

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR 2ND QUARTER ENDED 31 AUGUST 2022

	INDIVIDUAL QUARTER		YEAR TO DATE	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR	PRECEDING YEAR
	31/8/2022 RM('000)	31/8/2021 RM('000)	31/8/2022 RM('000)	31/8/2021 RM('000)
REVENUE	2,465	2,308	4,800	4,530
COST OF SALES	(1,174)	(833)	(2,340)	(1,732)
GROSS PROFIT	1,291	1,475	2,460	2,798
OTHER INCOME	6,780	191	6,891	419
	<u>8,071</u>	<u>1,666</u>	<u>9,351</u>	<u>3,217</u>
ADMINISTRATIVE EXPENSES	(2,712)	(2,491)	(5,530)	(7,031)
SELLING AND DISTRIBUTION EXPENSES	(150)	(137)	(318)	(195)
OTHER EXPENSES	(3,293)	(1,784)	(4,796)	(3,348)
FINANCE COSTS	(336)	(285)	(660)	(448)
SHARE OF RESULTS - ASSOCIATES	(7)	(83)	71	(101)
	<u>1,573</u>	<u>(3,114)</u>	<u>(1,882)</u>	<u>(7,906)</u>
PROFIT/(LOSS) BEFORE TAXATION	1,573	(3,114)	(1,882)	(7,906)
INCOME TAX EXPENSES	(17)	-	(24)	-
	<u>1,556</u>	<u>(3,114)</u>	<u>(1,906)</u>	<u>(7,906)</u>
PROFIT/(LOSS) AFTER TAXATION	1,556	(3,114)	(1,906)	(7,906)
OTHER COMPREHENSIVE INCOME, NET OF TAX - FOREIGN CURRENCY TRANSLATION	111	(155)	456	242
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	<u>1,667</u>	<u>(3,269)</u>	<u>(1,450)</u>	<u>(7,664)</u>
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTED TO:				
Owners of the company	1,756	(3,171)	(1,552)	(7,663)
Minority Interest	(200)	57	(354)	(243)
	<u>1,556</u>	<u>(3,114)</u>	<u>(1,906)</u>	<u>(7,906)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTED TO:				
Owners of the company	1,867	(3,326)	(1,096)	(7,421)
Minority Interest	(200)	57	(354)	(243)
	<u>1,667</u>	<u>(3,269)</u>	<u>(1,450)</u>	<u>(7,664)</u>
EARNINGS PER SHARE (SEN)				
(a) Basic				
* based on weighted average number of ordinary shares of 3,046,287,361 shares.	0.06 *	-	(0.05) *	-
** based on weighted average number of ordinary shares of 2,263,777,144 shares.		(0.14) **		(0.34) **
(b) Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements of Eduspec Holdings Berhad for the financial year ended 28 February 2022)

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2022

	(Unaudited) 31-Aug-22 RM('000)	Audited 28-Feb-22 RM('000)
ASSETS		
NON-CURRENT ASSETS		
Investment in associates	2,289	2,218
Other Investment	6,000	6,000
Property & Equipment	4,903	5,938
Right of use assets	20,685	21,645
Intangible assets	1,266	3,985
Goodwill on consolidation	4,298	3,609
	39,441	43,395
CURRENT ASSETS		
Inventories	28,249	28,395
Trade receivables	1,346	1,936
Other receivables, deposits and prepayments	28,167	22,482
Amount owing by associates	2,130	2,403
Tax recoverable	1,189	1,064
Fixed deposits with licensed banks	13	13
Cash and bank balances	926	3,339
	62,020	59,632
TOTAL ASSETS	101,461	103,027
EQUITY AND LIABILITIES		
EQUITY		
Share capital	98,598	98,598
Reserves	(51,119)	(50,023)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	47,479	48,575
NON-CONTROLLING INTERESTS	(604)	(673)
TOTAL EQUITY	46,875	47,902
NON-CURRENT LIABILITIES		
Long-term borrowings	2,775	3,037
Lease liabilities	7,161	7,161
	9,936	10,198
CURRENT LIABILITIES		
Trade payables	581	977
Other payables and accruals	20,510	20,713
Short-term borrowings	22,613	21,602
Lease liabilities	771	1,635
Bank overdrafts	175	-
	44,650	44,927
TOTAL LIABILITIES	54,586	55,125
TOTAL EQUITY AND LIABILITIES	101,461	103,027
Net assets per share attributable to ordinary equity holders of the parent (sen)	1.6 *	2.1 **

* based on weighted average number of ordinary shares of 3,046,287,361 shares.

