

## **PRESTARIANG BERHAD ("PRESTARIANG" OR THE "COMPANY")**

### **PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN PRESTARIANG EDUCATION SDN BHD**

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#### **1. Introduction**

The Company is pleased to announce that on 25 February 2020, the Company has entered into a conditional Shares Sale Agreement ("**SSA**") with Serba Dinamik Group Berhad ("**SDGB**") for the proposed disposal of 20,000,000 ordinary shares, representing 100% equity interest held in Prestariang Education Sdn Bhd ("**PESB**") to SDGB for a cash consideration of RM2,500,000 ("**Proposed Disposal**").

#### **2. Salient terms of the Proposed Disposal**

The Proposed Disposal entails the disposal by Prestariang of its 100% equity interest held in PESB to SDGB, comprising 20,000,000 ordinary shares. The total consideration for the Proposed Disposal is RM2.5 million to be satisfied in cash in the following manner:

- 30% of the cash consideration was paid upon signing of the SSA. This amount is refundable to SDGB in the event the condition precedent of the SSA is not fulfilled within the agreed period.
- 70% of the cash consideration is payable within five (5) business days of the SSA being unconditional.

Following signing of the SSA, SDGB will be involved in the management of PESB. The SSA is conditional upon the approval of the Ministry of Education ("**MOE**"), in respect of the change in ownership of PESB, being obtained within 90 days of the date of the SSA. The period to obtain the approval of the MOE is extendable for a further period of 90 days and from thereon, maybe further extended by mutual agreement of the parties. Application to seek the approval of the MOE is expected to be made within 14 days from the date of the SSA.

#### **3. Information on PESB**

PESB was incorporated in Malaysia on 12 January 2005 as a wholly-owned subsidiary of Prestariang. It is mainly involved in providing personalised Information and Communication Technology ("**ICT**") education. It currently owns and operates a tertiary educational institution University Malaysia of Computer Science & Engineering ("**UNIMY**").

UNIMY began its operations in 2013 and currently offers various degree, diploma and certificate programs with focus in ICT. UNIMY campus is located in Cyberjaya, Selangor Darul Ehsan. It's total student enrolment for the academic year 2019 average about 500 students.

A summary of PESB's audited financial results for the past five (5) financial years/period up to 30 June 2019 and its unaudited financial results for six (6) months ended 31 December 2019 is set out below:

	Audited					Unaudited
	FYE 31 December				FPE 30 June (18 months)	FPE 31 December (6 months)
	2014	2015	2016	2017	2019	2019
	RM	RM	RM	RM	RM	RM
Revenue	1,806,685	2,293,143	2,518,188	5,779,355	9,311,458	2,952,728
Cost of Sales	-3,178,679	-3,172,086	-2,595,829	-3,902,650	-6,248,872	-1,552,173
Gross profit ("GP")	-1,371,994	-878,943	-77,641	1,876,705	3,062,586	1,400,555
Other Income	8,820	79,097	26,262	16,511	83,609	314
Administrative expenses	-4,454,207	-4,352,498	-5,363,898	-6,377,693	-12,039,805	-4,564,575
Other Expenses	-459,591	-575,794	-567,694	-720,899	-5,950,212	-74,505
Finance costs	-15,130	-110,738	-206,597	-75,031	-2,508	-1,382
Net impairment losses on financial assets				-518,902	-6,547,087	
Loss before tax ("LBT")	-6,292,102	-5,838,876	-6,189,568	-5,799,309	-21,393,417	-3,239,593
Taxation	-563	1,154,000	0	-1,154,000	0	0
Loss after tax ("LAT")	-6,292,665	-4,684,876	-6,189,568	-6,953,309	-21,393,417	-3,239,593
Loss attributable to owners of the Company	-6,292,665	-4,684,876	-6,189,568	-6,953,309	-21,393,417	-3,239,593
Gross profit ("GP") margin (%)	-76	-38	-3	32	33	47
PBT/(LBT) margin (%)	-348	-255	-246	-100	-230	-110
PAT/(LAT) margin (%)	-348	-204	-246	-120	-230	-110

Notes:

1. The Group, including PESB, has changed its financial year end to 30 June effective from the Financial Period Ended 30 June 2019.
2. The significant 130% increase in revenue for the financial year ended 31 December 2017 as compared to 2016 was due to the increase in student enrolment as UNIMY expanded its course offerings to include diploma programs. The higher student enrolment had resulted in PESB achieving its maiden GP since it commenced operation. However, the increase in revenue and GP was offset by higher administrative cost mainly due to the move of UNIMY campus to a bigger location with higher operating cost.
3. The results for the 18 months period ended 30 June 2019, was impacted significantly by the following factors:
  - full year effect of higher rental and operating cost of the new campus.
  - impairment of value of assets in compliance to Malaysian Financial Reporting Standards.

