

Education
Solutions
Provider

Content
Creation

Technology
& Digital
Solutions

Applied
Learning
Platform

Life-long
Learning



Printed in Malaysia by:
Vivar Printing Sdn. Bhd. (125107-D)
Lot 25, Rawang Integrated Industrial Park
Mukim Rawang, Jalan Batu Arang
48000 Rawang, Selangor Darul Ehsan

CONTENTS

| | |
|-----|--|
| 4 | Corporate Information |
| 5 | About Us |
| 13 | Corporate Structure |
| 14 | Corporate Milestones |
| 16 | Directors' Profile |
| 22 | Financial Highlights |
| 23 | Chairman's Statement |
| 26 | Group Managing Director's Review of Operations |
| 30 | Corporate Social Responsibility Statement |
| 33 | Corporate Governance Statement |
| 42 | Audit Committee Report |
| 47 | Statement on Risk Management and Internal Control |
| 50 | Additional Compliance Information |
| 52 | Statement on Directors' Responsibility |
| 53 | Financial Statements |
| 132 | List of Properties |
| 133 | Analysis of Shareholdings |
| 136 | Notice of Third Annual General Meeting |
| 139 | Statement Accompanying Notice of Annual General Meeting |
| | Form of Proxy |

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Salleh Bin Mohd Husein
Independent Non-Executive Chairman

Law King Hui
Group Managing Director

Lee Swee Hang
Executive Director

Lee Eng Sang
Non-Independent Non-Executive Director

Dato' Noor Rezan Binti Bapoo Hashim
Senior Independent Non-Executive Director

Lim Hun Soon @ David Lim
Independent Non-Executive Director

AUDIT COMMITTEE

Lim Hun Soon @ David Lim (*Chairman*)
Dato' Salleh Bin Mohd Husein
Dato' Noor Rezan Binti Bapoo Hashim

NOMINATION COMMITTEE

Dato' Noor Rezan Binti Bapoo Hashim (*Chairman*)
Dato' Salleh Bin Mohd Husein
Lim Hun Soon @ David Lim

REMUNERATION COMMITTEE

Lim Hun Soon @ David Lim (*Chairman*)
Dato' Salleh Bin Mohd Husein
Law King Hui

COMPANY SECRETARIES

Yeoh Chong Keat (*MIA 2736*)
Tan Fong Shian @ Lim Fong Shian
(*MAICSA 7023187*)

REGISTERED OFFICE

Suite 11.1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2031 1988
Fax: (603) 2031 9788

HEAD OFFICE

Lot 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 6145 1188
Fax: (603) 6145 1199
Website: www.sasbadiholdings.com

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (*378993-D*)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7841 8000
Fax: (603) 7841 8151

AUDITORS

KPMG (*AF 0758*)
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7721 3388
Fax: (603) 7721 3399

PRINCIPAL BANKERS

Malayan Banking Berhad (*3813-K*)
Alliance Bank Malaysia Berhad (*88103-W*)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector: Consumer Products
Stock Name: SASBADI
Stock Code: 5252

ABOUT US

Education is a birth right. And we are glad to be contributing towards fulfilling this noble aspiration since 1985.

We have been publishing syllabus-based books and other educational materials par excellence for the last 30 years. Our books and educational materials have been trusted by students, teachers and parents from one generation to the next. Their trust propels Sasbadi to strive even harder to meet the best standards they expect and demand.

We do not rest on our laurels. Since 2011, we have been creating technologies to facilitate teaching and learning that focus on efficiency and effectiveness. Our digital education solutions allow teachers and students to engage in interactive and fun lessons by leveraging on information and communications technology ("ICT")-related innovations. We are continuing with our endeavours to create solutions that facilitate education transformation to advance student learning, creativity, and innovation.

To facilitate the development of 21st century skills required of our future human resources, we created a dynamic learning platform for students. Since 2005, working in exclusive partnership with the Ministry of Education and Lego Education, we have brought the science of robotics to schools. The National Robotics Competition, a hands-on learning platform for students to develop ideas, solve problems and overcome obstacles, is hugely popular with both students and parents. Every year, approximately

10,000 students participate in the competition. In the World Robot Olympiad, the Malaysia teams have emerged as the Overall Champion in five (5) out of the last seven (7) editions of the competition – it is an accolade that we are extremely proud of.

We have also been expanding our beyond-classroom publications. We aim to publish more non-syllabus-based titles that offer high quality contents with emphasis on design and illustrations. We want to promote reading as a popular lifestyle among our future generations.

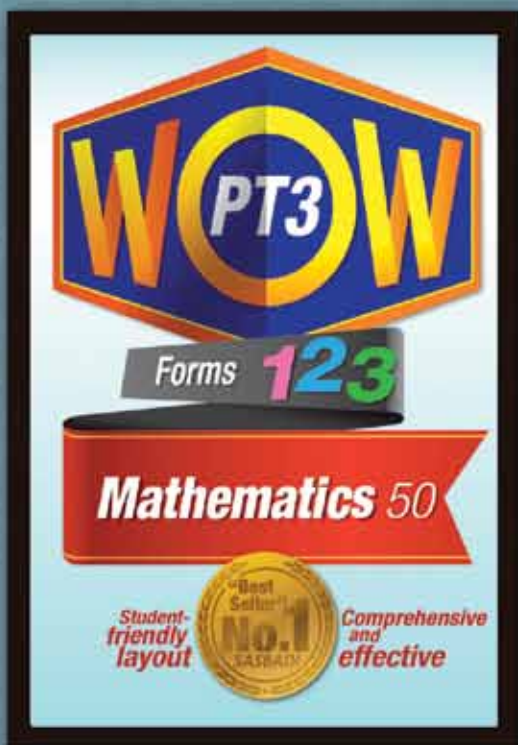
As a comprehensive education solutions provider, we strive not only to maintain our capability to provide for the current education needs. More importantly, we continuously upgrade ourselves to cater to the ever evolving needs of the 21st century education.

We are both proud and glad, knowing that we are well positioned to facilitate in NURTURING STUDENTS FOR TOMORROW, TODAY!



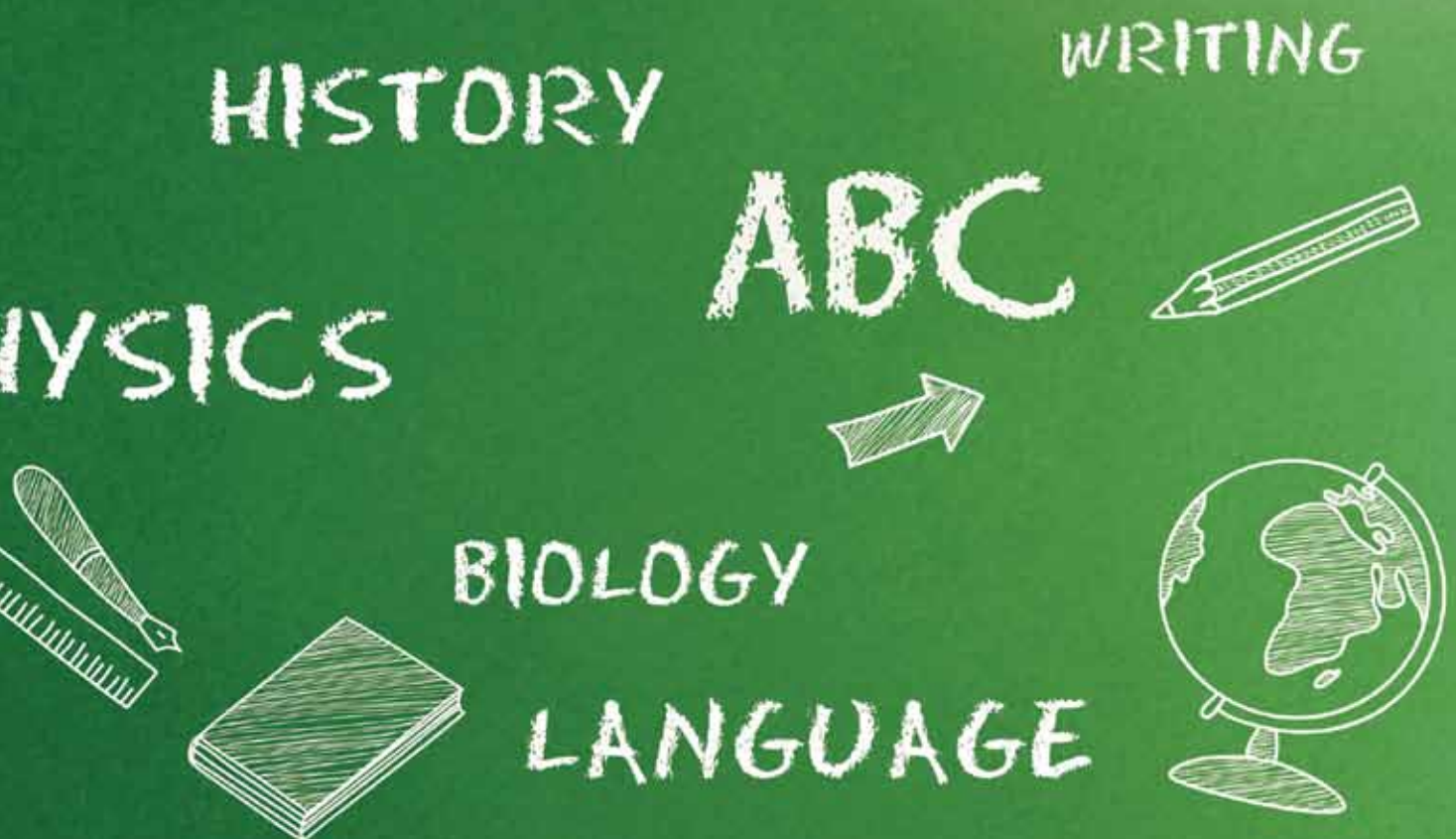
CONVENTIONAL CLASSROOMS

So accessible and dependable.





...we have played a part since 1985.



FUTURE CLASSROOMS

Transcending normality and breaking through frontiers.

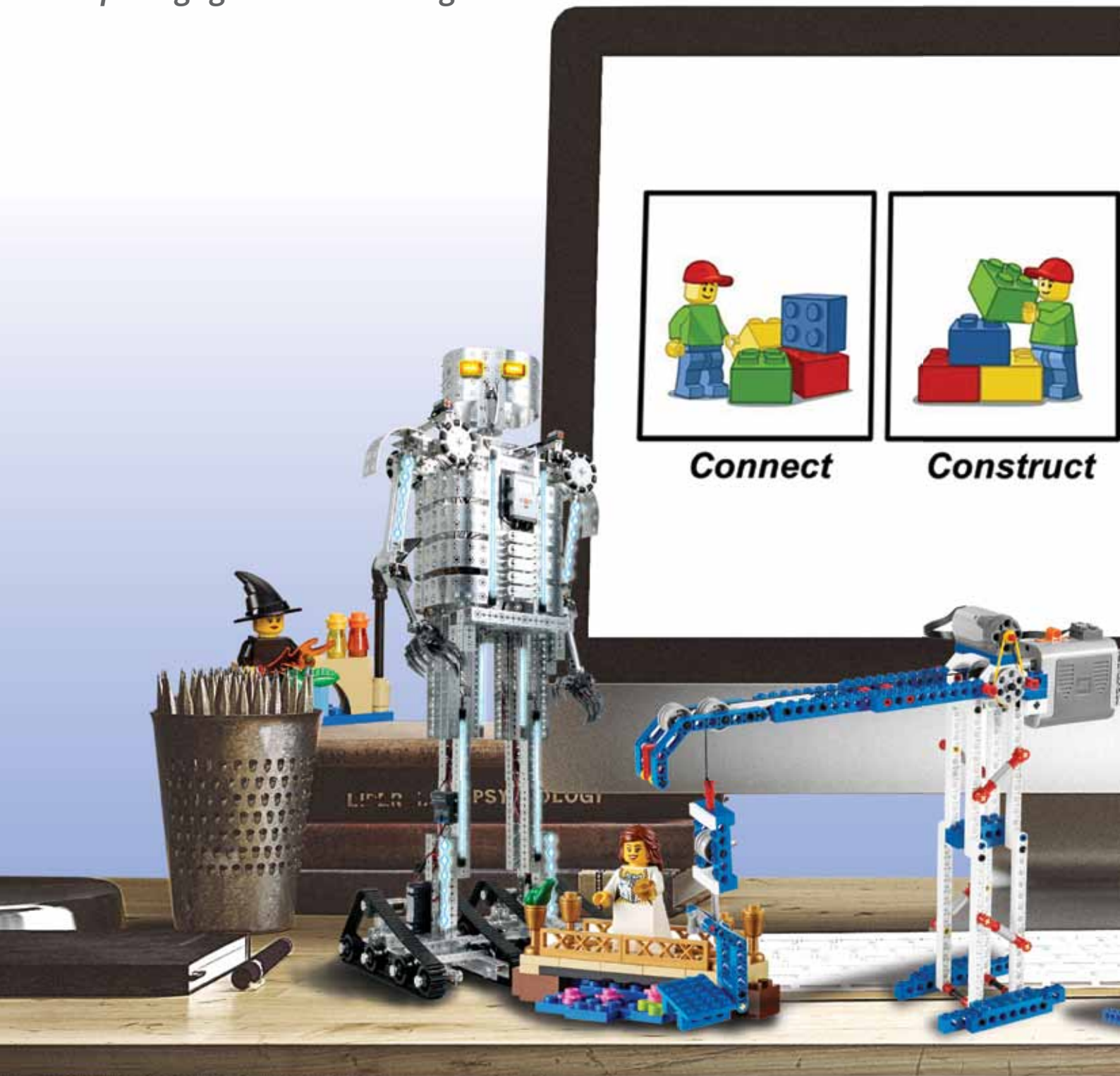


...we are at the forefront of education transformation.



EXPERIENTIAL CLASSROOMS

*Revolutionizing
pedagogies and learning.*



*...we bring understanding to
experiential heights.*



Contemplate



Continue



BEYOND CLASSROOMS



CORPORATE STRUCTURE

as at 15 January 2016



CORPORATE MILESTONES



Our Journey - Creating Milestones in



2004



- Moved into our purpose-built head office in Kota Damansara, Selangor Darul Ehsan

2005



- Launched 'Total eDictionary', our first generation electronic dictionary
- Secured the rights as sole distributor and exclusive partner of LEGO Education products for Brunei and Malaysia
- Organised our first Malaysia Robot Olympiad (now known as National Robotics Competition)

2009



- Organised our first book fair, 'Bazar Baca'. A total of 112 book fairs organised in Malaysia in that year
- Secured exclusive distributorship of Pitsco products to early childhood institutions and schools in Malaysia

education from generation to generation

2014



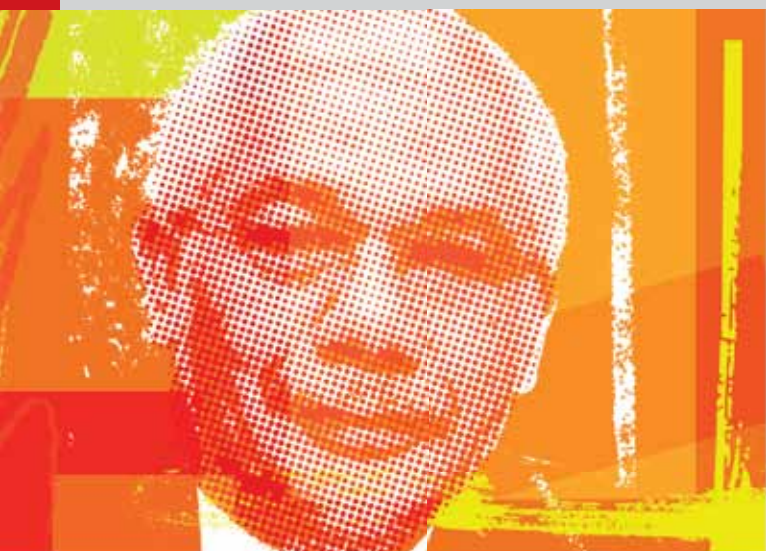
- Debuted on the Main Market of Bursa Malaysia as a Public Listed Company
- Sasbadi Online was appointed as the National Science Challenge ("NSC") preliminary level online system developer and smart partner for 2014 NSC
- Incorporation of MBP Publications Sdn Bhd and Sasbadi Learning Solutions Sdn Bhd
- Granting of licence to PT Penerbit Erlangga to use our i-Learn Online Learning System
- Acquired IP for teacher education segment from Penerbitan Multimedia Sdn Bhd

2015



- Acquired Sanjung Unggul Sdn Bhd and its subsidiaries (comprising The Malaya Press Sdn Berhad, Jinbang Publication Sdn Bhd, Media Distribution Sdn Bhd and Big Tree Publications Sdn Bhd)
- Celebrated 30th Anniversary
- Incorporation of Mindtech Education Sdn Bhd

DIRECTORS' PROFILE



Dato' Salleh Bin Mohd Husein

Malaysian, aged 65

Independent Non-Executive Chairman

Dato' Salleh Bin Mohd Husein is the Independent Non-Executive Chairman of the Company and was appointed to the Board on 7 May 2013. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

He graduated with a Bachelor of Arts with 1st Class Honours from the University of Malaya in 1974. He also holds a Certificate in Education from Maktab Perguruan Sultan Idris, Tanjung Malim, obtained in 1970.

