

# EDUSPEC HOLDINGS BERHAD

**Company No. 646756-X**

(Incorporated in Malaysia)

## **Report on results for 1st quarter ended 31 May 2023**

### **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 2023. 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 2023.

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 2023.

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

The auditors' report on the financial statements for the financial year ended 28 February 2023 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.

##### **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 11 May 2023, the Company announced that the Right Issue with Warrants has been completed following the listing and quotation of 913,884,504 Right Shares, 456,942,233 Warrants C and 52,399,268 additional Warrants B on the ACE Market of Bursa Securities. The proceed of the right issues amounted to RM27,416,535 has been received on the same date.

##### **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 2023				
Results				
	Revenue	Loss before tax for the year	Less: Taxation	Net Loss for the year
	RM('000)	RM('000)	RM('000)	RM('000)
Malaysia	1,931	(312)	-	(312)
Singapore	-	(16)	-	(16)
	1,931	(328)	-	(328)

## 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.

**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**

**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 21<sup>st</sup> 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**

5T3M Stem Based Edutainment Centre and Academy at Starling 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. The initial plans to 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 segment of the business will take few more years to mature and will require additional capital investment for its operations. The Group as part of its plans to ensure the continuance of this business and for financial stability managed to dispose of 65% of its ownership in this business.

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 quarter 1 2024.

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 decreased by 17.3% to RM1.931 million from RM2.335 million reported in the previous year's corresponding quarter. The decrease is mainly due to non-consolidation of income generated from disposed subsidiaries.

The other income is increased by 2,369.4% to RM2.741 million from RM0.111 million reported in the previous year's corresponding quarter mainly due to savings obtained from the waiver for the bank borrowings from HSBC Bank. On 16 November 2022, HSBC Bank had offered a full and final settlement option to the Group in respect of the HSBC Facilities which consists of the settlement of the HSBC Facilities of RM17.3 million (subject to changes in the prevailing exchange rate), with a waiver of the outstanding interest and late charges provided that the Group is able to repay this amount in full by 15 May 2023. The Group has accepted the offer by HSBC Bank and has allocated up to RM17.3 million of the proceeds from the Rights Issue with Warrants for the settlement of the HSBC Facilities. This has resulted in RM2.690 million savings being recognized in the current quarter.

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 decreased by 6.5% to RM2.634 million from RM2.818 million reported in the previous year's corresponding quarter mainly due to the decrease in human resource costs and decrease in unrealized foreign exchange losses in respect of borrowings denominated in foreign currency as a result of the Group has made full settlements on the borrowings. However, the decrease was mitigated by the higher professional fees incurred for corporate exercises in current quarter.

## **Review of performance (Cont'd)**

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 slightly decreased by 6.0% to RM0.158 million from RM0.168 million reported in the previous year's corresponding quarter.

Other expenses of the group consist of depreciation, amortization of development costs and provision of impairment on receivables. Other expenses of current quarter have decreased by 48.4% to RM0.775 million from RM1.503 million reported in the previous year's corresponding quarter mainly due to the reduction in amortization and depreciation as a result of non-consolidation of expenses incurred from disposed subsidiaries.

Finance cost of the group consists of interest on term loan and short term revolving credit. Finance costs of current quarter decreased by 30.9% to RM0.224 million from RM0.324 million reported in the previous year's corresponding quarter mainly due to savings from interests on short term revolving credit and term loans as a result of the Group has made full settlements on the bank borrowings in the current quarter.

### **B2 Variation of results against preceding quarter**

The LAT for the quarter is RM0.328 million compared to RM2.942 million LAT reported in the preceding quarter. The improved results of the current quarter was mainly due to savings from waiver of bank borrowings from HSBC Bank which amounting to RM2.690 million recognized in current quarter and decrease in other expenses.

### **B3 Prospects**

The government will allocate RM188 million for early childhood education programs under the KEMAS. This allocation includes the construction of 10 KEMAS nurseries including three new projects in Port Dickson, Negeri Sembilan, Limbang, Sarawak and Pasir Putih, Kelantan.

To ease the financial burden for parents who provide early education for their children, the Government has agreed to extend until the year of assessment 2024, the tax relief of up to RM3,000 on fees paid for TASKA and TADIKAs registered with the Government.

The MOE continues to receive the largest allocation of RM55.6 billion compared to RM52.6 billion this year. Amongst others:-

(i) A total of RM2.3 billion will be allocated to provide a conducive and safe learning space for school students. This is a significant increase compared to the RM1.7 billion allocation this year;

(ii) A total of RM1.1 billion is provided for school maintenance and repair works, including for National Schools, National-type Chinese Schools, National-type Tamil Schools, and religious schools;

(iii) A total of RM1.2 billion is provided to upgrade the infrastructure of dilapidated schools, especially to replace old wooden buildings for the comfort and safety of our children in Sabah and Sarawak, with 123 projects in Sabah and 182 projects in Sarawak; and

(iv) In safeguarding the welfare of special education students and teachers, the Government will allocate RM20 million for teaching aids and facilities improvement to special needs schools.