** based on weighted average number of ordinary shares of 2,263,777,144 shares.

Note: Following the reverse acquisition, the current year balance sheet is prepared using Reverse Acquisition Accounting principles.

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of Eduspec Holdings Berhad for the financial year ended 28 February 2022)

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR 2ND QUARTER ENDED 31 AUGUST 2022

(The figures have not been audited)

	Share Capital	Redeemable Convertible Preference Shares	Reverse Acquisition Reserve	Foreign Exchange Translation Reserve	Retained Profits/ (Accumulated Loss)	Total	Minority Interest	Total
	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)	RM('000)
<u>2nd Quarter ended 31 August 2022</u>								
Balance at 1 June 2022	98,598	-	(18,570)	1,003	(35,419)	45,612	(575)	45,037
Total comprehensive income for the quarter	-	-	-	111	1,756	1,867	(200)	1,667
Disposal of subsidiaries	-	-	-	-	-	-	171	171
Balance at 31 August 2022	98,598	-	(18,570)	1,114	(33,663)	47,479	(604)	46,875
<u>1st Quarter ended 31 May 2022</u>								
Balance at 1 March 2022	98,598	-	(18,570)	658	(32,111)	48,575	(673)	47,902
Total comprehensive income for the quarter	-	-	-	345	(3,308)	(2,963)	(154)	(3,117)
Acquisition of a subsidiary	-	-	-	-	-	-	252	252
Balance at 31 May 2022	98,598	-	(18,570)	1,003	(35,419)	45,612	(575)	45,037

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER 1 JUNE 2022 TO 31 AUGUST 2022

(The figures have not been audited)

	(Unaudited) CURRENT YEAR QUARTER 31-Aug-22 RM('000)	(Unaudited) PRECEDING YEAR QUARTER 31-Aug-21 RM('000)
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss Before Taxation	1,573	(3,114)
Adjustments for:		
Amortisation of development costs	388	667
Depreciation of plant and equipment	464	572
Depreciation of right of use assets	479	544
Gain on disposal of subsidiaries	(6,714)	-
Interest expenses	336	285
Impairment losses on:		
- trade receivables	-	(2)
- Other receivables	1,789	-
- amount owing by associate	173	-
Share of results: -		
- Associates	7	83
Unrealized foreign exchange loss/(gain)	276	(11)
Operating loss before working capital changes	(1,229)	(976)
(Increase)/Decrease in inventories	(23)	272
(Increase)/Decrease in trade and other receivables	(5,455)	4,929
Decrease in trade and other payables	6,074	1,073
Decrease in amount owing by associates	73	169
CASH (USED IN)/FROM OPERATIONS	(560)	5,467
Income tax (paid)/refunded	(28)	111
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(588)	5,578
CASH FLOWS USED IN INVESTING ACTIVITIES		
Development costs incurred, net	(82)	(188)
Purchase of plant and equipment	-	(57)
Advances to associates	(28)	(97)
Other investment	-	(6,000)
Net cash inflow for disposal of subsidiary	44	-
NET CASH USED IN INVESTING ACTIVITIES	(66)	(6,342)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		
Repayment of borrowings	(229)	(576)
Repayment of lease liabilities	(434)	(510)
Proceeds from issuance of RCPS	-	1,500
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(663)	414
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,317)	(350)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL QUARTER	1,970	4,287
EFFECTS OF FOREIGN CURRENCY EXCHANGE	111	(155)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL QUARTER	764	3,782
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL QUARTER: -		
	RM('000)	RM('000)
Fixed deposits with a licenced bank	13	13
Cash and bank balances	926	3,769
Bank Overdraft	(175)	-
	764	3,782

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 2nd quarter ended 31 August 2022

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 28 February 2022. 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 28 February 2022.

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 28 February 2022.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 28 February 2022 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

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

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 AUGUST 2022				
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	4,346	(953)	(7)	(960)
Singapore	49	(485)	(17)	(502)
Hong Kong	6	(30)	-	(30)
Thailand	399	(414)	-	(414)
	4,800	(1,882)	(24)	(1,906)

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:

The Group had on 22 August 2022 entered into an agreement with Integrated Fyntech Sdn Bhd to dispose 100,000 ordinary shares representing 100% equity interest in Open Academic Systems Sdn Bhd ("OAS") for a consideration of RM50,000. Upon completion of the disposal, OAS shall cease to be a wholly-owned subsidiary of the Group.