He joined the teaching profession as a teacher at Sekolah Kebangsaan Kayan, Setiawan, Perak in 1971. From 1974 to 1992, he served as Acting Principal and Principal at various schools in Perak. Having served in Perak schools, he was promoted to the Perak State Education Department as Principal Assistant Director in charge of administration and state education financing from 1992 to 1993. He was then made Principal of Sekolah Menengah Sains Tengku Abdullah, Raub, Pahang in 1993 before serving at King Edward VII School of Taiping in 1994, also as Principal. His next service saw him being made District Education Officer at the Manjong District Education Office from 1996 to 1997 where he was tasked to implement education programmes. Thereafter, he was promoted as Sector Head in charge of administration and school leadership at the Perak State Education Department where he served from 1997 to 2001.

Having served well in Perak, he was appointed Principal Assistant Director in charge of curriculum development at the Centre for Curriculum Development, Ministry of Education in 2001. Then, he became Principal at Language Institute, Lembah Pantai, Kuala Lumpur from 2001 to 2002. In 2002, he was promoted to become Deputy Director of Schools Division, Ministry of Education to assist the Director in policy matters and implementation. In 2003, he succeeded his predecessor as Director in this same division at the Ministry of Education and served there until 2006. In 2006, he was promoted to be the Deputy Director General of Education Malaysia in charge of policy matters and implementation at Putrajaya, a position he held until his retirement from the civil service in 2007.

From 2008 to 2011, he served as a member of the Malaysian Education Service Commission, Prime Minister's Department to promote quality education whereby the said Commission looks into matters relating to recruitment, appointment and discipline of personnel. During those years, he was member of the Advisory Panel for Excellent School Cluster until 2012.

He does not hold directorship in any other public companies. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company.

Law King Hui

Malaysian, aged 57

Group Managing Director



Law King Hui is the Managing Director of the Group and was appointed to the Board on 7 May 2013. He is a member of the Remuneration Committee. As one of the co-founders, he has been instrumental in the development, growth and success of the Group.

He graduated from Tunku Abdul Rahman College with a Certificate in Electronics Engineering in 1980. He started his career in 1980 as a Test Technician with National Semi Conductors Sdn Bhd and left to join Pustaka Delta Pelajaran Sdn Bhd in January 1981 where he held a diverse range of positions during his employment including Sales Representative, Administration Coordinator, Management Executive and Regional Manager. He left the company in April 1985 and co-founded Sasbadi Sdn Bhd.

Besides being responsible for the development of the Group's strategies and policies, he has also played an active role in product development and innovation. His contributions have led to the transformation of the Group from a pure educational print publisher to a Group with diverse learning and teaching platforms including digital/online learning materials and teaching products, as well as applied learning products namely robotic products and devices.

An entrepreneur with more than 35 years of publishing experience, he has contributed towards

the development of the book industry in Malaysia. He has held key positions in different organisations such as Majlis Buku Kebangsaan Malaysia ("MBKM"), Malaysian Book Industry Council ("MBIC"), Malaysian Book Publishers Association ("MABOPA"), and ASEAN Book Publishers Association ("ABPA") over a span of more than 25 years. He has participated in numerous forums, round-tables, seminars, conferences, and lectures where he had contributed new concepts and strategies aimed at promoting a reading culture and expanding Malaysia's book industry. His contributions led to him being selected as one of the 21 personalities documented in the publication, "Tokoh-tokoh Perbukuan Malaysia" by the National Library Malaysia, which recognises book activists and professionals who have made significant contributions towards the development of the book industry and reading culture in the country. He was the recipient of "Anugerah Perdana (Tokoh Industri Buku Negara) 2013" awarded by Yayasan Pembangunan Buku Negara. In addition, he was named one of the Top Nominees in the Master category of the EY Entrepreneur Of The Year 2015 Malaysia Award.

He does not hold directorship in any other public companies. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company.



Lee Swee Hang

Malaysian, aged 63

Executive Director

Lee Swee Hang is the Publishing Director of the Group and was appointed to the Board on 7 May 2013. He is one of the co-founders of the Group.

He obtained his Higher School Certificate ("HSC") in 1974. He started his career in 1975 as Senior Malay Language Editor with Preston Corporation Sdn Bhd where he was tasked to translate, proofread, edit and prepare manuscripts for Bahasa Malaysia publications. He left the company in 1978 and subsequently joined Pustaka Delta Pelajaran Sdn Bhd in 1979 as Chief Editor. During his six (6) years with the company, he developed, trained and managed an editorial team and a panel of writers. He left the company in 1985 to co-found Sasbadi Sdn Bhd.

As the Publishing Director, he is responsible for the editorial and production teams. He is also responsible for soliciting new authors and establishing a network of authors for the Group. He has helped the Group to build and manage a team of dedicated writers, editors, book designers and illustrators and is responsible for training and improving the skills and knowledge of the editorial and production teams, especially with respect to educational policy changes, industry practices and production procedures of the publishing industry.

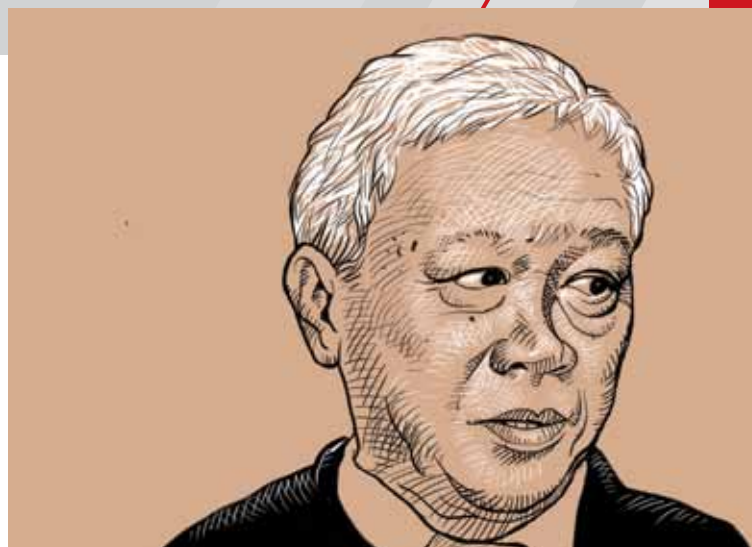
He also determines the types of books that the Group publishes each year and ensures that the publications meet set deadlines and reflect the agreed editorial standards and commercial strategy. He actively keeps abreast with the latest development and information of the publishing industry around the world and is tasked to oversee the trading of copyrights with overseas buyers and sellers.

He does not hold directorship in any other public companies. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company.

Lee Eng Sang

Malaysian, aged 65

Non-Independent Non-Executive Director



Lee Eng Sang is the Non-Independent Non-Executive Director of the Company. He was appointed to the Board as Executive Director on 7 May 2013 and re-designated to Non-Executive Director on 1 November 2014. He is one of the co-founders of the Group.

He obtained his Malaysian Certificate of Education ("MCE") in 1969. He served as a school teacher from 1970 to 1977. In 1978, he joined Pustaka Sistem Pelajaran Sdn Bhd as a salesman. He left the company in 1979 and subsequently joined Pustaka Delta Pelajaran Sdn Bhd in 1980 as a Sales Representative. He was promoted to Regional Manager in 1983 where he was tasked to manage a sales team and was in charge of sales for the Northern region of Peninsular Malaysia. He left the company in 1985 to co-found Sasbadi Sdn Bhd.

As one of the co-founders, he had established a formidable marketing and sales force that has led the Group to grow to the size it is today. He had introduced personal training and development programmes to help build and improve the skills, productivity and morale of new and existing sales team members. The sales teams are able to build rapport and lasting relationships with the customers in tandem with the Group's growth.

Under his leadership, the Group's sales teams had penetrated markets in the whole of Malaysia, including schools and customers in suburban and rural areas. He had also trained the Group's marketing personnel to gather up-to-date market information so that the Group is able to better understand the customers' needs.

He does not hold directorship in any other public companies. He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company.



Dato' Noor Rezan Binti Bapoo Hashim

Malaysian, aged 63

Senior Independent Non-Executive Director

Dato' Noor Rezan Binti Bapoo Hashim is the Senior Independent Non-Executive Director of the Company. She was appointed to the Board as Independent Non-Executive Director on 7 May 2013 and as Senior Independent Non-Executive Director on 22 August 2014. She is the Chairman of the Nomination Committee and a member of the Audit Committee.

She graduated with a Bachelor of Arts with Honours from the University of Malaya in 1974 and Master of Arts (TESL) (Teaching of English as a second language) from the University of Hawaii, the United States of America in 1982. She also holds a Diploma in Education (with Distinction) received from the University of Malaya in 1975, and a Certificate in Managing Education (English Language Teaching) received from the College of St. Mark & St. John, Plymouth, England in 1995.

During the period from 1975 to 1988, she taught English at various secondary schools in Peninsular Malaysia. Subsequently, she was promoted to become the Afternoon Supervisor and later the Administrative Senior Assistant of Sekolah Menengah Kebangsaan Raja Ali, Kuala Lumpur from 1988 to 1995. She was later promoted to become Principal of various schools in Kuala Lumpur from 1995 to 2003.

In 2003, she was promoted to the position of Deputy Director of Schools Division, Ministry of Education until 2004. She then became the Education Director

of Federal Territory of Kuala Lumpur from 2004 to 2006. In 2006, she was promoted to the position of Director of Schools Division, Ministry of Education, overseeing all schools under the purview of the Ministry of Education. In 2007, she was promoted to the position of the Deputy Director-General of Education Malaysia overseeing operations of eight (8) divisions in the Ministry which are involved in schools operations. She held this position until her retirement in 2011.

From 2011 to 2012, she served as the Education Advisor of Khazanah Nasional Berhad, advising on matters pertaining to their projects involving education, such as Trust Schools, Teach for Malaysia and Promoting Intelligence, Nurturing Talents and Advocating Responsibility (PINTAR) programme. Currently, she is Consultant Education Advisor to Khazanah Nasional Berhad. She was the recipient of "Tokoh Kepimpinan Pendidikan Kebangsaan 2013".

She does not hold directorship in any other public companies. She has no family relationship with any director and/or major shareholder of the Company nor does she have any conflict of interest with the Company.

Lim Hun Soon @ David Lim

Malaysian, aged 61

Independent Non-Executive Director



Lim Hun Soon @ David Lim is the Independent Non-Executive Director of the Company and was appointed to the Board on 7 May 2013. He is the Chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee.

He graduated from the University of Leeds with a Bachelor of Arts in Economics in 1978 and subsequently joined Peat Marwick Mitchell (now known as KPMG) in the United Kingdom in 1978. He qualified as a member of the Institute of Taxation, United Kingdom in 1981 and as a Chartered Accountant in England and Wales in 1982. He returned to Malaysia in 1982 to continue his service with KPMG, and was admitted as a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants (now known as the Malaysian Institute of Certified Public Accountants ("MICPA")) in 1982 and 1984 respectively.

He has had an extensive career serving as an Auditor at KPMG, spanning 33 years. During his career with KPMG, he was admitted as Partner of the firm in April 1990 and served in the Management Committee of the firm from 1997 to 2001 and in KPMG's Partnership Supervisory Council from 2002 to 2010. He was also the Asian Anchor Practice representative for Marketing from 2000 to 2001, in which role he gained extensive and insightful knowledge from KPMG Global counterparts worldwide.

In 2006, he was assigned by KPMG to start up the Audit Committee Institute, Malaysia ("ACI Malaysia"), which is a virtual worldwide initiative sponsored by KPMG to assist

independent directors in enhancing their awareness and ability to implement effective board processes. After five (5) years of relentless groundwork, ACI Malaysia is now a source of information where non-executive directors can turn to if they wish to look for information in order to help them in discharging their duties and responsibilities.

He actively served as an examiner for Company Law examinations conducted by the MICPA for over a period of ten (10) years. He was Chairman of MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee, both from 2002 to 2004. He had also developed an expertise in undertaking the role of Reporting Accountants and was the Audit Partner in charge of over 30 initial public offerings whilst at KPMG. He retired from KPMG in 2011. In 2013, he was appointed as the representative of Malaysia to sit in the Council of the Institute of Chartered Accountants in England and Wales for a term of two (2) years which he had completed in 2015, and was renewed for a further term of two (2) years till May 2017.

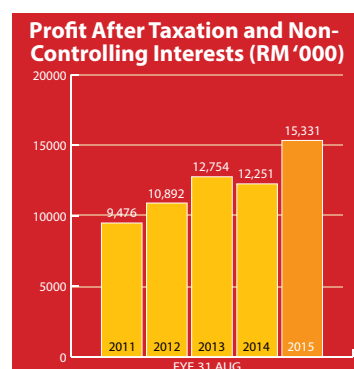
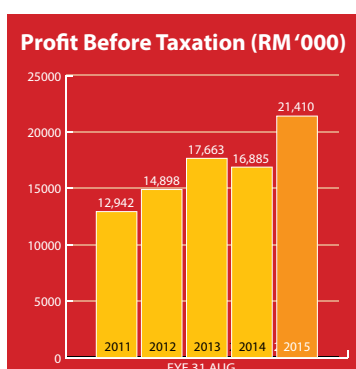
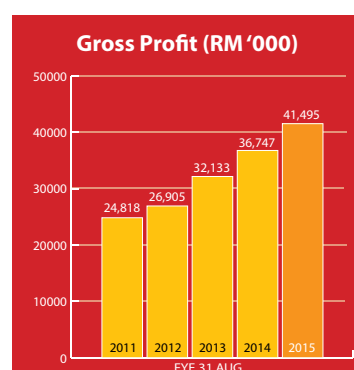
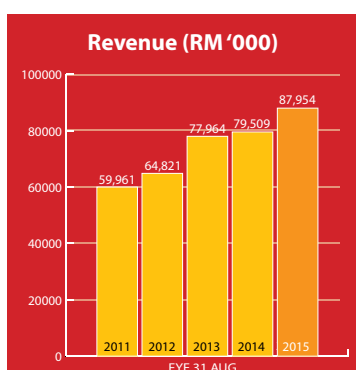
He is an Independent Non-Executive Director of Affin Investment Bank Berhad, Manulife Insurance Berhad, Manulife Holdings Berhad, Ann Joo Resources Berhad, Affin Hwang Investment Bank Berhad, Kawan Food Berhad and Ranhill Holdings Berhad. He also holds directorship in Rockwills Trustee Bhd.

He has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company.

Note to Directors' Profile:

None of the Directors has been convicted for any offences within the past ten (10) years which require disclosure pursuant to paragraph 3(h) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

FINANCIAL HIGHLIGHTS



BALANCE SHEET AS AT 31 AUGUST 2015

| | RM '000 |
|-------------------------------------|----------------|
| Property, plant and equipment | 30,872 |
| Intellectual properties | 12,073 |
| Goodwill | 10,253 |
| Inventories | 37,060 |
| Trade receivables | 36,727 |
| Cash and cash equivalents | 8,338 |
| Other assets | 5,485 |
| Total assets | 140,808 |
| Shareholders' equity | 105,230 |
| Non-controlling interest | 5,061 |
| Borrowings | 9,432 |
| Trade payables | 3,618 |
| Deferred tax liabilities | 6,092 |
| Provisions and other liabilities | 11,375 |
| Total equity and liabilities | 140,808 |

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("the Board") of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company"), it is my pleasure to present to you the Annual Report and the Audited Financial Statements of Sasbadi Holdings and its subsidiaries ("the Group") for the financial year ended ("FYE") 31 August 2015.



Financial Review

For FYE 31 August 2015, the Group recorded a consolidated revenue of RM87.95 million and achieved a profit attributable to the owners of the Company of RM15.33 million, representing growth rates of 10.62% and 25.14% vis-à-vis the revenue and profit attributable to the owners of the Company for FYE 31 August 2014 of RM79.51 million and RM12.25 million, respectively. The growth in the revenue and profits was attributable to the Group growing both organically and inorganically during the financial year under review. Earnings per share increased by 0.75 sen (equivalent to 6.63%) from 11.32 sen for FYE 31 August 2014 to 12.07 sen for FYE 31 August 2015. Our equity attributable to the owners of the Company stood at RM105.23 million as at 31 August 2015 (vis-à-vis RM93.71 million as at 31 August 2014) while our debt-to equity ratio remained negligible at 0.09 times.

Dividends

The Board is recommending a final single-tier dividend of two (2) sen per ordinary share of RM0.50 each in respect of FYE 31 August 2015 ("Recommended Final Dividend"), which will be presented to our shareholders for approval at the forthcoming Annual General Meeting ("AGM"). In addition, the Company had, on 23 March 2015, paid an interim single-tier dividend of three (3) sen per ordinary share of RM0.50 each in respect of FYE 31 August 2015 ("Interim Dividend").

