

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 4th quarter ended 29 February 2024

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 18 January 2024, 10,320 ordinary shares were listed arising from the conversion of warrants pursuant to the announcement made on 17 January 2024. Each warrant entitles the registered warrant holder to subscribe for one new ordinary shares at an exercise price of RM0.03.

On 22 February 2024, the Company announced a Private Placement for the listing of and quotation for 106,625,500 new ordinary shares of the Company on the Ace Market of Bursa Securities Malaysia Berhad at an issue price of RM0.0647. The Company had raised gross proceeds of RM6,898,670 through the Proposed Private Placement.

A7 Dividend paid

There were no dividends paid during the current financial quarter.

A8 Segment Reporting

For management purpose, the Group is organized into the following business units based on their products and services as follows:

Segmental revenue and results in business of the Group for the current year to date are as follows : -

CURRENT YEAR TO DATE 29 FEBRUARY 2024				
<u>Results</u>				
	Revenue	Loss before tax for the year	Less: Taxation	Net Loss for the year
	RM('000)	RM('000)	RM('000)	RM('000)
IT learning	11,663	(274)	(52)	(326)
Electrical & electronics	10,001	1,228	-	1,228
Investment holding	538	(10,451)	-	(10,451)
Property investment	-	688	-	688
Themepark	-	(1,277)	-	(1,277)
	22,202	(10,086)	(52)	(10,138)

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 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

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. Additionally, as part of the groups move to better manage operational cost, plans has been put in place to relocate to a new center with lower rental cost and a more strategic location for the promotion and delivery of STEM learning.

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 4 2024.

Electrical & electronics (E&E)

Malaysia has been a significant player in the global E&E market, known for its manufacturing capabilities, skilled workforce, and strategic location. Despite the uncertainties such as global economic conditions and geopolitical tensions worldwide, outlook and performance of Malaysia's E&E Industry remain positive as it is closely tied to the global economic conditions, particularly demand from key markets such as USA, Europe and China.

With the opportunities and room for growth in Malaysia E&E sector, Eduspec has taken the first step to participate into global supply chain by providing a variety of independent professional testing services, including testing and validating the advance Printed Circuit Board Assembly ("PCBA"), advance optical modules and other related semiconductor components for the local Electronics Manufacturing Services ("EMS") players and leading multinational companies ("MNCs").

Review of performance

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

For the current quarter under review, the Group's revenue increased by 536.7% to RM13.212 million from RM2.075 million reported in the previous year's corresponding quarter. The improvement is mainly due to the additional income from E&E business and increase in DSS income.

The other income is decreased by 71.0% to RM0.094 million from RM0.324 million reported in the previous year's corresponding quarter as there was non-recurring recovery of bad debts reported in previous year's corresponding quarter.

Review of performance (Cont'd)

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 25.6% to RM2.624 million from RM2.089 million reported in the previous year's corresponding quarter mainly due to the increase in human resource costs and higher professional fees incurred for corporate exercise in current quarter. However, the increase was mitigated by the decrease in unrealized foreign exchange loss in respect of borrowings denominated in foreign currency as a result of the Group has made full settlements to HSBC in May 2023.

Selling and distribution expenses of the group consist of expenses incurred for marketing events, promotional activities, transportation, and entertainment expenses. The selling and distribution expenses of current quarter increased by 193.5% to RM0.273 million from RM0.093 million reported in the previous year's corresponding quarter. The increase is mainly due to a 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 intangible assets/investments. Other expenses of current quarter have increased by 352.0% to RM8.073 million from RM1.786 million reported in the previous year's corresponding quarter mainly due to increased in provision of impairment on goodwill of RM1.545 million and provision of impairment loss on other investment of RM4.607 million.

Finance cost of the group consists of interest on term loan and short term revolving credit. Finance costs of current quarter decreased by 77.8% to RM0.102 million from RM0.459 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 to HSBC in May 2023.

B2 Variation of results against preceding quarter

The LAT for the quarter is RM8.685 million compared to RM1.451 million LAT reported in the preceding quarter. The lower result for the quarter is mainly due to increase in human resource costs, higher professional fees incurred for corporate exercises, provision of impairment on goodwill and impairment on other investment in current quarter.

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 TADIKA 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.

