

# EDUSPEC HOLDINGS BERHAD

**Company No. 646756-X**

(Incorporated in Malaysia)

## **Report on results for 1st quarter ended 31 May 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 29 February 2024. 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 2024.

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 2024.

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

The auditors' report on the financial statements for the financial year ended 29 February 2024 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 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.

##### **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 31 MAY 2024 |          |                              |                |                       |
|----------------------------------|----------|------------------------------|----------------|-----------------------|
| Results                          |          |                              |                |                       |
|                                  | Revenue  | Loss before tax for the year | Less: Taxation | Net Loss for the year |
|                                  | RM('000) | RM('000)                     | RM('000)       | RM('000)              |
| IT learning                      | 2,930    | (563)                        | -              | (563)                 |
| Electrical & electronics         | -        | (820)                        | -              | (820)                 |
| Investment holding               | -        | (592)                        | -              | (592)                 |
| Property investment              | -        | (290)                        | -              | (290)                 |
| Themepark                        | -        | (307)                        | -              | (307)                 |
|                                  | 2,930    | (2,572)                      | -              | (2,572)               |

## 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.

##### **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.

#### **Review of performance**

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

For the current quarter under review, the Group's revenue increased by 51.7% to RM2.930 million from RM1.931 million reported in the previous year's corresponding quarter. The improvement is mainly due to increase in computer and peripherals sales and Program income.

The other income is decreased by 92.7% to RM0.201 million from RM2.741 million reported in the previous year's corresponding quarter as there was non-recurring savings obtained from the waiver of outstanding interest and late charges for full settlements to HSBC in May 2023.

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 25.1% to RM3.295 million from RM2.634 million reported in the previous year's corresponding quarter mainly due to higher overheads costs incurred for E&E business and higher human resource costs incurred in current quarter as a result of progressive school resumptions. 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. Additionally, the decrease in professional fees mainly due to higher professional fees incurred for corporate exercise in previous year's corresponding quarter.

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 22.8% to RM0.194 million from RM0.158 million reported in the previous year's corresponding quarter mainly due to higher promotional and entertainment expenses incurred in current quarter as a result of progressive school resumptions.

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

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 decreased by 5.2% to RM0.735 million from RM0.775 million reported in the previous year's corresponding quarter.

Finance cost of the group consists of interest on term loan and short term revolving credit. Finance costs of current quarter decreased by 63.4% to RM0.082 million from RM0.224 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 RM2.572 million compared to RM8.685 million LAT reported in the preceding quarter. The improved result for the quarter is mainly due to provision of impairment on goodwill and impairment on other investment in previous quarter.

### **B3 Prospects**

For 2024, the Government expects GDP to grow between 4 to 5 percent. The projection by the World Bank and International Monetary Fund (IMF) is for Malaysia's economy to grow at 4.3 percent. With the Ekonomi MADANI reform that will be implemented, the Government is confident of achieving growth nearing 5 percent.

Malaysia needs to emphasise an economic growth model led by research, development, commercialisation and innovation (R&D&C&I) activities. To ensure Malaysia is successfully listed among the top 30 countries in the Global Innovation Index by 2025:

- A total of RM510 million is allocated as R&D funding under the Ministry of Science, Technology and Innovation as well as the Ministry of Higher Education. From this, RM50 million is exclusively for a matching grant for public universities to collaborate with the private sector in intensifying research and innovation activities that can be commercialised.
- A total of RM76 million is also allocated to enhance the R&D&C&I ecosystem through the provision of a fund to support the commercialisation of products created by business 64 enterprises, NGOs as well as Government departments and agencies.
- The INNOVATHON programme, which was successfully launched this year, featured many creations by local talent that can be commercialised. The INNOVATHON programme will be continued to enrich and stimulate innovation among the rakyat.

To inculcate innovation among industry players, RM10 million will be provided, involving the E&E technology field under MIMOS, the space sector under MYSA as well as the drone and robotics technology under MRANTI.