In this regard, with the Interim Dividend and the Recommended Final Dividend, the Company will be paying a total dividend of five (5) sen per ordinary share of RM0.50 each in respect of FYE 31 August 2015. This represents a pay-out ratio of approximately 41% of the Group's earnings per share for FYE 31 August 2015, in line with the Company's policy of paying out up to 50% of our yearly profits as dividends.

Outlook and Prospects

The Group is in a good position to reap rewards from the strategic planning it has been undertaking over the last few years. Today, the Group has the necessary capacity to cater to the expanding needs for a modern education, not only covering all major subjects across all levels in the national primary and secondary schools, but also able to engage teachers and students through multiple platforms. On closer examination, the Group's products, ranging from conventional printed books to technology-embedded publications; from cloud-based self-paced learning solutions to mobile game-based learning applications; and from advanced applied learning tools to hands-on project kits, have good potential to achieve strong sales in the coming financial years.

The education sector continues to receive a substantial allocation (RM41.3 billion) under the 2016 National Budget with multiple proposals announced to push the objectives outlined in the Malaysia Education Blueprint 2013 - 2025. During the financial year under review, the education sector also demonstrated resilient characteristics and outperformed many other consumer sectors in facing the various economic challenges in our country. The Group is confident that favourable industry conditions and government policies will propel the Group forward, aided by the Group's unique positioning and competitive advantages it has harnessed from the 30 years' operation.



The Group has utilised RM24.36 million of the proceeds of RM25.23 million raised from its initial public offering (*Note: The balance to be utilised of RM0.87 million has been earmarked for the establishment of two (2) applied learning centres, and the Group is in the midst of setting up the first centre*). As the Group will continue to pursue strategic acquisitions for growth and to improve earnings performance in the coming financial years, the Company has recently completed a private placement exercise to raise funds for that purpose. In addition, to enhance the marketability and trading liquidity of the Company's shares on Bursa Malaysia Securities Berhad, the Company has also announced a share split exercise involving the subdivision of every one (1) existing ordinary share of RM0.50 each in the Company into two (2) ordinary shares of RM0.25 each in the Company. The share split exercise will be presented to our shareholders for approval at the forthcoming AGM.

Appreciation

Having considered all factors, I am pleased to say that the Group has performed well for FYE 31 August 2015, and the Group has had a fairly successful year with the investors and the shareholders, judging by its share price performance. On behalf of the Group, I would like to express our profound gratitude for the staunch support.

I want to also thank my fellow Board members, our employees, our customers and suppliers, associates and business partners for their contribution to the Group's performance for FYE 31 August 2015. In closing, I would like to take this opportunity to appeal for their continued support to ensure that the Group will achieve all the objectives laid out for the financial year ending 31 August 2016.

Dato' Salleh Bin Mohd Husein

Independent Non-Executive Chairman

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS



Sasbadi Holdings Berhad (“Sasbadi Holdings” or “the Company”) and its subsidiaries (“the Group”) have performed well in the financial year ended (“FYE”) 31 August 2015 despite the economic challenges that we are facing. The withdrawal of fuel subsidies, the implementation of the Goods and Services Tax, the fall in the global oil price and the depreciating ringgit against the US dollar have all contributed to the increasing cost of living and cost of doing business in our country.

Despite that, I am happy to report that the industry in which the Group operates, i.e. the education sector, has not been affected as badly as many other consumer sectors, consistent with past track records and due to the fact that education is a necessity.

Financial Results

The Group recorded a consolidated revenue of RM87.95 million for FYE 31 August 2015 vis-à-vis RM79.51 million for FYE 31 August 2014. The growth in the revenue of RM8.44 million (equivalent to 10.62%) was owing to the higher revenue recorded by the existing subsidiaries within the Group (RM83.12 million for FYE 31 August 2015 vis-à-vis RM79.51 million for FYE 31 August 2014) and the post-acquisition revenue contributed by Sanjung Unggul Sdn Bhd (“Sanjung Unggul”) and its subsidiaries (“Sanjung Unggul Group”) of RM4.83 million. The Company had completed the acquisition of 70% equity interest in Sanjung Unggul on 21 August 2015, and the Sanjung Unggul Group is principally involved in publishing books and educational materials catering to students in national-type Chinese schools (“SJKC”). The higher revenue recorded by the existing subsidiaries was mainly due to higher combined revenue of Sasbadi Sdn Bhd (“Sasbadi”) and Sasbadi Learning Solutions Sdn Bhd (“SLS”) (RM73.25 million for FYE 31 August 2015 vis-à-vis RM69.71 million for FYE 31 August 2014). SLS commenced operations in January 2015 by assuming the activity of distributing applied learning products previously undertaken by Sasbadi.

The Group’s consolidated gross profit showed a growth of RM4.74 million (equivalent to 12.90%) from RM36.75 million for FYE 31 August 2014 to RM41.49 million for FYE 31 August 2015 (with the Sanjung Unggul Group contributing a post-acquisition gross profit of RM2.44 million). The growth in the gross profit was mainly due to the growth in revenue as discussed above and a slightly higher gross profit margin (47.18% for FYE 31 August 2015 vis-à-vis 46.22% for FYE 31 August 2014).

Arising from the higher revenue and gross profit (offset partly by higher personnel costs as the Group increased staff headcount to cater for business expansion), the Group recorded a higher consolidated profit attributable to the owners of the Company of RM15.33 million for FYE 31 August 2015 when compared to RM12.25 million for FYE 31 August 2014. The higher consolidated profit attributable to the owners of the Company was also attributable to the non-incurrence in FYE 31 August 2015 of the one-off listing expenses of RM1.33 million incurred by the Company for its listing on the Main Market of Bursa Malaysia Securities Berhad during FYE 31 August 2014.

Review of Operations and Future Plans

Content Creation and Print Publishing

The Group’s content creation and print publishing activities continue to contribute significantly to the Group’s top and bottom lines. During FYE 31 August 2015, the Group has successfully created and published approximately 1,400 titles covering national school syllabus-based titles as well as non-syllabus based titles. For the post-secondary school segment, i.e. the Form Six, and the teacher education training segment, the Group has revised most of the titles acquired (from Pearson Malaysia Sdn Bhd and Penerbitan Multimedia Sdn Bhd (“PMSB”) respectively) and republished some of them under the Group’s brands during the financial year.

The acquisition of 70% equity interest in Sanjung Unggul was a strategic move by the Group to capture a significant market share of the SJKC segment. With the acquisition, the Group intends to leverage on our technology platform and other competitive advantages to expand the Sanjung Unggul Group’s revenue base in the coming financial years.

On the textbook publishing front, the Group had successfully won two (2) contracts to publish, print and supply two (2) new titles for the Ministry of Education (“MoE”), i.e. Antologi Komponen Sastera (KOMSAS) dalam Mata

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Pelajaran Bahasa Malaysia Tingkatan 5 and Reka Bentuk dan Teknologi Tahun 6 of SJKC, during the financial year valued at RM2.29 million and RM0.41 million respectively.

Subsequently, the MoE has announced new textbook tenders in October and December 2015, and January 2016, for various packages which include, among others, textbooks for Year 1 of national-type Chinese and Tamil schools, and Form 1, Form 3 and Form 4 of national secondary schools. The winning tenderers are to publish, print and deliver the textbooks to the respective schools in 2016 for use in 2017.

One notable change for the above tenders is that tenderers are encouraged to incorporate digital/multi-media elements in the proposals to be submitted. The Group views this positively as the Group possesses ready to roll out proprietary technologies that the Group can leverage on. The Group will participate in some of the above packages tendered and hopes that the Group's track record will help deliver some winning bids for the Group. The results of the tenders are expected to be known towards the middle of 2016 but the textbooks are only expected to be delivered during the last quarter of 2016.

The Group's non-syllabus based publishing segment continues to grow as more titles are being added. Particularly exciting are titles that incorporate the Group's in-house developed digital applications, giving these titles an edge over other products in the market. We believe that some of these titles have good commercial appeal and are suitable to be marketed to overseas markets.

Digital/Online Publishing and Solutions

During FYE 31 August 2015, the Group maintained its momentum in digital/online solutions development and launched two (2) new/updated products to broaden its product base. The two (2) new/updated products are:

- The Interactive Bookmark, i.e. an application running on mobile devices to deliver learning materials to primary and secondary school children via interactive quiz games and tutorial videos. The Group has developed 49 titles for the Interactive Bookmark series.
- i-Learn Ace, i.e. an interactive online learning platform for students to access our database of resources. i-Learn Ace is the new version of our product, i-Learn, with enhanced features and off-line mode.



Even though digital solutions have yet to take the center stage of teaching and learning in schools, we are confident that the demand for digital/online solutions will increase in the coming years, particularly when the new editions of the MoE-approved textbooks begin to showcase the application of technologies that will not only enhance the learners' experience but will make teaching and learning more effective. The trend of using information and communications technology ("ICT") in teaching and learning is fast developing in the world and the Group expects to reap good returns when demand for digital solutions escalates, both locally and across the South East Asia region.

Applied Learning Platform

Our applied learning endeavour has seen the Group's flagship programme with the MoE, i.e. the National Robotics Competition ("NRC"), taken to a new height when the Malaysian contingent emerged as the Overall Champion at the prestigious World Robot Olympiad ("WRO") 2015, for the fifth time in the last seven (7) years. The WRO 2015 in Doha was well attended by 471 teams from 48 countries. The exemplary feat was widely publicised by the local media and the gold medalists were given air time by the local television stations upon the contingent's return from Doha. The Group hopes to leverage on the heightened interest among parents to generate more applied learning product sales going forward.

The design for the Group's first applied learning centre in Kota Damansara, Petaling Jaya, has been finalised and is targeted to open its door by end-March 2016. The centre will offer a unique opportunity for young children to develop science, technology, engineering and mathematics ("STEM") related faculties through hands-on activities.

New Distribution Channels

The Group is developing new distribution channels to improve the reach of the Group's wide range of products, particularly the unconventional ones. The Group has taken to collaboration with third parties of other suitable distribution channels and network marketing to achieve the said objective. Some of these efforts have been or are being formalised and the Group is hopeful that they will generate new revenue for FYE 31 August 2016.

Acquisition Activities

During FYE 31 August 2015, the Group has completed the acquisitions of a list of titles in the teacher education segment from PMSB and 70% equity interest in Sanjung Unggul.

The Group will continue with its plan to undertake at least one (1) acquisition per year to drive inorganic growth and, to raise funds for that purpose, the Group has recently completed a private placement exercise. The Group is pursuing companies or intellectual property rights that have synergies with the Group's core business, particularly those that have a significant market share in segments that the Group has no footprints or a significant market presence. The Group will be prudent in identifying and evaluating the target assets to ensure that the acquisitions will be accretive in value and offer a high potential for the Group to leverage on its competitive advantages.

Appreciation

On looking back, I conclude that the Group has performed well during FYE 31 August 2015 despite the economic challenges that we are facing. The Group has managed to attain organic growth, albeit not as much as we would like; completed two (2) acquisitions; and developed new products, new technologies, and new channels that will open up new markets for the Group. The Group is now well positioned to take advantage of the various needs, both conventional and unconventional, brought forth by the nation's education transformation programme and market evolution.

I would like to therefore thank my fellow Board members, the management team and staff, our customers and suppliers, associates and business partners for their contribution to the Group's performance during FYE 31 August 2015. I humbly ask for your continuing support and good work to move the Group to the next level. I wish to also thank all the shareholders for your continuing trust and support, without which, I am sure, the Group will not be able to achieve the objectives outlined and the share price performance will not be as encouraging.

Law King Hui

Group Managing Director

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

At Sasbadi Holdings Berhad (“Sasbadi Holdings”), we believe in giving back and making a positive contribution to the community. In this regard, one of our priorities as a corporate citizen is to initiate and undertake Corporate Social Responsibility (“CSR”) activities every year by committing our time, knowledge and financial support to those in need.

Education / Community

We believe education is the foundation of life and a life-long process. Arguably, the most significant learning curve is experienced during the childhood and adolescent stages. Thus, contributing to the development of education for school-going children in Malaysia is something we will always hold close to our hearts.

Collaboration with local foundation

We have been supporting Skim Anak Angkat by Yayasan Pelajaran Mara by donating books to students from poor families across the nation. We believe that even a small contribution could make a world of difference to these children.



Supporting the Government's CSR initiatives

We have been supporting some of the Government's CSR initiatives, such as Program Tautan Kasih by the Ministry of Tourism and Culture Malaysia, and Program Tokoh Nilam Kebangsaan and Program Kem Membaca 1Malaysia by the Ministry of Education.

Aid for flood victims

Via two (2) relief missions by non-government organisations, we had donated daily necessities and academic books to flood victims in the East Coast states during the monsoon season in end 2014.

Supporting student's CSR initiatives

We care about the next generation leaders. Among others, we had supported the students of Universiti Tunku Abdul Rahman in their initiative in organising a Charity Event called A-Meh-Zing!



National Robotics Competition ("NRC") and FIRST LEGO League Competition ("FLL")

Believing that technology is the future, we have been championing robotics in education as a support to the Government's initiatives in promoting Science, Technology, Engineering and Mathematics ("STEM") education. Working hand-in-hand with the Ministry of Education, we have been organising the National Robotics Competition since 2005. Besides that, we are also the organiser of the FIRST LEGO League Competition Malaysia. For these competitions, we provide manpower and technical support as well as prize sponsorship and financial contributions.

Human Resource/ Employee Engagement

We recognise dedicated and passionate employees as our most valuable asset. To appreciate their effort and contribution, we provide internal and external training when necessary which includes on-the-job training in areas which require technical and management skills.

We also organise teambuilding and sports activities such as inter-department bowling and karaoke competitions. These activities promote teamwork and healthy competition among our employees.



In conjunction with Hari Raya, the Group had Jamuan Aidilfitri filled with performances, lucky draws and most importantly, food. On 19 September 2015, we celebrated our 30th Anniversary by having a Gala Dinner, and awards were presented to long-service employees.



Bursa Bull Charge 2015

We participated in the Bursa Bull Charge 2015 challenge for the first time since our listing on 23 July 2014. The Group Managing Director, Mr. Law King Hui ran in the CEO category whereas a team of four (4) employees took part in a 10KM relay run and an employee in a 5KM race. The team successfully completed each of their categories.

As a socially responsible corporate citizen, we remain committed to creating a positive impact on the development of education in Malaysia as well as giving back to the community through our means and resources.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") is committed to implementing and maintaining principles and practices of good corporate governance within Sasbadi Holdings and its subsidiaries ("the Group") in order to safeguard stakeholders' investments and the Group's assets.

As such, the Board is pleased to present the following Corporate Governance Statement outlining the manner and extent to which the Group has applied the Principles and Recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") for the financial year ended ("FYE") 31 August 2015.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Recommendation 1.1 – Clear Functions for the Board and the Management

The Board, comprising members with diverse skills, experience and qualifications, recognises the clear distinction of the roles and responsibilities between the Board and the Management. The Board is responsible for the overall strategic direction and leadership of the Group, the adequacy and effectiveness of the Group's risk management and internal control system, and compliance with the relevant laws and regulations. The Management, on the other hand, is responsible for assisting the Board in implementing the policies and procedures adopted by the Board to achieve the Group's objectives and in running the Group's day-to-day business operations.

Recommendation 1.2 – Clear Roles and Responsibilities for the Board

The Board is guided by the Company's Board Charter which outlines the roles and responsibilities, operation and processes of the Board. The roles and responsibilities of the Board include, among others, the following:

- Review, challenge and approve the strategic plan prepared by the Management for the Group and to monitor the implementation of the plan;
- Oversee the conduct of the Group's business to ensure the objectives are met, the business is sustainable, and the relevant regulations are complied with;
- Identify, assess and manage the principal risks affecting the Group through the implementation of an adequate and effective system;
- Ensure that there are plans in place for orderly succession of senior management;
- Review the adequacy and effectiveness of the Group's risk management and internal control system; and
- Oversee the implementation of an investor relations policy to enable effective communication between the Group and the shareholders and other stakeholders.

The Board has delegated some of the above roles and responsibilities to the three (3) Board Committees, i.e. Audit Committee, Nomination Committee and Remuneration Committee. These Committees undertake their duties and responsibilities according to their delegated functions as set out in their respective Terms of Reference (as presented below).

Recommendation 1.3 – Code of Conduct

The Board has formalised and adopted a Code of Conduct which sets out certain values, principles and standards of good conduct expected of the Directors and employees at work. A copy of the Code of Conduct can be viewed at the Company's website, www.sasbadiholdings.com. The Code of Conduct will be reviewed from time to time for changes and new developments in the external and internal environment.

Recommendation 1.4 – Promote Sustainability

The Board shall ensure that its short-term and long-term strategies promote sustainability to the environmental, social and governance aspects of the Group's business. This is incorporated into the Company's Board Charter and Code of Conduct.

Recommendation 1.5 – Procedures for Board Members to Have Access to Information and Advice

The Directors have full and unrestricted access to all information of the Group on a timely and accurate manner to enable them to discharge their roles and responsibilities. In addition, the Directors have full and unrestricted access to the Company Secretaries, the external auditors and the outsourced internal auditors for advice and services. If required, the Directors, collectively and individually, are also entitled to seek external independent professional advice at the Company's expense.

