EDUSPEC HOLDINGS BERHAD ("EDUSPEC" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 152,314,000 NEW ORDINARY SHARES IN EDUSPEC, REPRESENTING UP TO APPROXIMATELY 10% OF THE ENLARGED TOTAL NUMBER OF ISSUED SHARES OF EDUSPEC, TO INDEPENDENT THIRD PARTY INVESTOR(S) TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER

*(Unless otherwise defined, the abbreviations and definitions used in the announcement dated 30 January 2024 ("**First Announcement**") shall apply herein).*

We refer to the First Announcement in relation to the Proposed Private Placement.

On behalf of the Board, Interpac wishes to furnish the following additional information in furtherance to the First Announcement. The additional information is as set out herein.

1. Historical financial information of the Group

Reference is made to Section 1(iii), Appendix I of the First Announcement.

FYE 28 February 2022 vs FYE 28 February 2021

For the FYE 28 February 2022, the Group recorded revenue of RM8.75 million, a decrease of approximately 5.30% as compared to RM9.24 million for the FYE 28 February 2021. The decrease was mainly due to lower license income from Philippines following the closure of schools during the financial year as part of the Philippines' government efforts to control the spread of COVID-19.

In line with the lower revenue, the Group recorded a lower GP of RM2.66 million (GP margin of 30.46%) for the FYE 28 February 2022 as compared to a GP of RM2.71 million (GP margin of 29.37%) for the FYE 28 February 2021.

The Group recorded a lower LAT of RM13.27 million for FYE 28 February 2022, a decrease of approximately 43.53% as compared to the LAT of RM23.50 million recorded in the FYE 28 February 2021. The decrease in LAT was mainly due to the following:-

(a) decrease in administrative expenses due to amongst others, a reduction in staff costs as a result of decrease in staff headcount <u>due to cost-saving measures implemented in response to the COVID-19 pandemic</u> as well as professional fees of approximately RM3.23 million;

(b) non-recurrence of impairment loss on goodwill and intangible assets written off of approximately RM3.91 million recorded in the FYE 28 February 2021; and

(c) decrease in selling and distribution expenses of approximately RM1.60 million mainly due to a reversal of withholding tax expense in the FYE 28 February 2022 of RM0.17 million arising from an over provision in prior years, compared to a withholding tax expense of RM1.31 million for the FYE 28 February 2021.

2. The adequacy in addressing the Group's financial requirements and steps taken to improve its financial condition

Reference is made to Section 3, Appendix I of the First Announcement.

During the past few years, the Group has undertaken various steps to improve its financial and operational performance.

Amongst the steps taken by the Group were as follows:-

(i) On 22 August 2022, Eduspec Sdn Bhd *(a wholly-owned subsidiary of Eduspec)* 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 for a cash consideration of RM0.05 million. The disposal is part of restructuring plans which will allow the Company to better manage its financial planning for its other business requirements. The disposal has been completed on 24 August 2022;

(ii) On 7 September 2022, the Company entered into a share purchase agreement with Mr Ng L'yp-Hau to dispose 65,000 ordinary shares representing 65% equity interest in 5T3M Sdn Bhd for an aggregate cash sum of RM1.00 million. Following the completion of the disposal on 29 November 2022, the Company holds 35% equity interest in 5T3M Sdn Bhd. The disposal is part of restructuring plans which will allow the Group to better manage its financial planning for its other business requirements;

(iii) On 29 November 2022, the Company entered into an agreement with Integrated Fyntech Sdn Bhd to dispose its 100% equity interest in Eduspec HK Limited, Cloud Direct Sdn Bhd and Eduspec Pte Ltd for a total cash sum of RM0.50 million. The disposal of these 3 companies which are non-profit generating business will allow the Group to better manage its's financial resources. The disposal has been completed on 13 December 2022;

(iv) On 13 January 2023, the Company undertook the Share Consolidation and Rights Issue with Warrants to raise funds mainly for repayment of borrowings (RM17.30 million) and funding for STEM programs and Digital School Solutions business of the Group (RM7.00 million), without incurring additional interest expense from borrowings, thus allowing the Group to preserve its cash flow for reinvestment and/or operational purpose. The Share Consolidation is part of Eduspec's capital management plan to improve its capital structure as well as to facilitate the Rights Issue with Warrants. The Share Consolidation has been completed on 27 March 2023 and the Rights Issue with Warrants has been completed on 11 May 2023; and

(v) On 22 December 2023, ETSB *(a wholly-owned subsidiary of Eduspec)* had accepted the Letter of Award from SMTT to perform independent testing services for 5G optical modules and other related components. The contract value is RM10.00 million and is for a duration of up to 6 months from the date of commencement on 22 December 2023.

As at 31 December 2023, the Group's cash and bank balances stood at approximately RM2.91 million, of which RM2.15 million raised from the Rights Issue with Warrants is earmarked for the funding for the STEM programs and Digital School Solutions business of the Group. The proceeds to be raised from the Proposed Private Placement will be allocated mainly to fund the Group's E&E business.

Barring any unforeseen circumstances, the Board is of the view that the Proposed Private Placement is adequate to meet the Group's financial requirements at this juncture. In order to improve the financial condition of the Group in the long term, the Group will continue to look into implementing alternative new business opportunities through new project or potential acquisition / partnership in order to enhance its bottom line. The Group may procure bank borrowings and/or embark on future fund-raising exercises to meet its funding requirements for any such opportunities identified as and when they may arise.

This announcement is dated 7 February 2024.