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

Since 1984, we have been providing Systematic IT learning and Robotics programs to children in kindergartens and primary school pupils. The programs are drawn up by a group of teachers according to students' ages. They include cyber wellness and three main components, namely General Knowledge, Software Application, and Online Application. We have improved these programs and now collectively put them under the category of STEM Education.

STEM Computer Science and STEM Robotics

STEM with Computer Science is more than just learning how to program. It is 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)

The vision of the Digital School Solutions is to digitalize a school's learning and management system to equip students with 21st century competencies and skill sets. This is a strong growth area as DSS equips students with 21st century competencies and skill sets to support the increasingly diverse and innovation-oriented societies of the future. We at Eduspec believe in integrating education technology with relevant content and pedagogy into the education system. The last few years, in line with technological advancement, all our solutions and systems are now cloud based with many more new features connecting students, teachers and parents under one eco-system.

5T3M Edutainment Business

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. Under this B2C model, the Group will deliver STEM-based education directly to students via their parents as the customers. This will effectively widen the Group's target markets to public at large and not confined to schools or other educational institutions only.

5T3M Stem Based Edutainment Centre and Academy at Starling which Mall, which started its business in early 2020 is a world of imagination that inspires a love for robotics, coding, artificial intelligence & internet of things, sciences and entertainment technology.

Another of the Group's plans under the B2C model is the development and operation of the STEM EduPark in Port Dickson, which aims at creating a theme-park-like-experience while introducing STEM-based education to the public. This park is target to start operations sometime in early 2023.

Eduspec Services for Parents (ESP)

The ESP model aims to foster the involvement of parents in empowering them with accurate information regarding their children's education. By using the 1Cube mobile application as a communication platform, parents can review the children's progress and make use of the various supplementary guides to enable them achieve their objectives. The mobile App will include functions such as an announcement system, E-wallet, analytics, attendance, lesson plans, assessment results and other valuable features.

Review of performance

Revenue of the Group mainly consists of income from the provision of Programs, Digital School Solutions (DSS), and 5T3M Edutainment Business (B2C).

For the current quarter under review, the Group's revenue increased by 6.8% to RM2.465 million from RM2.308 million reported in the previous year's corresponding quarter. The differences are mainly contributed by increase in Program and DSS income of RM0.588 million due to progressive school resumptions. However, there is a drop in non-recurring computer and peripherals sales of RM0.445 million.

The other income is increased by 3,449.7% to RM6.780 million from RM0.191 million reported in the previous year's corresponding quarter mainly due to the gain on disposal of OAS of RM6.714 million.

Administrative expenses of the group consist of human resource cost, occupancy cost, travelling expenses, professional services fees, finance charges, foreign exchange losses and general administrative expenses. The administrative expenses of current quarter increased by 8.9% to RM2.712 million from RM2.491 million reported in the previous year's corresponding quarter. The differences are mainly contributed by increase in the travelling expenses of RM0.147 million as a result of progressive school resumptions and increase in unrealized foreign exchange losses of RM0.367 million in respect of borrowings denominated in foreign currency. However, part of these increases has been cushioned by the decrease in human resource cost of RM0.302 million.

Selling and distribution expenses of the group consist of expenses incurred for marketing events, promotional activities, transportation, entertainment expenses and withholding tax expenses. The selling and distribution expenses of current quarter increased by 9.5% to RM0.150 million from RM0.137 million reported in the previous year's corresponding quarter. The increase is mainly due to the higher promotional and entertainment expenses incurred in current quarter as a result of progressive school resumptions.

Other expenses of the group consist of depreciation, amortization of development costs and provision of impairment on receivables. Other expenses of current quarter have increased by 84.6% to RM3.293 million from RM1.784 million reported in the previous year's corresponding quarter mainly due to the provision of impairment losses of RM1.785 million in the books of OAS.

Finance cost of the group consists of interest on term loan and short term revolving credit. Finance costs of current quarter increased by 17.9% to RM0.336 million from RM0.285 million reported in the previous year's corresponding quarter due to additional interests on short term revolving credit as a result of higher interest rate.