#### 4. Information on SDGB

SDGB is a public limited company incorporated in Malaysia on 19th August 2004. SDGB is principally involved in investment holding company and the provision of management services. SDGB is a wholly-owned subsidiary of Serba Dinamik Holdings Berhad, a public company listed on the Main Board of Bursa Malaysia with a market capitalisation of about RM7.3 Billion as at 24 February 2020. Established in 1993, Serba Dinamik Holdings Berhad, through its subsidiaries, is an international energy services group providing integrated engineering solutions to the Oil & Gas, petrochemical, power generation industries, water & waste water and utilities.

#### 5. Basis of the sale consideration

The sale consideration for the Proposed Disposal of RM2.5 million in cash was arrived at after negotiation with SDGB on willing-seller and willing-buyer basis after taking into consideration the following factors:

- The on-going operations of UNIMY which has been established since 2013 as an institution for tertiary education that include the UNIMY facilities and resources, license from MOE, student enrolment, course offerings, and established systems and processes that support UNIMY on-going operations.
- The above factor was weighed down by the unaudited net liabilities position of PESB as at 31 December 2019 which was at RM6.7 million.

## 6. Date and original cost of investment

The dates and the original cost of investment in PESB by the Company are as follows:-

<b>Date of investment</b>	<b>Number of Ordinary Shares held in PESB by the Company</b>	<b>Original Cost of Investment (RM)</b>
21 March 2012	2	2
4 April 2012	19,999,998	19,999,998
<b>Total</b>	<b>20,000,000</b>	<b>20,000,000</b>

## 7. Rationale

The Proposed Disposal is in line with the Group's rationalisation plan for its businesses to improve its cashflow and increase working capital for business expansion. Included in the rationalisation plan are divestment of assets, cost cutting measures, equity fund raising and others.

PESB has been incurring losses since it started the UNIMY operation in the financial year ended 31 December 2014. The unique value proposition of UNIMY was its specific focus on information technology in its course offerings. Though this augurs well to meet the market demand for growing IT applications in businesses, the offerings were too limited to be able to reach the critical mass required for a profitable tertiary education business. More capital would be required to expand UNIMY course offerings and widen its market reach to substantially increase student enrolment for PESB to be in profitable position.

The Proposed Disposal will enable the Group to discontinue the unprofitable operation of the Group and reallocate the Group's resources into its more profitable business segment that could yield positive results in the immediate term.

## 8. Proposed utilisation of proceeds

The proceeds from the Proposed Disposal will be allocated to meet the Group's working capital requirement.

## 9. Risk factors

The Proposed Disposal is conditional upon the approval of the MOE. In the event that the MOE approval is not obtained within the mutually agreed period, the SSA will be terminated and the parties will carry out necessary actions to unwind the Proposed Disposal including refund of the 30% of the Purchase Consideration paid.

To mitigate the above risk, the parties will continue to ensure that all rules and regulations set by the MOE in respect of ownership of UNIMY and the operations of UNIMY, are complied with.

## **10. Effects of the Proposed Disposal**

### **10.1 Net Assets, Net Assets per share, and Gearing**

The Proposed Disposal is not expected to have any material effect on the net assets, net assets per share and gearing of the Group for the financial year ending 30 June 2020.

### **10.2 Earnings and earnings per share**

The Proposed Disposal is not expected to have a material effect to the earnings per share of the Group for the financial year ending 30 June 2020. However, the Proposed Disposal will allow the Group to discontinue a loss-making operation that had negatively impacted the Group's results for the past several years and also allow the Group to reallocate the Group's resources to its more profitable operations. This is expected to yield positive effect on the earnings per share of the Group in subsequent financial years.

### **10.3 Expected gain/(loss) from the Proposed Disposal**

Upon completion of the Proposed Disposal, the Group is expected to realise an estimated gain of RM10.06 million. This estimate is calculated based on the unaudited statement of financial position of the Group and PESB as at 31 December 2019.

## **11. Approvals required**

The Proposed Disposal will require the approval of the MOE to be obtained within the period mutually agreed by the parties.

The Proposed Disposal is not subject to the approval of the shareholders of Prestariang or SDGB and is not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

Based on the audited consolidated financial statements of PESB and the Group for Financial Period Ended 30 June 2019, the highest percentage ratio applicable for the Proposed Disposal pursuant to Chapter 10.02(g) of the Bursa Malaysia Main Market Listing Requirements is 6.69%.

## **12. Interest of Directors, Major Shareholder and Persons Connected**

None of the Directors, major shareholder of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Disposal.

## **13. Statement by the Board of Directors**

The Board of Directors of the Company, having considered the rationale of the Proposed Disposal and the expected positive effect to the Group's net assets per share and future earnings per share, is of the view that the Proposed Disposal is in the best interest of the Company and its shareholders.

#### **14. Estimated timeline for completion**

Barring unforeseen circumstances, the Company estimates that the Proposed Disposal will be completed within the financial year ending 30 June 2020.

#### **15. Documents available for inspection**

The SSA is available for inspection at the registered office of the Company at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur during normal business hours from Monday to Friday (except public holiday) for a period of three (3) months from the date of this announcement.

This announcement is dated 25 February 2020.