Recommendation 1.6 – Support of Qualified and Competent Company Secretaries

The Board is supported by the Company Secretaries pertaining to corporate secretarial matters which include, among others, convening of Board and general meetings, preparation of circular resolutions and minutes of meetings, maintenance of statutory registers and records, release of announcements to Bursa Malaysia Securities Berhad ("Bursa Securities"), and advising the Board on compliance with the relevant laws and regulations.

Recommendation 1.7 – Board Charter

The Board is guided by the Company's Board Charter which sets out, among others, the roles and responsibilities of the Board and the Management. A copy of the Board Charter can be viewed at the Company's website, www.sasbadiholdings.com. The Board Charter will be reviewed from time to time to ensure that it remains consistent with the Board's objectives, and current law and practices.

PRINCIPLE 2 – STRENGTHEN COMPOSITION**Recommendation 2.1 – Nomination Committee**

The Board has established the Nomination Committee comprising the following members, all of whom are Independent Non-Executive Directors:

Chairman:

Dato' Noor Rezan Binti Bapoo Hashim (*Senior Independent Non-Executive Director*)

Members:

Dato' Salleh Bin Mohd Husein (*Independent Non-Executive Chairman*)

Lim Hun Soon @ David Lim (*Independent Non-Executive Director*)

The functions of the Nomination Committee are as follows:

- Assess and recommend to the Board the candidates for directorships of the Company.
- Recommend to the Board, Directors to fill the seats on Board Committees.
- Annually assess the effectiveness of the Board as a whole, the Board Committees and the contributions of each individual Director, taking into consideration the required mix of skills, expertise, experience, commitment and other requisite qualities including core competencies which the Directors should bring to the Board.
- Orientate and educate new Directors as to the nature of the business, current issues within the Company and the corporate strategies, the expectations of the Company concerning input from the Directors and the general responsibilities as Directors.
- Recommend to the Board the re-election of Directors who retire at annual general meetings.

- Periodically review and report to the Board the succession planning for the Board including Board Chairman and Managing Director, and senior management. The Board should work with the Nomination Committee to evaluate potential successors.
- Formulate, develop, maintain and review criteria to be used for recruitment process, annual assessment of Directors including assessment of independence.
- Determine appropriate training for Directors and review the fulfilment of such training requirements, where appropriate.
- Conduct exit interview with the resigning key personnel or principal officer of the Company, where appropriate.

During FYE 31 August 2015, the Nomination Committee held a total of three (3) meetings, all of which were fully attended by the members of the Nomination Committee, during which the following activities were carried out:

- Reviewed and adopted the Terms of Reference for the Nomination Committee;
- Reviewed and recommended for the Board's approval the appointment of the Chief Financial Officer of the Group and the re-designation of Lee Eng Sang from Non-Independent Executive Director to Non-Independent Non-Executive Director;
- Reviewed and assessed the Directors standing for re-election at the last Annual General Meeting ("AGM") held on 11 February 2015 and recommended to the Board for their re-election;
- Determined the need for continuous training by the Directors; and
- Reviewed and recommended for the Board's endorsement the Directors' Performance Assessment Sheet.

Recommendation 2.2 – Recruitment Process and Annual Assessment of Directors

Under the Terms of Reference, the functions of the Nomination Committee include, among others, assessing and recommending candidates for directorships to the Board and undertaking annual assessment of the effectiveness of the Directors individually and as a whole.

As at the date of approval for issuance of this Statement, the Nomination Committee is in the process of establishing formal criteria and guidelines for the recruitment of directors.

The Board acknowledges that gender diversity is one of the key attributes to an effective and balanced board. In this regard, it is committed to having female representation on the Board, and the Board currently has one (1) female member. The Group also ensures equal opportunity is given to an individual whether for appointment as a director or employment within the Group, based on merits and not on any gender, age or racial bias.

Recommendation 2.3 – Remuneration Committee and Remuneration Policies and Procedures

The Board has established the Remuneration Committee comprising the following members, majority of whom are Non-Executive Directors:

Chairman:

Lim Hun Soon @ David Lim (*Independent Non-Executive Director*)

Members:

Dato' Salleh Bin Mohd Husein (*Independent Non-Executive Chairman*)

Law King Hui (*Group Managing Director*)

The functions of the Remuneration Committee are as follows:

- Review and recommend to the Board the framework of remuneration and its cost, and the remuneration package for Executive Directors and key management personnel, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a select group of comparable companies.
- Review and recommend to the Board the remuneration structure and policy for Executive Directors and key management personnel, the terms of employment or service contract, where relevant, any benefit, pension or incentive scheme entitlement, performance related bonuses, fees and expenses, compensation arrangement, and to review for changes to the policy, where necessary.
- Review annually the Executive Directors' service contracts.
- Ensure the levels of remuneration be sufficiently attractive and be able to retain the Directors and key management personnel needed to run the Group successfully.
- Ensure corporate accountability and governance in respect of the remuneration of the Directors and key management personnel and other relevant functions.

During FYE 31 August 2015, the Remuneration Committee held a total of two (2) meetings, both of which were fully attended by the members of the Remuneration Committee, during which the remuneration packages/policy of the Executive Directors and key management personnel were reviewed and discussed.

Details of the aggregate remuneration received by the Directors from the Group for FYE 31 August 2015 are as follows:

| | Executive Directors | Non-Executive Directors | Total |
|--|----------------------------|--------------------------------|---------------|
| | RM'000 | RM'000 | RM'000 |
| Fees | 250* | 400 | 650 |
| Salaries, bonuses and EPF | 1,432* | 63 [^] | 1,495 |
| Estimated monetary value of benefits-in-kind | 65* | 2 [^] | 67 |
| Total | 1,747 | 465 | 2,212 |

Notes:

* Includes the remuneration of Law En Ruey up to his retirement from the Board on 11 February 2015.

[^] Salaries, EPF and benefits-in-kind derived by Lee Eng Sang prior to his re-designation from Non-Independent Executive Director to Non-Independent Non-Executive Director on 1 November 2014.

The number of Directors (including Law En Ruey who retired from the Board on 11 February 2015) whose remuneration for FYE 31 August 2015 fall under the following bands of RM50,000 is presented below:

| Remuneration Band | No. of Executive Directors | No. of Non-Executive Directors |
|--------------------------|-----------------------------------|---------------------------------------|
| RM50,001 to RM100,000 | – | 3 |
| RM150,001 to RM200,000 | – | 1 |
| RM200,001 to RM250,000 | 1 | – |
| RM550,001 to RM600,000 | 1 | – |
| RM900,001 to RM950,000 | 1 | – |

As at the date of approval for issuance of this Statement, the Remuneration Committee is in the process of formulating the remuneration framework and policies for the Directors.

PRINCIPLE 3 – REINFORCE INDEPENDENCE

Recommendation 3.1 – Annual Assessment of Independent Directors

The Board shall assess the independence of the Independent Directors on an annual basis based on the criteria formulated by the Nomination Committee. As at the date of approval for issuance of this Statement, the Board has, on the recommendation of the Nomination Committee, reviewed and assessed the independence of the Independent Directors of the Company for FYE 31 August 2015.

Recommendation 3.2 – Tenure of Independent Directors

MCCG 2012 recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years and, upon completion of the nine (9) years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

The Board has incorporated this recommendation into the Board Charter. As at the date of approval for issuance of this Statement, the Company's Independent Directors have served on the Board for less than three (3) years.

Recommendation 3.3 – Retention of Independent Directors Whose Tenure Exceeds Nine (9) Years

MCCG 2012 recommends that the board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years.

The Board has incorporated this recommendation into the Board Charter. As at the date of approval for issuance of this Statement, the Company's Independent Directors have served on the Board for less than three (3) years.

Recommendation 3.4 – Separation of Positions of Chairman and Managing Director

The Board practises the separation of the positions of Chairman and Managing Director and the division in their responsibilities.

Dato' Salleh Bin Mohd Husein, who is an Independent Non-Executive Director, is the Chairman of the Group and he leads the Board in the oversight of Management while Law King Hui, who is the Managing Director of the Group, focuses on the running of the business and day-to-day management of the Group.

Recommendation 3.5 – Board Composition

The Board is made up of two (2) Executive Directors (including the Group Managing Director), one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors (including the Chairman). The Board composition provides a good mix of experience and diversity in skills and expertise while maintaining a good balance between Non-Independent and Independent Directors.

The Board has also complied with paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities, which requires at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are independent.

PRINCIPLE 4 – FOSTER COMMITMENT**Recommendation 4.1 – Time Commitment by Directors**

The Directors are expected to devote sufficient time to carry out their roles and responsibilities for the Group. In this regard, all Directors are required to notify the Chairman (of the Board) prior to accepting any new directorship and if there is any conflict of interest arising from the appointment.

For FYE 31 August 2015, there were six (6) Board meetings held and the attendance records of the Directors are as follows:

| Member | Attendance |
|-------------------------------------|------------|
| Dato' Salleh Bin Mohd Husein | 6 out of 6 |
| Law King Hui | 6 out of 6 |
| Lee Swee Hang | 6 out of 6 |
| Lee Eng Sang | 5 out of 6 |
| Dato' Noor Rezan Binti Bapoo Hashim | 5 out of 6 |
| Lim Hun Soon @ David Lim | 6 out of 6 |
| Law En Ruey* | 4 out of 4 |

Note:

* Law En Ruey retired from the Board on 11 February 2015.

Save for Lim Hun Soon @ David Lim, the Directors do not have directorship in any other listed companies. As for Lim Hun Soon @ David Lim, he does not hold more than five (5) directorships in listed companies in compliance with paragraph 15.06 of the Main Market Listing Requirements of Bursa Securities.

Recommendation 4.2 – Continuing Education Programmes for Directors

The Directors are encouraged to attend continuing education programmes to upgrade their knowledge and enhance their skills.

Details of some of the training programmes/forums/seminars/conferences participated by the Directors for FYE 31 August 2015 and up to the date of approval for issuance of this Statement are as follows:

| Director | Title of Training Programme/Forum/Seminar/ Conference | Date |
|------------------------------|---|------------------|
| Dato' Salleh Bin Mohd Husein | • The Interplay Between CG, Non-Financial Information (NFI) and Investment Decision | 22 Sep 2015 |
| | • Revisiting Directors' Statutory Obligations | 21 May 2015 |
| | • Mandatory Accreditation Programme prescribed by Bursa Securities | 19 & 20 Nov 2014 |
| Law King Hui | • International Book Conference 2015 | 26 Nov 2015 |
| | • Revisiting Directors' Statutory Obligations | 21 May 2015 |
| | • Mandatory Accreditation Programme prescribed by Bursa Securities | 8 & 9 Oct 2014 |
| Lee Swee Hang | • Revisiting Directors' Statutory Obligations | 21 May 2015 |
| | • Mandatory Accreditation Programme prescribed by Bursa Securities | 19 & 20 Nov 2014 |

| Director | Title of Training Programme/Forum/Seminar/Conference | Date |
|-------------------------------------|---|------------------------------------|
| Lee Eng Sang | • Revisiting Directors' Statutory Obligations | 21 May 2015 |
| | • Mandatory Accreditation Programme prescribed by Bursa Securities | 19 & 20 Nov 2014 |
| Dato' Noor Rezan Binti Bapoo Hashim | • 2015 Global Transformation Forum: Operationalising Transformation – Shifting Dialogue to Effective Action | 21 & 22 Oct 2015 |
| | • Wacana Perdana Institut Aminuddin Baki, Kolokium Kebangsaan Kepimpinan, Instruksional Ke-11 2015 | 19 – 21 Aug 2015 |
| | • Revisiting Directors' Statutory Obligations | 21 May 2015 |
| | • Mandatory Accreditation Programme prescribed by Bursa Securities | 19 & 20 Nov 2014 |
| | • Audit Committee Institute Breakfast Roundtable titled The Impact of Cyber Security at Board Levels | 12 Nov 2014 |
| | • Half Day Talk on Economic and Financial Market Post Global Financial Crisis, Economic Outlook, Issues and Prospect & Addressing Concerns on TPPA | 11 Nov 2015 |
| Lim Hun Soon @ David Lim | • Capital Market Directors Programme – Module 1, 2A, 2B, 3 and 4 | 16 – 19 June 2015 and 29 June 2015 |
| | • Enhancing Mindfulness and Emotional Intelligence in Life | 25 June 2015 |
| | • Board's Strategic Leadership: Innovation & Growth in Uncertain Times | 21 May 2015 |
| | • Walking the Ethical Tightrope | 18 May 2015 |
| | • Affin Hwang Capital Conference Series 2015: Navigating Through Turbulent Times | 10 Feb 2015 |
| | • FIDE Forum: Financial Services in Turbulent Times – A Dialogue with Tan Sri Lin See-Yan | 5 Feb 2015 |
| | • Half Day Talk on: – Amendments to Companies Bill – GST Implications to Non-Executive Directors – Recovery & Resolution Planning – Cybercriminals in the Financial Services Sector | 2 Dec 2014 |
| | • MIA International Accountants Conference 2014 | 4 & 5 Nov 2014 |

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

Recommendation 5.1 – Compliance with Applicable Financial Reporting Standards

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year under review and their results and cash flows for the financial year then ended. In addition, the financial statements are to be prepared in accordance with the applicable approved accounting standards in Malaysia.

The Board has delegated the task to the Audit Committee while maintaining overall responsibility for the financial statements. Information on the activities undertaken by the Audit Committee is set out in the Audit Committee Report of this Annual Report.

Recommendation 5.2 – Suitability and Independence of External Auditors

The Audit Committee reviews and monitors the suitability and independence of the external auditors on an annual basis. In addition, the Audit Committee has obtained confirmation from the external auditors that they are and have been independent throughout the conduct of the audit engagement. For FYE 31 August 2015, the fees incurred by the Group in relation to the non-audit services by the external auditors amounted to RM23,000.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

Recommendation 6.1 – Establishment of a Sound Framework to Manage Risks

The Board recognises the importance of having effective governance embedding risk management and internal control processes, and acknowledges its overall responsibility for maintaining a sound risk management and internal control system and for reviewing their adequacy and effectiveness in order to safeguard stakeholders' investments and the Group's assets.

Details on the risk management and internal control system of the Group are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Recommendation 6.2 – Establishment of an Internal Audit Function

The Group has outsourced the internal audit function to a professional service firm which is independent of the activities and operations of the Group. The outsourced internal auditors report directly to the Audit Committee. Details on the internal audit function are set out in the Audit Committee Report and the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Recommendation 7.1 – Appropriate Corporate Disclosure Policies and Procedures

The Board takes cognisance of the need for the Group to comply with the applicable laws and regulations pertaining to corporate disclosures, handling of material information as well as maintenance of confidentiality, and will act accordingly.

Recommendation 7.2 – Leverage on Information Technology for Effective Dissemination of Information

Shareholders, investors and the general public are able to obtain information on the Group at the Company's website, www.sasbadiholdings.com. In addition, the Investor Relations section within the Company's website provides information such as the latest media coverage, announcements to Bursa Securities and press releases on the Group, to the shareholders, investors and general public.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**Recommendation 8.1 – Encourage Shareholder Participation at General Meetings**

Notice of the forthcoming AGM together with this Annual Report will be sent out to the shareholders at least 21 days before the date of the meeting to provide the shareholders with sufficient time to prepare for the meeting and to make informed decisions at the meeting.

The Company will allocate time during the AGM for a Question-and-Answer session whereby the Chairman together with the other Board members will be present to answer any questions that the shareholders may have on the Group and its operations.

Recommendation 8.2 – Poll Voting

The Board takes cognisance of the recommendation of MCGG 2012 and will consider putting substantive resolutions to vote by poll. In addition, the Chairman will inform shareholders of their right to demand for a poll at the commencement of the general meeting.

Recommendation 8.3 – Effective Communication and Proactive Engagements with Shareholders

The Board believes the AGM is a principal forum for communication with the shareholders. As mentioned above, the Company will allocate time during the AGM for shareholders to ask questions about the Group and its operations.

In addition, shareholders are able to obtain latest information on the Group at the Company's website and are encouraged to contact the Company should they require more information (Note: Contact details are listed on the website).

This Statement is approved for issuance pursuant to the resolution of the Board dated 15 January 2016.

AUDIT COMMITTEE REPORT

The Audit Committee has been established to assist the Board of Directors ("the Board") of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of internal controls, audit process and monitoring of compliance with laws and regulations (*Note: Sasbadi Holdings and its subsidiaries are collectively referred to as "the Group" herein*).

MEMBERS OF THE AUDIT COMMITTEE

The members of the Audit Committee are as follows:

Chairman:

Lim Hun Soon @ David Lim (*Independent Non-Executive Director*)

Members:

Dato' Salleh Bin Mohd Husein (*Independent Non-Executive Chairman*)

Dato' Noor Rezan Binti Bapoo Hashim (*Senior Independent Non-Executive Director*)

TERMS OF REFERENCE

Membership

The Audit Committee shall be appointed by the Board from among the Directors of the Company and shall comprise at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent.