*(Source: Budget 2023, Ministry of Finance Malaysia)*

The information and communication subsector expanded by 6.1% in the first half of 2022, supported by telecommunication segment following a higher digital usage among businesses and individuals and increased subscription of services offered by telecommunication companies. The subsector is projected to increase by 3.3% in the second half of the year, supported by sustained high usage of the e-commerce services and increased subscriptions to media streaming such as sport packages in conjunction with the 2022 Commonwealth Games and 2022 FIFA World Cup campaign. Therefore, the subsector is anticipated to rise by 4.7% in 2022.

### B3 Prospects (Cont'd)

The Government also continues to promote National Fourth Industrial Revolution (“4IR”) through the development of new emerging technology clusters such as drones, robotics and autonomous vehicles. The Malaysian Research Accelerator for Technology & Innovation (MRANTI) will spearhead Malaysian Drone Technology Plan as announced in September 2022. These initiatives are expected to benefit and provide exposure to E&E industry leaders, potential entrepreneurs, small and medium enterprises (SMEs) and the startup community. The Council of National Digital Economy and the Fourth Industrial Revolution will govern and monitor the progress of the implementation.

Among the current initiatives under MyDIGITAL Corporation includes providing knowledge on science, technology, engineering and mathematics (STEM) to students, teachers, and the wider public in areas aligned to the objectives of the Malaysian Digital Economy Blueprint and the National 4IR Policy.

The information and communication subsector is expected to expand by 4.6% in 2023, mainly driven by the increasing digital adoption across all economic sectors. Phase 2 of the Jalanan Digital Negara (JENDELA) is expected to boost the digital connectivity through the utilisation of Fixed Wireless Access and other fit-for purpose technologies, thus enabling the country to further address the digital divide. In this regard, Digital National Berhad aims to extend the fifth-generation cellular network (5G) coverage to 80% of the nation’s populated areas by 2024. In addition, high quality investment in digital-related infrastructures such as data centres and cloud computing services as well as continued surge in the e-commerce and online entertainment activities will further boost the subsector.

*(Source: Economic Outlook 2023, Ministry of Finance Malaysia)*

In addition to the above government’s policy and support for education, the MOE had in May 2022, allowed in-person learning in schools to fully resume. The Group is optimistic that this measure will enable the Group to secure new contracts through its ongoing collaboration with MWSB. Following the resumption of in-person learning in schools, the Group had progressively recommenced its STEM Programs in schools since July 2022.

Given the above, the Group continues to market and provide its education services directly to schools. The Group will aggressively promote and enters into Memorandums of Understanding with school administrators and parent-teacher associations to provide its STEM Programs and Digital School Solutions.

The Group will also continue to look into implementing alternative new business opportunities through new project or potential acquisition / partnership in order to enhance its bottom line and focus on its core business of offering education services to schools in Malaysia which generates recurring fee-income.

### 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 May 2023.

### B5 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	31/5/2023	31/5/2022	31/5/2023	31/5/2022
	RM'000	RM'000	RM'000	RM'000
<b>Taxation</b>	-	(7)	-	(7)

### 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****Rights Issue with Warrants**

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)
Repayment of borrowings	Within 3 months	17,300	155	17,455	-
Funding for the Group's STEM Programs and Digital School Solutions business	Within 24 months	7,000	-	633	6,367
Working capital	Within 24 months	2,217	-	1,155	1,062
Estimated expenses for the Corporate Exercises	Immediate	900	(155)	605	140
		27,417	-	19,848	7,569

**B8 Borrowings and debt securities**

	31/5/2023 RM('000) Unaudited	28/2/2023 RM('000) Audited
<u>Borrowings:-</u>		
Short-term borrowing	825	20,747
Long-term borrowing	2,175	2,438
Bank overdraft	70	123

**B9 Material litigations**

There are no material litigations pending at the date of this announcement save for the following:

On 19 May 2023, the Company had received a sealed copy of Writ dated 16 May 2023 and Statement of Claim dated 16 May 2023. The material litigation was involving between Hercules Funds SPC, as the plaintiff, and Centillion Robotics Limited, Lim Een Hong and the Company, as the defendants.

Further to The Case Management on 17 July 2023, the Court has set that the Company's application for security for costs and to strike out the ongoing suit KL High Court Suit No: WA-22NCC-284-05/2023 by Hercules Funds SPC is fixed for Hearing on 04.12.2023.

**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	27	27
Other income including investment income	2,741	2,741
Interest expense	224	224
Depreciation and amortization	665	665
Provision for impairment on receivables	NIL	NIL
Provision for and write off of inventories	NIL	NIL
Foreign exchange gain or (loss)	(300)	(300)
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
		31/5/2023	31/5/2022	31/5/2023	31/5/2022
<b>(i)</b>	<b>Basic earnings per share (sen)</b>				
	Net loss for the financial quarter (RM'000)	(319)	(3,308)	(319)	(3,308)
	Weighted average number of ordinary shares in issue ('000)	360,918	3,046,287	360,918	3,046,287
	Basic earnings per share (sen)	(0.09)	(0.11)	(0.09)	(0.11)
<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

Gan Chia Way  
Executive Director  
Shah Alam  
Date: 26 July 2023