

RCPS				Ordinary Shares Issued		
Subscriptions		Conversion		Issue price	No. of shares	RM
Date	No. of shares	Date	No. of shares			
2/25/2021	10,000,000	-	-	-	-	-

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 28 FEBRUARY 2021				
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	7,735	(23,384)	6	(23,378)
Singapore	356	194	-	194
Hong Kong	103	(544)	-	(544)
Thailand	1,394	167	-	167
	9,588	(23,567)	6	(23,561)

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:

Innoscapemy Sdn Bhd ("ISB") was incorporated on 27 January 2021 with the Company owning 70% shareholding.

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.

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

B1 Review of performance

Information

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 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.

Review of performance

Revenue of the Group mainly consists of income from the provision of Programs and Digital School Solutions (DSS).

For the current quarter under review, the Group's revenue decreased by 36.4% to RM2.415 million from RM3.800 million reported in the previous year's corresponding quarter. The reduction is mainly due to decreased in provision of program as a result of COVID-19 outbreak since the beginning of year 2020. This outbreak has impacted the operations drastically.

The other income increased by 102.1% to RM0.285 million from RM0.141 million reported in the previous year's corresponding quarter mainly due to the writeback of impairment losses in respect of slow moving stock.

Administrative expenses of the group consist of human resource cost, occupancy cost, travelling expenses, professional services fees, finance charges, foreign exchange differences and general administrative expenses. The administrative expenses of current quarter increased by 80.5% to RM6.430 million from RM3.563 million reported in the previous year's corresponding quarter. This increased is mainly due to impairment losses on goodwill.

Selling and distribution expenses of the group consist of expenses incurred for marketing events, promotional activities, transportation, entertainment expenses and provision of impairment on receivables. The selling and distribution expenses of current quarter increased by 190.2% to RM1.460 million from RM0.503 million reported in the previous year's corresponding quarter. This increased is mainly due to one-off withholding tax expenses of RM1.309 million adjusted in current quarter.

Other expenses of the group consist of depreciation and amortization of development costs. Other expenses of current quarter is inclusive of an intangible assets written off amounting to RM1.094 million.

Finance cost of the group consists of interest on term loan and trade facilities utilized in the current quarter. Finance costs of current quarter decreased by 69.8% to RM0.332 million from RM1.099 million reported in the previous year's corresponding quarter due to the reduction in utilization of term loan and trade facilities for the business.

B2 Variation of results against preceding quarter

The LAT for the quarter is RM11.502 million compared to RM1.251 million LAT reported in the previous quarter. The lower result of the quarter was due to impairment of goodwill of RM2.818 million, withholding tax expenses of RM1.309 million, intangible assets written off of RM1.094 million, higher professional fees pertaining to RCPS and higher expenses for STEM learning centre. Further the one-off saving from waiver of bank borrowings of RM2.502 million was recorded in previous quarter.

B3 Prospects

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 has impacted negatively the financial performance of the company. We are actively engaging and negotiating with the Government to revive our computer class delivery under STEM Education to schools to ensure that the Group, as a growing business could continue its focus on school fees-based recurring income.

Under a new venture with Cube Solutions Sdn Bhd, we are improving all our solutions to Cloud-Based in order to be able to scale. From the existing modules such as School Management, Learning management and Library management, we have also introduced new features such as online payment payment, canteen and parents/community modules.

Eduspec will continue to work on its expansion on the Group's business model to include the B2C model via a new brand name 5T3M, which includes amongst others, the development and operation of Edutainment Centres and STEM EduPark which enables the Group to venture into the edutainment theme park business while at the same time, expanding market reach directly to consumers.

With the current RCPS exercise, we are able to utilize the fund raised to support the above ventures without affecting the Group's cash flow.

The venture into the Cube Solutions Sdn Bhd and 5T3M Sdn Bhd 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 school based customers. We are confident the above 2 new business will contribute positively towards the Groups bottom line.

B3 Prospects (Cont'd)

On the nationwide STEM Program development, Eduspec will continue to work closely with Matlamat Wawasan Sdn Bhd (“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.

The Group will continue to operate with our partners in Thailand, the Philippines and Vietnam to ensure good growth over the next few years

Even though the Covid-19 pandemic may have affected the performance of the Group, the Board will be vigilant and 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, students and parents.

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 2021.

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
	28/2/2021	29/2/2020	28/2/2021	29/2/2020
	RM'000	RM'000	RM'000	RM'000
Taxation	6	(494)	6	(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:

(a)

RCPS				Ordinary Shares Issued		
Subscriptions		Conversion		Issue price	No. of shares	RM
Date	No. of shares	Date	No. of shares			
2/25/2021	10,000,000	3/1/2021	10,000,000	0.020	50,000,000	1,000,000
3/19/2021	35,000,000	3/24/2021	35,000,000	0.020	175,000,000	3,500,000
3/23/2021	10,000,000	3/24/2021	10,000,000	0.020	50,000,000	1,000,000
5/18/2021	25,000,000	5/19/2021	25,000,000	0.020	125,000,000	2,500,000
5/19/2021	15,000,000	5/20/2021	15,000,000	0.020	75,000,000	1,500,000
	<u>95,000,000</u>		<u>95,000,000</u>		<u>475,000,000</u>	<u>9,500,000</u>

(b) On 16 March 2021, the Company proposes to undertake a private placement of up to 564,884,100 new ordinary shares in Eduspec (“**Eduspec Shares**” or “**Shares**”), representing up to approximately 20% of the enlarged total number of issued Eduspec Shares.

B7 Utilisation of proceeds

(a)

Proposed utilisation	Expected time frame for utilisation upon receipt	Amended proposed utilisation of proceeds (RM'000)	Proceeds raised (RM'000)	Utilisation (RM'000)	Balance (RM'000)
Expenditures for STEM EduPark	Within 3 years	29,257	18,257	14,200	4,057
Expenditures for flagship STEM EduLab and STEM Learning Centre	Within 2 years	6,100	6,100	6,018	82
Working capital for the Group existing business	Within 2 years	8,448	8,448	8,448	-
Part repayment of bank borrowings	Within 2 year	8,045	8,045	8,045	-
Estimated expenses relating to Proposals	Within 5 years	5,650	5,650	4,586	1,064
		57,500	46,500	41,297	5,203

B8 Borrowings and debt securities

	28/2/2021 RM('000) Unaudited	29/2/2020 RM('000) Audited
<u>Borrowings: -</u>		
Short-term borrowing	14,421	20,775
Bank overdraft	427	583
Long-term borrowing	11,789	14,102

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	18	142
Other income including investment income	285	3,693
Interest expense	332	1,784
Depreciation and amortization	3,248	9,204
Fixed assets written off	8	11
Provision for and write off of receivables	134	157
Provision/(Writeback) for and write off of inventories	(157)	(157)
Provision for and write off of goodwill	2,818	2,818
Provision for and write off of intangible assets	1,094	1,094
Foreign exchange gain or (loss)	(1)	40
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
		28/2/2021	29/2/2020	28/2/2021	29/2/2020
(i)	Basic earnings per share (sen)				
	Net (loss)/profit for the financial quarter (RM'000)	(11,417)	(54,629)	(23,500)	(54,270)
	Weighted average number of ordinary shares in issue ('000)	1,948,967	1,232,952	1,948,967	1,232,952
	Basic earnings per share (sen)	(0.59)	(4.43)	(1.21)	(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: 25 May 2021