Eduspec Technology Sdn Bhd (“ETSB”), a wholly owned subsidiary of EHB, had on 22 December 2023 accepted the Letter of Award from SMT Technologies Sdn Bhd (“SMTT”), a wholly-owned subsidiary of EG Industries Berhad, to perform independent testing services for 5G optical modules and other related components. This 1st contract is for RM10 million and we have successfully completed the testing in February 2024. Subsequent to the 1st contract, ETSB was awarded a similar second contract for RM30 million in March 2024 and we are expected to complete the testing within a period of 12 months. It is understood that both contracts will lead to a long term partnership arrangement with SMTT with further similar testing contracts being awarded to ETSB.

B4 Profit forecast, profit guarantee and internal targets

The Group did not issue any profit forecast or profit guarantee for the current financial period-to-date.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	29/2/2024	28/2/2023	29/2/2024	28/2/2023
	RM’000	RM’000	RM’000	RM’000
Taxation	(52)	(13)	(52)	(39)

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 5 April 2024, 1,632,500 ordinary shares were listed arising from the conversion of warrants pursuant to the announcement made on 4 April 2024. Each warrant entitles the registered warrant holder to subscribe for one new ordinary shares at an exercise price of RM0.03.

B7 Utilisation of proceeds**(a). Rights Issue with Warrants**

Proposed utilisation	Expected time frame for utilisation upon receipt	Proceeds raised (RM'000)	Variation (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	(155)	5,687	1,158
Working capital	Within 24 months	2,217	29	2,246	-
Estimated expenses for the Corporate Exercises	Immediate	900	(29)	871	-
		27,417	-	26,259	1,158

(b). Private Placement

Proposed utilisation	Expected time frame for utilisation upon receipt	Proceeds raised (RM'000)	Variation (RM'000)	Utilisation (RM'000)	Balance (RM'000)
Working capital for the Group's electrical and electronics ("E&E") business	Within 6 months	6,547	-	-	6,547
Estimated expenses for the Private Placement	Immediate	352	-	131	221
		6,899	-	131	6,768

B8 Borrowings and debt securities

	29/2/2024 RM('000) Unaudited	28/2/2023 RM('000) Audited
<u>Borrowings: -</u>		
Short-term borrowing	1,075	20,747
Long-term borrowing	1,425	2,438
Bank overdraft	-	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 (1st defendant), Lim Een Hong (3rd defendant) and the Company (2nd defendant), 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.

Further to the Case Management on 28 December 2023, the following are status updates on the above case:

- (a) Striking Out Application has dismissed as the Judge finds that this is not a plain and obvious case to strike out the Plaintiff's claim
- (b) Judge has allowed Security for Costs Application and ordered a sum of RM80,000.00 to be paid as security for costs.
- (c) 3rd Defendant informed that he has filed the application to amend its Defence (Encl 76); and
- (d) the Court fixed Encl 76 for Hearing on 7 March 2024 at 9:00 a.m.

Further to the Hearing on 7 March 2024 on Encl 76 (i.e. the 3rd Defendant's application to amend his Defence), by consent, the Plaintiff has agreed to the same. Court has further directed for the 3rd Defendant and the Plaintiff to file their respective amended Defence and amended Reply before further pre-trial case management direction shall be given on 3 April 2024.

Subsequent to the Case Management on 3 April 2024, the Court has fixed this matter for trial on 9th till 12th March 2026 and meanwhile, parties are directed to comply with the Pre-Trial Case Management Direction before the next case management on 3rd October 2024

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	1	3
Other income including investment income	94	3,582
Interest expense	102	536
Depreciation and amortization	830	2,970
Plant and equipment written off	1	3
Provision for impairment on receivables	59	59
Provision for impairment on goodwill	2,577	2,577
Provision for impairment on other investment	4,607	4,607
Foreign exchange (loss)/gain	(180)	342
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
		29/2/2024	28/2/2023	29/2/2024	28/2/2023
(i)	Basic earnings per share (sen)				
	Net loss for the financial quarter (RM'000)	(8,683)	(2,933)	(10,129)	(787)
	Weighted average number of ordinary shares in issue ('000)	1,052,550	3,046,287	1,052,550	3,046,287
	Basic earnings per share (sen)	(0.82)	(0.10)	(0.96)	(0.03)
(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

Gan Chia Way
 Executive Director
 Shah Alam
 Date: 22 April 2024