At least one (1) member of the Audit Committee –

- (i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
- (ii) if he is not a member of the MIA, he must have at least three (3) years' working experience and –
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (iii) either one (1) of the following qualifications and at least three (3) years' post qualification experience in accounting or finance:
 - a degree/masters/doctorate in accounting or finance; or
 - a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
- (iv) at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

No alternate director shall be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Audit Committee.

If a member of the Audit Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their terms of reference.

Meetings and Minutes

The Audit Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Audit Committee Chairman's discretion.

The quorum for a meeting of the Audit Committee shall consist of not less than two (2) members, majority of whom must be Independent Directors.

Other than in circumstances which the Chairman of the Audit Committee considers inappropriate, the Chief Financial Officer, the representatives of the internal auditors and external auditors will attend any meeting of the Audit Committee to make known their views on any matter under consideration by the Audit Committee or which in their opinion, should be brought to the attention of the Audit Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Audit Committee.

At least twice in a financial year, the Audit Committee shall meet with the external auditors without the Executive Directors and representatives of Management being present.

The Audit Committee shall report to the Board and its minutes tabled and noted by the Board. The books containing the minutes of proceedings of any meeting of the Audit Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be open for inspection of any member of the Audit Committee and the Board.

Authority

The Audit Committee is authorised by the Board to investigate any matter within the Audit Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Group and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain external independent professional or other advice, the expenses of which will be borne by the Company and to invite outsiders to attend the Audit Committee's meetings if it considers necessary.

The Audit Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The internal auditors shall report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee on all matters of control and audit.

Functions and Duties

The Audit Committee shall, among others, discharge the following functions and duties:

- (i) Review the following and report the same to the Board:
 - With the external auditors, the audit plan, the nature and scope of work and ascertain that it will meet the needs of the Board, the shareholders and regulatory authorities;

- With the external auditors, their evaluation of the quality and effectiveness of entire accounting system, the adequacy and integrity of the internal control system and the efficiency of the Group's operations;
 - With the external auditors, their audit report;
 - The assistance given by employees of the Group to the external and internal auditors;
 - The adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work including inter alia the appointment of internal auditors;
 - The internal audit programme, processes and results of the internal audit programme, processes, major findings of internal investigation and Management's response and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - The quarterly results and annual financial statements prior to the approval by the Board, focusing particularly on –
 - changes in or implementation of major accounting policies and practices;
 - significant and unusual events;
 - significant adjustments arising from the audit;
 - compliance with accounting standards, other statutory and legal requirements and the going concern assumption;
 - the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group;
 - Any related party transactions and conflict of interest situations that may arise within the Company or Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - Any letter of resignation from the external auditors of the Company;
 - Whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
 - Any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.
- (ii) Review any matters concerning the appointment and dismissal of both the external and internal auditors, their audit fees and render its recommendations accordingly to the Board.
- (iii) Promptly report to Bursa Malaysia Securities Berhad ("Bursa Securities") on any matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of Bursa Securities' Listing Requirements.
- (iv) Verify the allocation of options pursuant to a share scheme for employees, if any, at the end of each financial year and to prepare a statement verifying such allocation in the annual reports.
- (v) Consider and approve the non-audit service(s) to be provided by the external auditors subject to the confirmation from the external auditors that such non-audit service(s) pose no threat to the independence of the external auditors.
- (vi) Carry out any other functions that may be mutually agreed upon by the Audit Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Audit Committee's duties and responsibilities.

ATTENDANCE OF MEETINGS

During the financial year ended ("FYE") 31 August 2015, the Audit Committee held a total of five (5) meetings. The attendance of the members of the Audit Committee at the meetings is as follows:

| Member | Attendance |
|-------------------------------------|------------|
| Lim Hun Soon @ David Lim | 5 out of 5 |
| Dato' Salleh Bin Mohd Husein | 5 out of 5 |
| Dato' Noor Rezan Binti Bapoo Hashim | 4 out of 5 |

SUMMARY OF ACTIVITIES

During FYE 31 August 2015, the Audit Committee had, in discharging its functions and duties, carried out, among others, the following activities:

- Reviewed and recommended for the Board's approval the unaudited quarterly financial results for announcement to Bursa Securities;
- Reviewed and discussed with the external auditors on the following:
 - Their independence and objectivity in carrying out the audit;
 - Their scope of work and audit plan including the audit methodology, areas of risk, materiality threshold and significant accounting standards/policies;
 - The results of their audit work and recommendations pertaining to internal control weaknesses noted in the Group during the course of their audit;
 - The assistance provided by Management to them during the course of their audit; and
 - Without the presence of Executive Directors and Management, matters which they would want to bring to the attention of the Audit Committee;
- Reviewed the audited financial statements and the relevant reports in the Annual Report for FYE 31 August 2014 before recommending for the Board's approval;
- Reviewed the Group's management budget for FYE 31 August 2015 before recommending for the Board's approval;
- Reviewed, discussed and approved the outsourced internal auditors' audit plan and fees for FYE 31 August 2015 before recommending for the Board's endorsement; and
- Reviewed and deliberated on the outsourced internal auditors' reports as explained below.

INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to a professional service firm, which is independent of the activities and operations of the Group, to review the adequacy of the internal control system of the Group.

During the financial year under review, the outsourced internal auditors have carried out an internal control assessment on the following functional areas/sections of the Group based on the internal audit plan for FYE 31 August 2015 as approved by the Audit Committee – (i) Sales and Distribution; (ii) Procurement (Materials and Services); (iii) Revenue and Receivables; (iv) Payments and Payables; and (v) Fixed Assets. Upon completion of the work, the outsourced internal auditors presented their reports to the Audit Committee during the quarterly meetings whereby the outsourced internal auditors' findings and recommendations as well as the Management's responses and action plans were deliberated.

The fee incurred by the Group in relation to the outsourced internal audit function for FYE 31 August 2015 was RM32,800.

This Report is approved for issuance pursuant to the resolution of the Board dated 15 January 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") is pleased to present the following Statement on Risk Management and Internal Control of Sasbadi Holdings and its subsidiaries ("the Group") for the financial year ended ("FYE") 31 August 2015. This Statement has been prepared in accordance with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of Bursa Malaysia Securities Berhad ("Bursa Securities").

BOARD RESPONSIBILITY

The Board recognises the importance of having effective governance embedding risk management and internal control processes in order for the Group to achieve its objectives and sustain growth and success in its business operations. In this regard, the Board acknowledges its overall responsibility for maintaining a sound risk management and internal control system and for reviewing their adequacy and effectiveness in order to safeguard stakeholders' investments and the Group's assets. While maintaining overall responsibility, the Board has delegated its functions pertaining to risk management and internal controls to the Audit Committee. In addition, the Board/Audit Committee is assisted by the Management in the implementation of the policies and procedures established by the Board on risk management and internal controls.

The Board, however, recognises that, due to the limitations inherent in any internal control system, the system is designed to manage, and not to eliminate, the risk of failure to achieve the Group's business objectives, and it can only provide reasonable but not absolute assurance against material misstatement of financial information and records, or against financial losses or fraud.

RISK MANAGEMENT

During its listing exercise on the Main Market of Bursa Securities, Sasbadi Holdings had undertaken the process of identifying and assessing the risks faced by the Group in its operations, and disclosures of the risks together with the measures taken to manage or mitigate the risks were made in the Company's Prospectus dated 7 July 2014.

Subsequently, the Group has, on 29 October 2015, formalised and adopted a risk management framework ("RM Framework") formulated to assist the Group in managing the various risks faced in its daily business operations. Under the RM Framework, a Risk Management Team ("RMT"), headed by the Group Chief Financial Officer and comprising the Heads of various functions and departments in the Group, has been established to actively manage the risks faced by the Group. The RMT shall report to the Executive Management Team ("EMT") comprising the Executive Directors, which in turn, reports to the Board.

The duties and responsibilities of the RMT are as follows:

- Design, implement and monitor the risk management framework in accordance with the Group's strategic vision and overall risk appetite;
- Identify, evaluate, monitor and mitigate the risks relevant to the Group's business and the achievement of the Group's objectives and strategies;
- Implement, monitor and evaluate the Group's system of risk management and internal control;
- Inculcate and champion the culture of risk awareness among the Group's employees;
- Identify changes to risks or emerging risks, take appropriate actions, and promptly bring them to the attention of the EMT and the Board;
- Conduct an annual review of risks and the risk management framework and make recommendations to the EMT and the Board;
- Organise periodical training and education for the Group's employees pertaining to risk management; and
- Undertake any tasks relating to risk management, when required.

In carrying out its duties and responsibilities, the RMT shall have the authority to seek relevant information from any of the Group's employees. In addition, the RMT may seek external independent professional advice at the Group's expense, if necessary.

The RMT shall meet periodically. In addition, the Group Chief Financial Officer (as the Head of the RMT) or the EMT or the Board may call for an ad-hoc meeting as and when required. Also, the RMT is to assess and update a checklist of risks (which is prepared based on a Registry of Risks) on a monthly basis, and this is reported to the EMT. The Registry of Risks sets out, among others, (i) the risks faced by the Group; (ii) the risk owners, i.e. department(s) responsible for managing the risks; (iii) the possible impact and likelihood of the risks; and (iv) the suggested risk control actions.

INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system include, among others, the following:

- Defined organisation structure with proper segregation of duties, responsibilities and authorities;
- Board Committees (i.e. Audit Committee, Nomination Committee and Remuneration Committee) which undertake their duties and responsibilities according to their delegated functions as set out in their respective Terms of Reference;
- Formalised Code of Conduct and Whistleblowing Policy;
- Documentation of key business processes and authority limits matrix to ensure decisions are made by the relevant individuals/groups within the authority limits established;
- Periodic Board and Management sub-group meetings to discuss financial performance and operational matters;
- Annual budgeting process;
- Outsourced internal audit function which reports to the Audit Committee;
- Employment procedures and process to facilitate the recruitment and evaluation of employees; and
- Insurance coverage on the Group's assets.

INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to a professional service firm, which is independent of the activities and operations of the Group, to review the adequacy of the internal control system of the Group. The outsourced internal auditors, which report directly to the Audit Committee, conducted internal control assessment on the Group in order to identify potential areas with weak internal controls, non-compliance of policies and procedures and/or unsound business practices.

During the financial year under review, the outsourced internal auditors have carried out an internal control assessment on the following functional areas/sections of the Group based on the internal audit plan for FYE 31 August 2015 as approved by the Audit Committee – (i) Sales and Distribution; (ii) Procurement (Materials and Services); (iii) Revenue and Receivables; (iv) Payments and Payables; and (v) Fixed Assets.

Upon completion of the work, the outsourced internal auditors presented their reports to the Audit Committee during the quarterly meetings whereby the outsourced internal auditors' findings and recommendations as well as the Management's responses and action plans were deliberated.

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES, IF ANY

During FYE 31 August 2015 and up to the date of approval for issuance of this Statement, there were no material losses incurred by the Group arising from weaknesses in its internal control system.

CONCLUSION

Based on the foregoing, the Board is of the view that the Group's risk management and internal control system is adequate and effective.

The Board has also received assurance from the Group Managing Director and the Group Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the existing risk management and internal control system of the Group.

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for FYE 31 August 2015, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers; or
- (b) is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This Statement is approved for issuance pursuant to the resolution of the Board dated 15 January 2016.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS FROM PUBLIC ISSUE

Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 23 July 2014 ("Listing"). In conjunction with the Listing, the Company undertook a public issue of 21,200,000 new ordinary shares of RM0.50 each at an issue price of RM1.19 per share ("Public Issue"), raising gross proceeds of RM25.228 million. The status of the utilisation of the gross proceeds from the Public Issue as at 15 January 2016 is as follows:

| Purpose | Proposed utilisation | Actual utilisation | Deviation | Balance | Estimated timeframe for utilisation (from the listing date) |
|---|----------------------|--------------------|-----------|---------|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | |
| Establishment of applied learning centres | 1,000 | (134) | – | 866 | Within two (2) years |
| Part-financing of proposed acquisition of publishing businesses | 17,500 [^] | (17,500) | – | – | Within two (2) years |
| Financing of the acquisition of intellectual property rights | 1,000 ^{^^} | (1,000) | – | – | Within one (1) year |
| Working capital | 2,728 | (2,379) | (349)* | – | Within one (1) year |
| Estimated listing expenses | 3,000 | (3,349) | 349* | – | Upon listing |
| Total gross proceeds | 25,228 | (24,362) | – | 866 | |

Note: The utilisation of proceeds as disclosed above should be read in conjunction with Section 3.6 of the Company's Prospectus dated 7 July 2014 and the Company's announcements dated 29 October 2014 and 7 August 2015.

[^] Revised as per the Company's announcements dated 29 October 2014 and 7 August 2015.

^{^^} Revised as per the Company's announcement dated 29 October 2014.

* The actual listing expenses incurred were more than the estimated listing expenses by RM0.349 million. In accordance with Section 3.6 of the Company's Prospectus dated 7 July 2014, the deficit was funded out of the portion allocated for working capital.

SHARE BUY-BACK

The Company did not have a share buy-back programme in place during the financial year ended 31 August 2015.

OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options or convertible securities during the financial year ended 31 August 2015.

DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year ended 31 August 2015.

SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries ("the Group"), Directors or Management by the relevant regulatory bodies during the financial year ended 31 August 2015.

NON-AUDIT FEES

The Company incurred non-audit fees amounting to RM23,000 for services rendered by external auditors to the Group during the financial year ended 31 August 2015. The non-audit services provided by the external auditors were in relation to the review of the Statement on Risk Management and Internal Control, and the review of the breakdown of realised and unrealised profits or losses.

VARIATION IN RESULTS

There was no material variation between the audited results for the financial year ended 31 August 2015 and the unaudited results announced by the Company to Bursa Securities previously.

PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not issue any profit estimate, forecast or projection for the financial year ended 31 August 2015.

PROFIT GUARANTEE

The Company did not provide any profit guarantee during the financial year ended 31 August 2015.

MATERIAL CONTACTS INVOLVING DIRECTORS AND/OR MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and/or its subsidiaries involving the interest of Directors and/or major shareholders, either subsisting at the end of the financial year ended 31 August 2015 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

There were no material recurrent related party transactions entered into by the Group during the financial year ended 31 August 2015.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year under review and their results and cash flows for the financial year then ended. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia.

Therefore, in preparing the financial statements of the Group and the Company for the financial year ended 31 August 2015, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been complied with, subject to any material departures being disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and the Company and to prevent and detect fraud and other such irregularities.

This statement is made in accordance with the resolution of the Board dated 15 January 2016.



Financial Statements

| | |
|-----|--|
| 54 | Directors' Report |
| 59 | Statements of Financial Position |
| 60 | Statement of Profit or Loss and Other Comprehensive Income |
| 62 | Consolidated Statement of Changes in Equity |
| 64 | Statement of Changes in Equity |
| 65 | Statements of Cash Flows |
| 67 | Notes to the Financial Statements |
| 127 | Statement by Directors |
| 128 | Statutory Declaration |
| 129 | Independent Auditors' Report |

DIRECTORS' REPORT

for the financial year ended 31 August 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 August 2015.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

| | Group RM'000 | Company RM'000 |
|--------------------------------------|-----------------|-------------------|
| Profit for the year attributable to: | | |
| Owners of the Company | 15,331 | 3,144 |
| Non-controlling interests | 455 | - |
| | <u>15,786</u> | <u>3,144</u> |

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid an interim dividend of 3 sen per ordinary share totalling RM3,810,000 in respect of the financial year ended 31 August 2015 on 23 March 2015.

The final dividend recommended by the Directors in respect of the financial year ended 31 August 2015 is 2 sen per ordinary share.

Directors of the Company

Directors who served since the date of the last report are:

Dato' Salleh Bin Mohd Husein
Law King Hui
Lee Swee Hang
Lee Eng Sang
Dato' Noor Rezan Binti Bapoo Hashim
Lim Hun Soon @ David Lim
Law En Ruey (retired at the annual general meeting held on 11 February 2015)

Directors' interests

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares of RM0.50 each | | | |
|----------------------------------|--|---------|------|-----------------|
| | At 1.9.2014 | Bought | Sold | At 31.8.2015 |
| Interests in the Company: | | | | |
| Dato' Salleh Bin Mohd Husein | 100,000 | - | - | 100,000 |
| Law King Hui | | | | |
| - own | 25,400,000 | 194,500 | - | 25,594,500 |
| - others | 150,000 | - | - | 150,000 |
| Lee Swee Hang | 12,700,000 | 135,500 | - | 12,835,500 |
| Lee Eng Sang | 6,350,000 | - | - | 6,350,000 |
| Dato' Noor Rezan Binti Bapoo | | | | |
| Hashim | 100,000 | - | - | 100,000 |
| Lim Hun Soon @ David Lim | 100,000 | - | - | 100,000 |
| Deemed interests in the Company: | | | | |
| Law King Hui ⁽¹⁾ | 25,400,000 | - | - | 25,400,000 |
| Lee Swee Hang ⁽¹⁾ | 25,400,000 | - | - | 25,400,000 |
| Lee Eng Sang ⁽¹⁾ | 25,400,000 | - | - | 25,400,000 |

Notes:

- ⁽¹⁾ Deemed interested by virtue of their interests in Karya Kencana Sdn. Bhd. pursuant to Section 6A of the Companies Act 1965.