B2 Variation of results against preceding quarter

The PAT for the quarter is RM1.556 million compared to RM3.462 million LAT reported in the preceding quarter. The results of the quarter has improved was mainly due to the gain on disposal of OAS of RM6.714million recorded in current quarter.

B3 Prospects

Due to the shifts in Malaysian 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, our revenue had dropped substantially. With the new policy reversal and introduction of STEM as the new program replacing IT learning programs, we will see a substantial growth in revenue in the near future post pandemic.

Our ESP business has extended from just functions and services to parents under the 1Cube App, to now more products and solutions targeting parents and students outside the school ecosystem. No doubt this is a new segment for the company and will take few more years to mature, we are confident that this new B2C model will be a significant contributor to the group revenue in future. In line with this, we have developed solutions and business model such as E-Tutoring under 5T3M and invested in more mature business model like theme park (with education elements) and e-sports.

The new B2C business model requires substantial capital investment as well as operational funds before it turns into a profitable business.

The venture into the B2C business model 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.

B3 Prospects (Cont'd)

On the 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. We see a big potential in especially now that the government is doing away with the old academic centric standardised exam.

With the schools going back to normal post pandemic, we foresee more positive outcome in our implementation of the STEM programs for primary schools and Robotics for secondary schools under MOE the infection rate and bring the situation under control. As consequences of this schools were closed as part of the MCO.

As for our overseas ventures, we are monitoring and working closely with our JV partners on the business moving forward. Our current experience in Malaysia in rolling out new products and solutions and also new business models and investment ventures will be invaluable to our business expansion for our overseas associates companies once the pandemic is over.

On the overall business monitoring and management, we are also deliberating and looking at various options to streamline and restructure our businesses. We are looking at divesting loss making units and focus on businesses that drives higher profitability.

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 31 August 2022.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	31/8/2022	31/8/2021	31/8/2022	31/8/2021
	RM’000	RM’000	RM’000	RM’000
Taxation	(17)	-	(24)	-

B6 Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

B7 Utilisation of proceeds**(a) Redeemable Convertible Preference Shares (RCPS)**

Proposed utilisation	Expected time frame for utilisation upon receipt	Amended proposed utilisation of proceeds (RM'000)	Proceeds raised (RM'000)	Variation (RM'000)	Utilisation (RM'000)	Balance (RM'000)
Expenditures for STEM EduPark	Within 3 years	29,257	29,257	(9,568)	18,976	713
Expenditures for flagship STEM EduLab and STEM Learning Centre	Within 2 years	6,100	6,100	613	6,713	-
Working capital for the Group existing business	Within 2 years	8,448	8,448	8,578	17,026	-
Part repayment of bank borrowings	Within 2 year	8,045	8,045	776	8,821	-
Estimated expenses relating to Proposals	Within 5 years	5,650	5,650	(399)	5,251	-
		57,500	57,500	-	56,787	713

(b) Private Placement

Proposed utilisation	Expected time frame for utilisation upon receipt	Proceeds raised (RM'000)	Unutilised proceeds channelled to working capital (RM'000)	Utilisation (RM'000)	Balance (RM'000)
Acquisition and/or investments in suitable and/or complementary businesses and/or assets	Within 12 months	6,000	-	6,000	-
Working capital for the Group existing business	Within 12 months	1,702	187	1,889	-
Estimated expenses relating to Proposals	Immediate	298	(187)	111	-
		8,000	-	8,000	-

B8 Borrowings and debt securities

	31/8/2022 RM('000) Unaudited	28/2/2022 RM('000) Audited
<u>Borrowings: -</u>		
Short-term borrowing	22,613	21,602
Long-term borrowing	2,775	3,037
Bank overdraft	175	-

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	15	30
Other income including investment income	6,780	6,891
Interest expense	336	660
Depreciation and amortization	1,331	2,834
Provision for impairment on receivables	1,962	1,962
Provision for and write off of inventories	NIL	NIL
Foreign exchange gain or (loss)	(276)	(946)
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
	31/8/2022	31/8/2021	31/8/2022	31/8/2021
(i) Basic earnings per share (sen)				
Net (loss)/profit for the financial quarter (RM'000)	1,756	(3,171)	(1,552)	(7,663)
Weighted average number of ordinary shares in issue ('000)	3,046,287	2,263,777	3,046,287	2,263,777
Basic earnings per share (sen)	0.06	(0.14)	(0.05)	(0.34)
(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: 26 October 2022