*(Source: Belanjawan 2024 - Economic Outlook, Ministry of Finance Malaysia)*

The manufacturing sector grew by 1.7% during the first half of 2023 underpinned by resilient domestic-oriented industries amid sluggish external demand. The domestic-oriented industries' steady growth of 4.4% was backed by increasing demand for consumer goods and construction-related segments. Meanwhile, export-oriented industries expanded marginally by 0.5% weighed down by the lower production of E&E due to cyclical downturn in global semiconductor industry.

The sector is forecast to grow by 1.2% in the second half of the year with domestic-oriented industries remain as the mainstay of growth. All segments are projected to expand particularly food and beverages, as well as transport equipment. These segments will benefit from the strengthening of tourism activities and increasing demand for passenger cars and related motor parts and accessories. In addition, anticipated acceleration and realisation of projects in the construction sector will increase the demand for metal-related segments. Meanwhile, within the export-oriented industries, the E&E segment is expected to pivot away from the downcycle trend, in line with gradual improvements in global demand especially for computing devices, electronics and semiconductors as well as growing domestic demand for industrial electronics, electric vehicles (EV) and medical technology devices. Furthermore, the demand for chemicals segment is expected to increase in line with the bottom out of E&E downcycle. Hence, the manufacturing sector is anticipated to register a modest growth of 1.4% in 2023.

### B3 Prospects (Cont'd)

The manufacturing sector is forecast to expand by 4.2% in 2024 driven by better performance in both export- and domestic-oriented industries. The export-oriented industries are expected to benefit from the recovery of external demand with E&E segment projected to surge, primarily driven by memory products. This is in line with the rebound in demand for technologically advanced products. Similarly, domestic-oriented industries are anticipated to grow steadily backed by higher output in transport- and construction-related segments, in tandem with better consumer spending and business activities. In addition, the implementation of initiatives under the Chemical Industry Roadmap 2030, National Energy Transition Roadmap and New Industrial Master Plan 2030 will further strengthen the sector's growth.

In 2024, gross exports are anticipated to grow by 5.1% across all sectors, supported by better performance in global trade and improved prospects in commodity sector. Exports of manufactured goods are projected to rebound by 5.5% resulting from rising demand for both E&E and non-E&E products, constituting 48.1% and 51.9% respectively. The E&E products are forecast to grow by 4.9% bolstered by the steady demand for semiconductor, following the upcycle trend in E&E. The projected growth is also in tandem with the implementation of the New Industrial Master Plan 2030 that will propel high impact sectors such as E&E and aerospace.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

With the above government's policy and support for education, the Group is optimistic that this measures will enable the Group to show further progress and improvements in our education business moving forward.

With the good prospect in the E & E industry, we are also confident that the Group's venture into the E & E business, focusing on the testing requirements will help enhance our bottom line

The group will continue to look into potential new business opportunities while developing its testing business and at the same time focusing 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

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 |
| 31/5/2024            | 31/5/2023                            | 31/5/2024            | 31/5/2023                            |
| RM'000               | RM'000                               | RM'000               | RM'000                               |
| <b>Taxation</b>      | -                                    | -                    | -                                    |

### 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) On 18 June 2024, the Company proposes to seek its shareholders' approval for the Proposed RRPT Mandate relating to the E&E testing business.
- (b) On 9 July 2024, the Company proposes to undertake the following:-
  - (i) proposed diversification of the existing business of Eduspec and its subsidiaries to include the provision of testing services for electrical and electronic components ("**Proposed Diversification**"); and
  - (ii) proposed private placement of up to 234,902,600 new ordinary shares in the Company, representing 20% of the existing total number of issued shares of the Company, to independent third-party investor(s) to be identified later ("**Proposed Private Placement**").