By virtue of their interests in the ordinary shares of the Company, Law King Hui, Lee Swee Hang and Lee Eng Sang are also deemed interested in the ordinary shares of the subsidiaries during the financial year to the extent that Sasbadi Holdings Berhad has an interest.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

Other statutory information (continued)

- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than the effect arising from the acquisition of Sanjung Unggul Sdn. Bhd. as disclosed in Note 28 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 August 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the financial year

Significant events during the financial year are disclosed in Note 27 to the financial statements.

Subsequent events

Subsequent events after the financial year are disclosed in Note 29 to the financial statements.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Law King Hui

.....
Lee Swee Hang

Kuala Lumpur,

Date: 31 December 2015

STATEMENTS OF FINANCIAL POSITION

as at 31 August 2015

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Assets | | | | | |
| Property, plant and equipment | 3 | 30,872 | 30,261 | - | - |
| Intangible assets | 4 | 22,326 | 4,950 | - | - |
| Investments in subsidiaries | 5 | - | - | 75,758 | 53,258 |
| Other investments | 6 | 343 | 37 | - | - |
| Deferred tax assets | 12 | 64 | - | - | - |
| Total non-current assets | | <u>53,605</u> | <u>35,248</u> | <u>75,758</u> | <u>53,258</u> |
| Inventories | 7 | 37,060 | 20,215 | - | - |
| Current tax assets | | 1,144 | 741 | - | - |
| Trade and other receivables | 8 | 40,417 | 31,163 | 1,143 | 3,017 |
| Prepayments | | 244 | 884 | - | 24 |
| Dividend receivable | | - | - | - | 3,000 |
| Cash and cash equivalents | 9 | 8,338 | 26,290 | 1,122 | 18,552 |
| Total current assets | | <u>87,203</u> | <u>79,293</u> | <u>2,265</u> | <u>24,593</u> |
| Total assets | | <u>140,808</u> | <u>114,541</u> | <u>78,023</u> | <u>77,851</u> |
| Equity | | | | | |
| Share capital | | 63,500 | 63,500 | 63,500 | 63,500 |
| Share premium | | 13,461 | 13,461 | 13,461 | 13,461 |
| Reserves | | <u>28,269</u> | <u>16,748</u> | <u>179</u> | <u>845</u> |
| Equity attributable to owners of the Company | 10 | 105,230 | 93,709 | 77,140 | 77,806 |
| Non-controlling interests | | <u>5,061</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total equity | | <u>110,291</u> | <u>93,709</u> | <u>77,140</u> | <u>77,806</u> |
| Liabilities | | | | | |
| Borrowings | 11 | 99 | 198 | - | - |
| Deferred tax liabilities | 12 | 6,092 | 4,332 | - | - |
| Total non-current liabilities | | <u>6,191</u> | <u>4,530</u> | <u>-</u> | <u>-</u> |
| Borrowings | 11 | 9,333 | 5,827 | - | - |
| Provisions | 13 | 1,199 | 1,683 | - | - |
| Trade and other payables | 14 | 13,438 | 8,004 | 883 | 45 |
| Current tax liabilities | | 356 | 788 | - | - |
| Total current liabilities | | <u>24,326</u> | <u>16,302</u> | <u>883</u> | <u>45</u> |
| Total liabilities | | <u>30,517</u> | <u>20,832</u> | <u>883</u> | <u>45</u> |
| Total equity and liabilities | | <u>140,808</u> | <u>114,541</u> | <u>78,023</u> | <u>77,851</u> |

The notes on pages 67 to 126 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 August 2015

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Revenue | 15 | 87,954 | 79,509 | 3,840 | 3,000 |
| Cost of sales | | (46,459) | (42,762) | - | - |
| Gross profit | | 41,495 | 36,747 | 3,840 | 3,000 |
| Other operating income | | 398 | 221 | - | - |
| Distribution expenses | | (7,326) | (6,612) | (8) | - |
| Administrative expenses | | (12,010) | (9,808) | (821) | - |
| Other operating expenses | | (1,122) | (3,339) | (299) | (1,348) |
| Operating profit | | 21,435 | 17,209 | 2,712 | 1,652 |
| Interest income | | 447 | 132 | 447 | 55 |
| Finance costs | 18 | (472) | (456) | - | - |
| Profit before tax | | 21,410 | 16,885 | 3,159 | 1,707 |
| Tax expense | 19 | (5,624) | (4,634) | (15) | - |
| Profit for the financial year | 16 | 15,786 | 12,251 | 3,144 | 1,707 |
| Other comprehensive income, net of tax | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | | |
| Revaluation surplus on property, plant and equipment | 17 | - | 2,256 | - | - |
| Total comprehensive income for the financial year | | 15,786 | 14,507 | 3,144 | 1,707 |

The notes on pages 67 to 126 are an integral part of these financial statements.

| | | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | Note | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 15,331 | 12,251 | 3,144 | 1,707 |
| Non-controlling interests | | 455 | - | - | - |
| | | <u>15,786</u> | <u>12,251</u> | <u>3,144</u> | <u>1,707</u> |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 15,331 | 14,507 | 3,144 | 1,707 |
| Non-controlling interests | | 455 | - | - | - |
| | | <u>15,786</u> | <u>14,507</u> | <u>3,144</u> | <u>1,707</u> |
| Basic earnings per ordinary share (sen) | 21 | <u>12.07</u> | <u>11.32</u> | | |

The notes on pages 67 to 126 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 August 2015

| Group | Non-distributable | | | | Distributable | | | |
|--|-------------------------|-------------------------|--|-------------------------------|-----------------------------|-----------------|-------------------------------------|------------------------|
| | Share capital RM'000 | Share premium RM'000 | Merger reserve/ (deficit) RM'000 | Revaluation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| At 1 September 2013 | * | - | 2,400 | 11,340 | 49,901 | 63,641 | - | 63,641 |
| Revaluation surplus on property, plant and equipment | - | - | - | 2,256 | - | 2,256 | - | 2,256 |
| Total other comprehensive income | - | - | - | 2,256 | - | 2,256 | - | 2,256 |
| Profit for the financial year | - | - | - | - | 12,251 | 12,251 | - | 12,251 |
| Total comprehensive income for the financial year | - | - | - | 2,256 | 12,251 | 14,507 | - | 14,507 |
| <i>Contributions by and distributions to owners of the Company</i> | | | | | | | | |
| Dividends paid by a subsidiary to the previous owners (Note 20) | - | - | - | - | (8,500) | (8,500) | - | (8,500) |
| Effect of acquisition of a subsidiary (Note 28(b)) | 52,900 | - | (52,900) | - | - | - | - | - |
| Issue of ordinary shares | 10,600 | 14,628 | - | - | - | 25,228 | - | 25,228 |
| Share issuance expenses | - | (1,167) | - | - | - | (1,167) | - | (1,167) |
| Total transactions with owners of the Company | 63,500 | 13,461 | (52,900) | - | (8,500) | 15,561 | - | 15,561 |
| At 31 August 2014 | 63,500 | 13,461 | (50,500) | 13,596 | 53,652 | 93,709 | - | 93,709 |

* Denotes RM2

The notes on pages 67 to 126 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 August 2015

| Company | Non-distributable | | Distributable (Accumulated losses)/ Retained earnings | Total equity |
|--|----------------------------|----------------------------|---|-----------------|
| | Share capital RM'000 | Share premium RM'000 | RM'000 | |
| At 1 September 2013 | * | - | (862) | (862) |
| Profit and total comprehensive income for the financial year | - | - | 1,707 | 1,707 |
| <i>Contributions by and distributions to owners of the Company</i> | | | | |
| Effect of acquisition of a subsidiary (Note 28(b)) | 52,900 | - | - | 52,900 |
| Issue of ordinary shares | 10,600 | 14,628 | - | 25,228 |
| Share issuance expenses | - | (1,167) | - | (1,167) |
| Total transactions with owners of the Company | 63,500 | 13,461 | - | 76,961 |
| At 31 August 2014/1 September 2014 | 63,500 | 13,461 | 845 | 77,806 |
| Profit and total comprehensive income for the financial year | - | - | 3,144 | 3,144 |
| <i>Contributions by and distributions to owners of the Company</i> | | | | |
| Dividends to owners of the Company (Note 20) | - | - | (3,810) | (3,810) |
| Total transactions with owners of the Company | - | - | (3,810) | (3,810) |
| At 31 August 2015 | 63,500 | 13,461 | 179 | 77,140 |
| | Note 10.1 | Note 10.2 | | |

* Denotes RM2

The notes on pages 67 to 126 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 August 2015

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 21,410 | 16,885 | 3,159 | 1,707 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation on property, plant and equipment | 3 | 2,306 | 2,034 | - | - |
| Gain on disposal of property, plant and equipment | | (132) | (41) | - | - |
| Amortisation of intangible assets | 4 | 617 | 550 | - | - |
| Inventories write-down | 7 | 2,043 | - | - | - |
| Impairment loss on available for sale financial assets | | 2 | - | - | - |
| Listing expenses | | - | 1,330 | - | 1,330 |
| Interest expense | | 434 | 373 | - | - |
| Interest income | | (447) | (132) | (447) | (55) |
| (Reversal of provision) / Provision for sales returns | 13 | (484) | 622 | - | - |
| Operating profit before changes in working capital | | 25,749 | 21,621 | 2,712 | 2,982 |
| Changes in inventories | | (13,056) | (5,182) | - | - |
| Changes in trade and other receivables and prepayments | | (3,767) | (11,499) | 4,898 | (6,399) |
| Changes in trade and other payables | | 1,401 | 1,469 | 838 | (992) |
| Cash generated from/(used in) operations | | 10,327 | 6,409 | 8,448 | (4,409) |
| Interest paid | | (422) | (349) | - | - |
| Interest received | | 447 | 132 | 447 | 55 |
| Tax paid | | (5,892) | (5,084) | (15) | - |
| Net cash generated from/(used in) operating activities | | 4,460 | 1,108 | 8,880 | (4,354) |
| Cash flows from investing activities | | | | | |
| Acquisition of intangible assets | 4 | (1,000) | (5,500) | - | - |
| Acquisition of property, plant and equipment | 3 | (2,509) | (1,264) | - | - |
| Acquisition of subsidiaries, (net of cash and cash equivalents) | 28 | (18,633) | - | (22,500) | - |
| Proceeds from disposal of property, plant and equipment | | 145 | 41 | - | - |
| Net cash used in investing activities | | (21,997) | (6,723) | (22,500) | - |

| | | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | Note | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Cash flows from financing activities | | | | | |
| Interest paid | | (12) | (24) | - | - |
| Listing expenses paid | | - | (2,322) | - | (2,322) |
| Repayment of finance lease liabilities | | (99) | (249) | - | - |
| Gross proceeds from issuance of shares | | - | 25,228 | - | 25,228 |
| Net drawdown of bankers' acceptances | | 941 | - | - | - |
| Dividends paid to owners of the Company | 20 | (3,810) | - | (3,810) | - |
| Dividends paid to previous owners of a subsidiary | 20 | - | (8,500) | - | - |
| Net cash (used in)/generated from financing activities | | <u>(2,980)</u> | <u>14,133</u> | <u>(3,810)</u> | <u>22,906</u> |
| Net (decrease)/increase in cash and cash equivalents | | (20,517) | 8,518 | (17,430) | 18,552 |
| Cash and cash equivalents at beginning of the financial year | | <u>20,562</u> | <u>12,044</u> | <u>18,552</u> | <u>*</u> |
| Cash and cash equivalents at end of the financial year | (i) | <u>45</u> | <u>20,562</u> | <u>1,122</u> | <u>18,552</u> |

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | | Group | | Company | |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
| | Note | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Cash and bank balances | | 8,299 | 26,251 | 1,122 | 18,552 |
| Deposit placed with a licensed bank | | <u>39</u> | <u>39</u> | <u>-</u> | <u>-</u> |
| | | 8,338 | 26,290 | 1,122 | 18,552 |
| Less: Bank overdraft | | <u>(8,293)</u> | <u>(5,728)</u> | <u>-</u> | <u>-</u> |
| | | <u>45</u> | <u>20,562</u> | <u>1,122</u> | <u>18,552</u> |

* Denotes RM2

The notes on pages 67 to 126 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Sasbadi Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

Lot 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor

Registered office

Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 August 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 August 2015 do not include other entities.

The Company is principally engaged in investment holding activities. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 31 December 2015.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 15, *Revenue from Contracts with Customers*
- MFRS 9, *Financial Instruments (2014)*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 September 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016 except for Amendments to MFRS 11, MFRS 14, Amendments to MFRS 141 and Amendments to MFRS 119, which are not applicable to the Group and the Company.
- from the annual period beginning on 1 September 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the financial statements of the Group and the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than valuation of condominiums, land and buildings, measurement of recoverable amount of cash-generating unit, provision for sales returns and acquisition of subsidiaries as disclosed in Note 3, Note 4, Note 13 and Note 28(a) respectively.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) *Restructuring among common shareholders*

During a restructuring where the combining entities are controlled by the same parties both before and after the combination, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financing statements at their respective carrying amounts without restatement. The differences between the cost of acquisition and the nominal value of the shares acquired are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

(iv) *Loss of control*

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) *Non-controlling interests*

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income for the year between non-controlling interests and the owners of the Company.

Loss applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Other financial assets categorised as fair value through profit or loss are subsequently measured at the fair values with the gain or loss recognised in profit or loss.

(b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts (continued)

Fair values arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the financial asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its property comprising condominiums and leasehold land and buildings every 4 to 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to the date of valuation are stated at cost until the next revaluation exercise.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|--|----------|
| Leasehold land | 60 years |
| Condominiums | 50 years |
| Buildings | 50 years |
| Motor vehicles | 5 years |
| Office equipment, furniture and fittings | 10 years |
| Renovation | 10 years |
| Computers | 3 years |

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill is not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|-------------------------|----------|
| Intellectual properties | 10 years |
|-------------------------|----------|

Amortisation methods, useful lives, and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in first-out method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and balances and deposits with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Sales returns

A provision for sales returns is recognised based on the estimated liabilities arising from the returns of goods sold by the customers. The estimated liabilities are made after taking into consideration the historical trend of sales returns.

2. Significant accounting policies (continued)

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

2. Significant accounting policies (continued)

(n) Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(o) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Significant accounting policies (continued)

(p) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is not presented as the Group has no shares or other instruments with potential dilutive effects.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(r) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefits of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

2. Significant accounting policies (continued)

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

| Group | Condominiums RM'000 | Leasehold land RM'000 | Buildings RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Computers RM'000 | Total RM'000 |
|--|------------------------|-----------------------------|---------------------|-----------------------------|---|----------------------|---------------------|-----------------|
| <i>Cost/Valuation</i> | | | | | | | | |
| At 1 September 2013 | 298 | 10,550 | 13,550 | 7,879 | 1,609 | 268 | 1,203 | 35,357 |
| Additions | - | - | - | 922 | 198 | - | 144 | 1,264 |
| Disposals | - | - | - | (140) | - | - | - | (140) |
| Adjustment for revaluation | - | 800 | 1,100 | - | - | - | - | 1,900 |
| At 31 August 2014/1 September 2014 | 298 | 11,350 | 14,650 | 8,661 | 1,807 | 268 | 1,347 | 38,381 |
| Acquisitions through business combinations | - | - | - | 961 | 536 | 14 | 286 | 1,797 |
| Additions | - | - | - | 2,100 | 221 | 3 | 185 | 2,509 |
| Disposals | - | - | - | (820) | (20) | - | - | (840) |
| At 31 August 2015 | 298 | 11,350 | 14,650 | 10,902 | 2,544 | 285 | 1,818 | 41,847 |
| Representing items at: | | | | | | | | |
| Cost | - | - | - | 10,902 | 2,544 | 285 | 1,818 | 15,549 |
| Directors' valuation | 298 | 11,350 | 14,650 | - | - | - | - | 26,298 |
| At 31 August 2015 | 298 | 11,350 | 14,650 | 10,902 | 2,544 | 285 | 1,818 | 41,847 |

3. Property, plant and equipment (continued)

| Group | Condominiums RM'000 | Leasehold land RM'000 | Buildings RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Computers RM'000 | Total RM'000 |
|--|------------------------|-----------------------------|---------------------|-----------------------------|---|----------------------|---------------------|-----------------|
| Depreciation and impairment loss | | | | | | | | |
| At 1 September 2013 | 4 | 215 | 339 | 4,480 | 1,118 | 223 | 955 | 7,334 |
| Depreciation for the year | 4 | 215 | 339 | 1,182 | 149 | 7 | 138 | 2,034 |
| Disposals | - | - | - | (140) | - | - | - | (140) |
| Adjustments for revaluation | - | (430) | (678) | - | - | - | - | (1,108) |
| At 31 August 2014/1 September 2014 | 8 | - | - | 5,522 | 1,267 | 230 | 1,093 | 8,120 |
| Acquisitions through business combinations | - | - | - | 752 | 380 | 1 | 243 | 1,376 |
| Depreciation for the year | 4 | 232 | 366 | 1,423 | 125 | 8 | 148 | 2,306 |
| Disposals | - | - | - | (820) | (7) | - | - | (827) |
| At 31 August 2015 | 12 | 232 | 366 | 6,877 | 1,765 | 239 | 1,484 | 10,975 |
| Carrying amounts | | | | | | | | |
| At 31 August 2013/1 September 2013 | 294 | 10,335 | 13,211 | 3,399 | 491 | 45 | 248 | 28,023 |
| At 31 August 2014/1 September 2014 | 290 | 11,350 | 14,650 | 3,139 | 540 | 38 | 254 | 30,261 |
| At 31 August 2015 | 286 | 11,118 | 14,284 | 4,025 | 779 | 46 | 334 | 30,872 |

3. Property, plant and equipment (continued)

Titles

The strata title for the condominiums and individual title for the leasehold land have not yet been issued to a subsidiary. The lease period of the leasehold land expires on 21 November 2061.

Revaluation

The Group's condominiums, leasehold land and buildings are stated at Directors' valuation which is supported by the professional valuation done in April 2014 by an external independent valuation company, City Valuers & Consultants Sdn. Bhd., using the "Market Value" basis of valuation.

Had the condominiums, leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets that would have been included in the financial statements at the end of the financial year are as follows:

| | Group | |
|----------------|------------------------|------------------------|
| | 2015 RM'000 | 2014 RM'000 |
| Leasehold land | 2,200 | 2,248 |
| Condominiums | 243 | 252 |
| Buildings | 6,606 | 6,785 |
| | <u>9,049</u> | <u>9,285</u> |

Finance lease liabilities

Included in property, plant and equipment of the Group are motor vehicles acquired under finance lease arrangements with carrying amounts of RM335,000 (2014: RM869,000).

Security

Certain land and buildings of the Group with carrying amounts of RM25,485,000 (2014: RM26,083,000) were charged to banks as security for banking facilities granted to the Group.

4. Intangible assets

| Group | Goodwill RM'000 | Intellectual properties RM'000 | Total RM'000 |
|---|--------------------|--------------------------------------|-----------------|
| Cost | | | |
| At 1 September 2013 | - | - | - |
| Additions | - | 5,500 | 5,500 |
| At 31 August 2014/1 September 2014 | - | 5,500 | 5,500 |
| Acquisitions through business combinations (Note 28(a)) | 10,253 | 6,740 | 16,993 |
| Other additions (Note 27(b)) | - | 1,000 | 1,000 |
| At 31 August 2015 | 10,253 | 13,240 | 23,493 |
| Accumulated amortisation and impairment loss | | | |
| At 1 September 2013 | - | - | - |
| Amortisation for the year | - | 550 | 550 |
| At 31 August 2014/1 September 2014 | - | 550 | 550 |
| Amortisation for the year | - | 617 | 617 |
| At 31 August 2015 | - | 1,167 | 1,167 |
| Carrying amount | | | |
| 31 August 2014/1 September 2014 | - | 4,950 | 4,950 |
| At 31 August 2015 | 10,253 | 12,073 | 22,326 |
| | Note 4.1 | Note 4.2 | |

4.1 Goodwill

Subsumed within goodwill are the brand names and the synergies expected to be achieved from integrating Sanjung Unggul Sdn Bhd ("Sanjung Unggul") (the subsidiary acquired by the Company during the year as disclosed in Note 28(a)) and its subsidiaries ("Sanjung Unggul Group") into the Group's existing publishing business.

4.2 Intellectual properties

The intellectual properties comprise the publishing rights and production files in relation to educational and learning materials for national schools and institutions of teacher education acquired by the Group as well as the publishing rights and production files in relation to educational and learning materials for national-type Chinese schools of the Sanjung Unggul Group recognised through the acquisition of Sanjung Unggul by the Company during the year as disclosed in Note 28(a).

The intellectual properties are amortised over 10 years as the management estimates that the intellectual properties can be used for commercial activities for a duration of 10 years.

4. Intangible assets (continued)

4.3 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units ("CGU") which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill of RM10,253,000 is allocated to the subsidiaries acquired during the year, i.e. the Sanjung Unggul Group.

In assessing whether goodwill is impaired, the carrying amount of the CGU (including goodwill) is compared with the recoverable amount of the CGU. The recoverable amount is the higher of value in use and fair value less cost of disposal.

The recoverable amount of the business unit is higher than its carrying amount and was based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing operation of the business as a licensed book publisher and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and financial budget approved by management covering a 5-year business plan.
- The anticipated sales and cost of sales growth rate of 5% per annum.
- The projected gross margins which reflects the average historical gross margin, adjusted for projected market and economic conditions and internal resource efficiency.
- The unit will continue its operations indefinitely.
- A discount rate used of 12% which approximates the Group's weighted average cost of capital, was applied.

The values assigned to the key assumptions represent management's assessment of future trends in the industries and are based on both external sources and internal sources.

Sensitivity analysis

The above estimates are sensitive to an increase/(decrease) of a one percentage point in discount rate used would have (decreased)/increased the recoverable amount by approximately (RM1,052,000)/RM1,243,000.

5. Investments in subsidiaries

| | Company | |
|--------------------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Unquoted shares, at cost | <u>75,758</u> | <u>53,258</u> |

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest and voting interest | |
|--------------------------------------|--------------------------|---|--|-----------|
| | | | 2015 % | 2014 % |
| Sasbadi Sdn. Bhd. | Malaysia | Publisher of printed educational materials, distribution of applied learning products, and trading of paper | 100 | 100 |
| Maya Press Sdn. Bhd.* | Malaysia | Imprint for general titles | 100 | 100 |
| Orbit Buku Sdn. Bhd. | Malaysia | Publisher of supplementary educational materials | 100 | 100 |
| Sasbadi Online Sdn. Bhd. | Malaysia | Publisher of online educational resources | 100 | 100 |
| Malaysian Book Promotions Sdn. Bhd.* | Malaysia | Publishing and distribution of printed educational materials and organiser of book fairs and exhibitions | 100 | 100 |
| MBP Publications Sdn. Bhd. | Malaysia | Imprint for printed educational materials | 100 | 100 |
| Sasbadi Learning Solutions Sdn. Bhd. | Malaysia | Distribution of applied learning products | 100 | 100 |
| Mindtech Education Sdn. Bhd.** | Malaysia | Dormant | 100 | - |

* Audited by other firms of chartered accountants.

** Consolidated based on management accounts as at 31 August 2015 as the entity was incorporated on 26 June 2015.

5. Investments in subsidiaries (continued)

| Name of subsidiary | Country of incorporation | Principal activities | Effective ownership interest and voting interest | |
|--|--------------------------|--------------------------------------|--|-----------|
| | | | 2015 % | 2014 % |
| Sanjung Unggul Sdn. Bhd.* | Malaysia | General trade and investment holding | 70 | - |
| <i>Subsidiary of Sanjung Unggul Sdn. Bhd.</i> | | | | |
| The Malaya Press Sdn. Berhad* | Malaysia | Publishing of books | 70 | - |
| <i>Subsidiaries of The Malaya Press Sdn. Berhad.</i> | | | | |
| Media Distribution Sdn. Bhd.* | Malaysia | Dormant | 70 | - |
| Jinbang Publication Sdn. Bhd.* | Malaysia | Publication of books | 70 | - |
| Big Tree Publications Sdn. Bhd.* | Malaysia | Publication of books | 70 | - |

* Audited by other firms of chartered accountants.

6. Other investments

| | Group | |
|-------------------------------------|----------------|----------------|
| Available-for-sale financial assets | 2015 RM'000 | 2014 RM'000 |
| <i>At cost</i> | | |
| Club membership | 37 | 37 |
| Shares quoted in Malaysia | 306 | - |
| | <u>343</u> | <u>37</u> |
| Market value of quoted investments | <u>306</u> | <u>-</u> |

7. Inventories

| | Group | |
|---|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Raw materials | 7,749 | 3,138 |
| Finished goods | 29,311 | 17,077 |
| | <u>37,060</u> | <u>20,215</u> |
| <i>Recognised in profit or loss:</i> | | |
| Inventories recognised as cost of sales | 28,109 | 28,945 |
| Write-down to net realisable value | <u>2,043</u> | <u>-</u> |

8. Trade and other receivables

| | Note | Group | | Company | |
|---------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Current | | | | | |
| Trade | | | | | |
| Trade receivables | | 37,202 | 31,329 | - | - |
| Less: Allowance for impairment losses | | <u>(475)</u> | <u>(423)</u> | <u>-</u> | <u>-</u> |
| | | <u>36,727</u> | <u>30,906</u> | <u>-</u> | <u>-</u> |
| Non-trade | | | | | |
| Amount due from subsidiaries | 8.1 | - | - | 141 | 3,017 |
| Other receivables and deposits | 8.2 | <u>3,690</u> | <u>257</u> | <u>1,002</u> | <u>-</u> |
| | | <u>3,690</u> | <u>257</u> | <u>1,143</u> | <u>3,017</u> |
| | | <u>40,417</u> | <u>31,163</u> | <u>1,143</u> | <u>3,017</u> |

8.1 Amount due from subsidiaries - non-trade

The amount due from subsidiaries that is non-trade in nature is unsecured, interest free and repayable on demand.

8.2 Other receivables and deposits

Included in other receivables and deposits of the Group in the current financial year are:-

- RM1,000,000 paid to the vendors for the proposed acquisition of PMI Education Sdn. Bhd.
- RM750,000 paid to the vendor for the proposed acquisition of a parcel of leasehold industrial land with a three(3)-storey factory building erected thereon.

These transactions are pending completion as at the date of this report as disclosed in Note 27(c) and (f) respectively.

9. Cash and cash equivalents

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Cash and bank balances | 8,299 | 26,251 | 1,122 | 18,552 |
| Deposit placed with a licensed bank | 39 | 39 | - | - |
| | <u>8,338</u> | <u>26,290</u> | <u>1,122</u> | <u>18,552</u> |

10. Capital and reserves

10.1 Share capital

| | Number of shares 2015 '000 | Group and Company Amount 2015 RM'000 | Number of shares 2014 '000 | Amount 2014 RM'000 |
|--|-------------------------------------|---|-------------------------------------|--------------------------|
| Ordinary shares of RM0.50 each: | | | | |
| Authorised: | | | | |
| At 1 September 2014/2013 | 1,000,000 | 500,000 | 200 | 100 |
| Increase of shares | - | - | 999,800 | 499,900 |
| At 31 August | <u>1,000,000</u> | <u>500,000</u> | <u>1,000,000</u> | <u>500,000</u> |
| Issued and fully paid: | | | | |
| At 1 September 2014/2013 | 127,000 | 63,500 | ** | * |
| Issued for acquisition of a subsidiary | - | - | 105,800 | 52,900 |
| Public issue | - | - | 21,200 | 10,600 |
| At 31 August | <u>127,000</u> | <u>63,500</u> | <u>127,000</u> | <u>63,500</u> |

* Denotes RM2

** Denotes 4 ordinary shares

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

10.2 Share premium

Share premium comprises the premium paid on subscriptions of shares in the Company over and above the par value of the shares.

10. Capital and reserves (continued)

10.3 Merger deficit

The merger deficit comprises the differences between the cost of acquisition and the nominal value of shares acquired during the acquisition of Sasbadi Sdn. Bhd. in the previous financial year.

10.4 Revaluation reserve

The revaluation reserve relates to the revaluation of condominiums, leasehold land and buildings.

11. Borrowings

| | Group | |
|---------------------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Non-current | | |
| Finance lease liabilities | 99 | 198 |
| Current | | |
| Bank overdraft - secured | 8,293 | 5,728 |
| Bankers' acceptances | 941 | - |
| Finance lease liabilities | 99 | 99 |
| | 9,333 | 5,827 |
| | 9,432 | 6,025 |

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

| | Future minimum lease payments 2015 RM'000 | Interest 2015 RM'000 | Present value of minimum lease payments 2015 RM'000 | Future minimum lease payments 2014 RM'000 | Interest 2014 RM'000 | Present value of minimum lease payments 2014 RM'000 |
|-------------------------------|--|----------------------------|---|--|----------------------------|---|
| Less than one year | 111 | (12) | 99 | 111 | (12) | 99 |
| Between one and five years | 110 | (11) | 99 | 221 | (23) | 198 |
| | 221 | (23) | 198 | 332 | (35) | 297 |

Security

The bank overdraft facility is secured by way of:

- Charge over the land and buildings (Note 3); and
- Corporate guarantee by the Company.

12. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

| Group | Assets | | Liabilities | | Net | |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Property, plant and equipment | | | | | | |
| - Capital allowance | - | - | (384) | (370) | (384) | (370) |
| - Revaluation | - | - | (4,209) | (4,301) | (4,209) | (4,301) |
| Intangible assets | - | - | (1,685) | - | (1,685) | - |
| Provisions | 250 | 339 | - | - | 250 | 339 |
| Tax assets/(liabilities) | 250 | 339 | (6,278) | (4,671) | (6,028) | (4,332) |
| Set off of tax | (186) | (339) | 186 | 339 | - | - |
| | <u>64</u> | <u>-</u> | <u>(6,092)</u> | <u>(4,332)</u> | <u>(6,028)</u> | <u>(4,332)</u> |

Movement in temporary differences during the financial year:

| | At 1.9.2013 RM'000 | Recognised in profit or loss (Note 19) RM'000 | Recognised directly in equity (Note 17) RM'000 | At 31.8.2014/ 1.9.2014 RM'000 | Recognised in profit or loss (Note 19) RM'000 | Arising from business combinations (Note 28) RM'000 | At 31.8.2015 RM'000 |
|-------------------------------|--------------------------|---|--|--|---|---|---------------------------|
| Property, plant and equipment | | | | | | | |
| - capital allowance | (410) | 40 | - | (370) | 40 | (54) | (384) |
| - revaluation | (3,630) | 81 | (752) | (4,301) | 92 | - | (4,209) |
| Intangible assets | - | - | - | - | - | (1,685) | (1,685) |
| Provisions | - | 339 | - | 339 | (89) | - | 250 |
| | <u>(4,040)</u> | <u>460</u> | <u>(752)</u> | <u>(4,332)</u> | <u>43</u> | <u>(1,739)</u> | <u>(6,028)</u> |

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|--|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Unutilised tax losses | 379 | 814 |
| Property, plant and equipment | - | (84) |
| Other deductible temporary differences | - | 194 |
| | <u>379</u> | <u>924</u> |

12. Deferred tax assets/(liabilities) (continued)

Recognised deferred tax assets/(liabilities) (continued)

The deductible temporary differences and unutilised tax losses do not expire under current tax legislation. The utilisation of the unrecognised deferred tax assets as disclosed above is depending on the future taxable profits of the Group entities.

13. Provisions

| | Group | |
|------------------------------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Sales returns | | |
| At 1 September 2014/2013 | 1,683 | 1,061 |
| Provisions made during the year | - | 622 |
| Provision reversed during the year | (484) | - |
| At 31 August | <u>1,199</u> | <u>1,683</u> |

The Group has a formal policy for the provision of sales returns from customers. The estimated liabilities are made after taking into consideration the historical trends of sales returns.

14. Trade and other payables

| | | Group | | Company | |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
| | Note | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Trade | | | | | |
| Trade payables | | <u>3,618</u> | <u>2,171</u> | <u>-</u> | <u>-</u> |
| Non-trade | | | | | |
| Amount due to a subsidiary | 14.1 | - | - | 171 | - |
| Other payables and accrued expenses | 14.2 | <u>9,820</u> | <u>5,833</u> | <u>712</u> | <u>45</u> |
| | | <u>13,438</u> | <u>8,004</u> | <u>883</u> | <u>45</u> |

14.1 Amount due to a subsidiary

The amount due to a subsidiary that is non-trade in nature is unsecured, interest free and repayable in demand.

14.2 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group are accrued royalties expenses of RM6,567,000 (2014: RM4,294,000).

Included in other payables and accrued expenses of the Group and of the Company is an amount due to Directors of RM652,000 (2014: RM2,000).