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

| <b>Proposed utilisation</b>   | <b>Expected time frame for utilisation upon receipt</b> | <b>Proceeds raised (RM'000)</b> | <b>Variation (RM'000)</b> | <b>Utilisation (RM'000)</b> | <b>Balance (RM'000)</b> |
|---|---|---------------------------------|---------------------------|-----------------------------|-------------------------|
| 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)                     | 6,845                       | -                       |
| Working capital   | Within 24 months  | 2,217                           | 29                        | 2,246                       | -                       |
| Estimated expenses for the Corporate Exercises                              | Immediate   | 900                             | (29)                      | 871                         | -                       |
|   |   | <b>27,417</b>                   | <b>-</b>                  | <b>27,417</b>               | <b>-</b>                |

**(b). Private Placement**

| <b>Proposed utilisation</b>   | <b>Expected time frame for utilisation upon receipt</b> | <b>Proceeds raised (RM'000)</b> | <b>Variation (RM'000)</b> | <b>Utilisation (RM'000)</b> | <b>Balance (RM'000)</b> |
|---|---|---------------------------------|---------------------------|-----------------------------|-------------------------|
| Working capital for the Group's electrical and electronics ("E&E") business | Within 6 months   | 6,547                           | 183                       | 6,730                       | -                       |
| Estimated expenses for the Private Placement                                | Immediate   | 352                             | (183)                     | 169                         | -                       |
|   |   | <b>6,899</b>                    | <b>-</b>                  | <b>6,899</b>                | <b>-</b>                |

**B8 Borrowings and debt securities**

|                      | <b>31/5/2024<br/>RM('000)<br/>Unaudited</b> | <b>29/2/2024<br/>RM('000)<br/>Audited</b> |
|----------------------|---|---|
| <u>Borrowings: -</u> |   |   |
| Short-term borrowing | 950   | 1,075                                     |
| Long-term borrowing  | 1,350                                       | 1,425                                     |

**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 (1<sup>st</sup> defendant), Lim Een Hong (3<sup>rd</sup> defendant) and the Company (2<sup>nd</sup> 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) 3<sup>rd</sup> 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 3<sup>rd</sup> Defendant's application to amend his Defence), by consent, the Plaintiff has agreed to the same. Court has further directed for the 3<sup>rd</sup> 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 9<sup>th</sup> till 12<sup>th</sup> March 2026 and meanwhile, parties are directed to comply with the Pre-Trial Case Management Direction before the next case management on 3<sup>rd</sup> 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               | 1            |
| Other income including investment income | 201             | 201          |
| Interest expense                         | 82              | 82           |
| Depreciation and amortization            | 735             | 735          |
| Foreign exchange gain                    | 201             | 201          |
| Exceptional items (with details)         | NIL             | NIL          |

**B12 Loss per share**

|             |   | Individual Quarter   |                                      | Cumulative Quarter   |                        |
|-------------|---|----------------------|--------------------------------------|----------------------|------------------------|
|             |   | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To Date | Preceding Year To Date |
|             |   | 31/5/2024            | 31/5/2023                            | 31/5/2024            | 31/5/2023              |
| <b>(i)</b>  | <b>Basic earnings per share (sen)</b>   |                      |                                      |                      |                        |
|             | Net loss for the financial quarter (RM'000)   | (2,568)              | (319)                                | (2,568)              | (319)                  |
|             | Weighted average number of ordinary shares in issue ('000)  | 1,173,892            | 360,918                              | 1,173,892            | 360,918                |
|             | Basic earnings per share (sen)  | (0.22)               | (0.09)                               | (0.22)               | (0.09)                 |
| <b>(ii)</b> | <b>Diluted earnings per share (sen)</b>   |                      |                                      |                      |                        |
|             | Net loss for the financial quarter (RM'000)   | (2,568)              | (319)                                | (2,568)              | (319)                  |
|             | Weighted average number of ordinary shares in issue adjusted for dilutive effects of potential ordinary shares ('000) | 1,422,285            | N/A                                  | 1,422,285            | N/A                    |
|             | Diluted earnings per share (sen)  | (0.18)               | N/A                                  | (0.18)               | N/A                    |

- (i) Basic earnings per share are 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) Diluted earnings per share are 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 have been adjusted for the dilutive effects of all potential ordinary shares.
- (iii) The Group has no potential equity instruments in issue as at the preceding year corresponding quarter and therefore, diluted earnings per share have not been presented.

By Order of the Board

Gan Chia Way  
 Executive Director  
 Shah Alam  
 Date: 19 July 2024