15. Revenue

| | Group | | Company | |
|-----------------|----------------|----------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Sale of goods | 87,954 | 79,509 | - | - |
| Dividend income | - | - | 3,840 | 3,000 |
| | <u>87,954</u> | <u>79,509</u> | <u>3,840</u> | <u>3,000</u> |

16. Profit for the year

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Profit for the year is arrived at after charging: | | | | | |
| Auditors' remuneration | | | | | |
| Audit services | | | | | |
| Auditors of the Company | | 207 | 150 | 50 | 50 |
| Other auditors | | 6 | 6 | - | - |
| Amortisation of intangible assets | 4 | 617 | 550 | - | - |
| Depreciation on property, plant and equipment | 3 | 2,306 | 2,034 | - | - |
| Impairment loss on | | | | | |
| - Trade receivables | | 52 | 197 | - | - |
| - Available for sale financial assets | | 2 | - | - | - |
| Inventories write-down | 7 | 2,043 | - | - | - |
| Listing expenses | | - | 1,330 | - | 1,330 |
| Personnel expenses (including key management personnel) | | | | | |
| - Contributions to Employees Provident Fund | | 1,756 | 1,409 | - | - |
| - Wages, salaries and others | | 14,058 | 13,229 | - | - |
| Provision for sales returns | | - | 622 | - | - |
| Realised foreign exchange loss | | 164 | 14 | - | - |
| Under provision for sales returns in prior year | | - | 1,345 | - | - |

16. Profit for the year (continued)

| | Note | Group 2015 RM'000 | Group 2014 RM'000 | Company 2015 RM'000 | Company 2014 RM'000 |
|---|------|-------------------------|-------------------------|---------------------------|---------------------------|
| and after crediting: | | | | | |
| Gain on disposal of property, plant and equipment | | 132 | 41 | - | - |
| Dividend income from a subsidiary | | - | - | 3,840 | 3,000 |
| Interest income | | 447 | 132 | 447 | 55 |
| Reversal of provision for sales returns | | 484 | - | - | - |

17. Other comprehensive income

| | Before tax RM'000 | Group Tax expense RM'000 | Net of tax RM'000 |
|---|----------------------|--------------------------------|----------------------|
| Items that will not be reclassified subsequently to profit or loss | | | |
| 2015 | | | |
| Revaluation of property, plant and equipment | - | - | - |
| 2014 | | | |
| Revaluation of property, plant and equipment | 3,008 | (752) | 2,256 |

18. Finance costs

| | Group 2015 RM'000 | Group 2014 RM'000 | Company 2015 RM'000 | Company 2014 RM'000 |
|--|-------------------------|-------------------------|---------------------------|---------------------------|
| Interest expense of financial liabilities that are not at fair value through profit or loss: | | | | |
| - bank facilities | 422 | 349 | - | - |
| - finance lease liabilities | 12 | 24 | - | - |
| Other finance charges | 38 | 83 | - | - |
| | <u>472</u> | <u>456</u> | <u>-</u> | <u>-</u> |

19. Tax expense

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Recognised in profit or loss | | | | |
| Current tax expense | | | | |
| - current year | 5,319 | 4,817 | - | - |
| - prior year | 348 | 277 | 15 | - |
| Total current tax recognised in profit or loss | 5,667 | 5,094 | 15 | - |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | 55 | (137) | - | - |
| Over provision in prior year | (6) | (242) | - | - |
| Crystallisation of deferred tax liability on revaluation surplus of properties | (92) | (81) | - | - |
| Total deferred tax recognised in profit or loss (Note 12) | (43) | (460) | - | - |
| Total income tax expense | 5,624 | 4,634 | 15 | - |
| Reconciliation of tax expense | | | | |
| Profit before tax | 21,410 | 16,885 | 3,159 | 1,707 |
| Income tax using Malaysian tax rate of 25% | 5,353 | 4,222 | 790 | 427 |
| Effect of lower tax rate* | - | (50) | - | - |
| Non-deductible expenses | 157 | 538 | 170 | 323 |
| Tax exempt income | - | - | (960) | (750) |
| Recognition of previously unrecognised deferred tax assets | (136) | (30) | - | - |
| | 5,374 | 4,680 | - | - |
| Underprovision in prior year | 342 | 35 | 15 | - |
| Crystallisation of deferred tax liability on revaluation surplus of properties | (92) | (81) | - | - |
| Tax expense | 5,624 | 4,634 | 15 | - |

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000. However, from year of assessment 2015 onwards, the Group will no longer be entitled to the preferential corporate tax of 20% on chargeable income up to RM500,000 in view of the Company's paid-up capital which is now above RM2.5 million.

20. Dividends

Dividends recognised by the Group:

| | Sen per share | Total amount RM'000 | Date of payment |
|---|--------------------------|------------------------------------|------------------------|
| 2015 | | | |
| Paid to the owners of the Company | | | |
| Interim 2015 ordinary | 3 | <u>3,810</u> | 23 March 2015 |
| 2014 | | | |
| Paid by a subsidiary to the previous owners | | | |
| First interim 2014 ordinary | 104 | 2,500 | 3 April 2014 |
| Second interim 2014 ordinary | 250 | <u>6,000</u> | 16 May 2014 |
| | | <u>8,500</u> | |

After the end of the reporting period, the Directors have recommended the final dividend of 2 sen per ordinary share in respect of the financial year ended 31 August 2015. This final dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

21. Earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 August 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| Group | 2015 RM'000 | 2014 RM'000 |
|--|------------------------|------------------------|
| Profit attributable to ordinary shareholders | <u>15,331</u> | <u>12,251</u> |
| | 2015 '000 | 2014 '000 |
| Weighted average number of ordinary shares at 31 August | <u>127,000</u> | <u>108,188</u> |
| | 2015 sen | 2014 sen |
| Profit attributable to ordinary shareholders | <u>12.07</u> | <u>11.32</u> |

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 August 2015 (2014: None).

22. Operating segments

The Group reportable segments are organised in accordance with the Group entities, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director ("GMD"), who is the chief operating decision maker, reviews internal management reports regularly. The principal activities of the Group entities are as disclosed in Note 5 to the financial statements.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the GMD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets are measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the GMD. Segment total assets are used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the GMD. Hence, no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

22. Operating segments (continued)

| Group 2015 | Sasbadi Holdings Berhad RM'000 | Sasbadi Sdn. Bhd. RM'000 | Sasbadi Online Sdn. Bhd. RM'000 | Orbit Buku Sdn. Bhd. RM'000 | Malaysian Book Promotions Sdn. Bhd. RM'000 | Sasbadi Learning Solutions Sdn. Bhd. RM'000 | Other dormant entities RM'000 | Sanjung Unggul Group RM'000 | Total RM'000 |
|--|---|--------------------------------|--|-----------------------------------|--|---|--|--------------------------------------|-----------------|
| Segment profit/(loss) | 2,712 | 18,185 | (232) | 564 | 3,711 | 1,217 | (18) | 2,059 | 28,198 |
| Included in the measure of segment profit/(loss) are: | | | | | | | | | |
| Revenue from external customers | - | 68,373 | 1,837 | 1,820 | 6,218 | 4,879 | - | 4,827 | 87,954 |
| Inter-company revenue | 3,840 | 4,532 | 158 | 173 | 826 | 12 | - | - | 9,541 |
| Not included in the measure of segment profit/(loss) but provided to GMD: | | | | | | | | | |
| Depreciation and amortisation | - | (2,870) | (48) | (1) | - | - | - | (4) | (2,923) |
| Finance costs | - | (467) | (1) | (1) | - | (3) | - | - | (472) |
| Tax expense | (15) | (3,712) | - | (141) | (928) | (289) | - | (539) | (5,624) |
| Interest income | 447 | - | - | - | - | - | - | - | 447 |
| Segmental assets | 78,023 | 103,280 | 5,102 | 2,843 | 10,725 | 2,677 | 1,509 | 20,045 | 224,204 |
| Included in the measure of segment assets are: | | | | | | | | | |
| Assets are: | | | | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | - | 3,491 | 2 | - | - | - | - | 16 | 3,509 |

22. Operating segments (continued)

| Group 2014 | Sasbadi Holdings Berhad RM'000 | Sasbadi Sdn. Bhd. RM'000 | Sasbadi Online Sdn. Bhd. RM'000 | Orbit Buku Sdn. Bhd. RM'000 | Malaysian Book Promotions Sdn. Bhd. RM'000 | Sasbadi Learning Solutions Sdn. Bhd. RM'000 | Other dormant entities RM'000 | Sanjung Unggul Group RM'000 | Total RM'000 |
|--|---|--------------------------------|--|-----------------------------------|--|---|--|--------------------------------------|-----------------|
| Segment profit/(loss) | 1,652 | 16,280 | (184) | 335 | 4,956 | (7) | (12) | - | 23,020 |
| Included in the measure of segment profit/(loss) are: | | | | | | | | | |
| Revenue from external customers | - | 69,713 | 1,529 | 1,129 | 7,138 | - | - | - | 79,509 |
| Inter-company revenue | 3,000 | 754 | 3 | 256 | 1,691 | - | - | - | 5,704 |
| Not included in the measure of segment profit/(loss) but provided to GMD: | | | | | | | | | |
| Depreciation and amortisation | - | (2,544) | (39) | (1) | - | - | - | - | (2,584) |
| Finance costs | - | (455) | - | (1) | - | - | - | - | (456) |
| Tax expense | - | (3,339) | (55) | - | (1,240) | - | - | - | (4,634) |
| Interest income | 55 | 77 | - | - | - | - | - | - | 132 |
| Segmental assets | 77,851 | 90,008 | 5,673 | 1,766 | 8,890 | 1 | 5 | - | 184,194 |
| Included in the measure of segment assets are: | | | | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | - | 6,698 | 66 | - | - | - | - | - | 6,764 |

22. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and other material items

| | Group | |
|--------------------------------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Profit or loss | | |
| Total profit for reportable segments | 28,198 | 23,020 |
| Elimination of inter-segment profits | (3,840) | (3,227) |
| Depreciation and amortisation | (2,923) | (2,584) |
| Finance costs | (472) | (456) |
| Interest income | 447 | 132 |
| Consolidated profit before tax | <u>21,410</u> | <u>16,885</u> |

22. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and other material items (continued)

| Group | External revenue RM'000 | Depreciation and amortisation RM'000 | Finance costs RM'000 | Interest income RM'000 | Segment assets RM'000 | Additions to non- current assets RM'000 |
|---|-------------------------------|---|----------------------------|------------------------------|-----------------------------|---|
| 2015 | | | | | | |
| Total reportable segments | 97,495 | (2,923) | (472) | 447 | 224,204 | 3,509 |
| Elimination of inter-segment transactions or balances | (9,541) | - | - | - | (83,396) | - |
| Consolidated total | 87,954 | (2,923) | (472) | 447 | 140,808 | 3,509 |
| 2014 | | | | | | |
| Total reportable segments | 85,213 | (2,584) | (456) | 132 | 184,194 | 6,764 |
| Elimination of inter-segment transactions or balances | (5,704) | - | - | - | (69,653) | - |
| Consolidated total | 79,509 | (2,584) | (456) | 132 | 114,541 | 6,764 |

22. Operating segments (continued)

Geographical segments

The Group operates primarily in Malaysia and as such, there are no geographical segment disclosures.

Major customers

The Group has a major customer, with revenue generated for the financial year ended 31 August 2015 amounting to RM8,382,000 (2014: RM6,025,000).

23. Financial instruments

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R");
- (b) Available-for-sale financial assets ("AFS"); and
- (c) Financial liabilities measured at amortised cost ("FL").

| | Carrying amount RM'000 | L&R/ (FL) RM'000 | AFS RM'000 |
|-----------------------------|------------------------------|------------------------|---------------|
| 2015 | | | |
| Financial assets | | | |
| Group | | | |
| Other investments | 343 | - | 343 |
| Trade and other receivables | 40,417 | 40,417 | - |
| Cash and cash equivalents | 8,338 | 8,338 | - |
| | <u>49,098</u> | <u>48,755</u> | <u>343</u> |
| Company | | | |
| Trade and other receivables | 1,143 | 1,143 | - |
| Cash and cash equivalents | 1,122 | 1,122 | - |
| | <u>2,265</u> | <u>2,265</u> | <u>-</u> |

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

| | Carrying amount RM'000 | L&R/ (FL) RM'000 | AFS RM'000 |
|------------------------------|------------------------------|------------------------|---------------|
| 2015 | | | |
| Financial liabilities | | | |
| Group | | | |
| Borrowings | (9,432) | (9,432) | - |
| Trade and other payables | (13,438) | (13,438) | - |
| | <u>(22,870)</u> | <u>(22,870)</u> | <u>-</u> |
| Company | | | |
| Trade and other payables | <u>(883)</u> | <u>(883)</u> | <u>-</u> |
| 2014 | | | |
| Financial assets | | | |
| Group | | | |
| Other investments | 37 | - | 37 |
| Trade and other receivables | 31,163 | 31,163 | - |
| Cash and cash equivalents | 26,290 | 26,290 | - |
| | <u>57,490</u> | <u>57,453</u> | <u>37</u> |
| Company | | | |
| Trade and other receivables | 3,017 | 3,017 | - |
| Cash and cash equivalents | 18,552 | 18,552 | - |
| | <u>21,569</u> | <u>21,569</u> | <u>-</u> |
| 2014 | | | |
| Financial liabilities | | | |
| Group | | | |
| Borrowings | (6,025) | (6,025) | - |
| Trade and other payables | (8,004) | (8,004) | - |
| | <u>(14,029)</u> | <u>(14,029)</u> | <u>-</u> |
| Company | | | |
| Trade and other payables | <u>(45)</u> | <u>(45)</u> | <u>-</u> |

23. Financial instruments (continued)

23.2 Net gains and losses arising from financial instruments

| | Group | |
|--|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Net gain/(loss) on: | | |
| Loans and receivables | 395 | (65) |
| Financial liabilities measured at amortised cost | (636) | (470) |
| Available-for-sale financial assets | (2) | - |
| | <u>(243)</u> | <u>(535)</u> |

23.3 Financial risk management

The Group has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

23.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, whilst the Company's credit exposure arises principally from its loans and advances to its subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

Where applicable, the Group will demand for guarantees from shareholders/Directors of their customers as a form of safeguard over the outstanding debts.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

| Group | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
|-----------------------------|-----------------|------------------------------------|---------------|
| 2015 | | | |
| Not past due | 16,153 | - | 16,153 |
| Past due 1 - 30 days | 4,524 | - | 4,524 |
| Past due 31 - 120 days | 8,685 | - | 8,685 |
| Past due more than 120 days | 7,840 | (475) | 7,365 |
| | <u>37,202</u> | <u>(475)</u> | <u>36,727</u> |
| 2014 | | | |
| Not past due | 17,473 | - | 17,473 |
| Past due 1 - 30 days | 3,256 | - | 3,256 |
| Past due 31 - 120 days | 5,827 | - | 5,827 |
| Past due more than 120 days | 4,773 | (423) | 4,350 |
| | <u>31,329</u> | <u>(423)</u> | <u>30,906</u> |

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

| | Group | |
|----------------------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| At 1 September 2014/2013 | 423 | 226 |
| Impairment loss recognised | 52 | 197 |
| At 31 August | <u>475</u> | <u>423</u> |

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments, if any, are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

In 2015, there are no investments in money market funds (2014: Nil).

The investments and other financial assets are unsecured.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Inter company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

23.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 5 years RM'000 |
|---|------------------------------|-----------------------------------|-------------------------------------|---------------------------|--------------------------|
| 2015 Group | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | |
| Bank overdraft | 8,293 | 8.35 | 8,293 | 8,293 | - |
| Bankers' acceptances | 941 | 8.35 | 941 | 941 | - |
| Finance lease liabilities | 198 | 4.43 | 221 | 111 | 110 |
| Trade and other payables | 13,438 | - | 13,438 | 13,438 | - |
| | <u>22,870</u> | | <u>22,893</u> | <u>22,783</u> | <u>110</u> |
| Company | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | |
| Trade and other payables | <u>883</u> | - | <u>883</u> | <u>883</u> | <u>-</u> |
| 2014 Group | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | |
| Bank overdraft | 5,728 | 8.1 | 5,728 | 5,728 | - |
| Finance lease liabilities | 297 | 4.43 - 5.58 | 332 | 111 | 221 |
| Trade and other payables | 8,004 | - | 8,004 | 8,004 | - |
| | <u>14,029</u> | | <u>14,064</u> | <u>13,843</u> | <u>221</u> |
| Company | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | |
| Trade and other payables | <u>45</u> | - | <u>45</u> | <u>45</u> | <u>-</u> |

23. Financial instruments (continued)

23.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

23.6.1 Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S. Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The Group's exposure to foreign currency risk is monitored on an ongoing basis and forward exchange contracts are used to hedge foreign currency risk when necessary. Forward exchange contracts, if any, would have maturities of less than one year. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| Group | Denominated in <i>USD</i> | |
|---|---------------------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Trade payables | 21 | 22 |
| Exposure in the statements of financial position | 21 | 22 |

Foreign currency risk arises from the aforementioned exposures is not material, hence, sensitivity analysis is not presented.

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group adopts a practice to continuously seek for alternative banking facilities which provide competitive interest rates to finance and/or refinance its working capital requirements.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | |
|----------------------------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 |
| Floating rate instruments | | |
| Financial liabilities | <u>(8,293)</u> | <u>(5,728)</u> |
| Fixed rate instruments | | |
| Financial liabilities | <u>(1,139)</u> | <u>(297)</u> |

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bps) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| Group | Profit or loss | |
|---------------------------|-------------------------------|-------------------------------|
| | 100 bps increase RM'000 | 100 bps decrease RM'000 |
| 2015 | | |
| Floating rate instruments | <u>(62)</u> | <u>62</u> |
| 2014 | | |
| Floating rate instruments | <u>(43)</u> | <u>43</u> |

23.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | Group | | | |
|---------------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| | 2015 | | 2014 | |
| | Carrying amount RM'000 | Fair value - Level 2 RM'000 | Carrying amount RM'000 | Fair value - Level 2 RM'000 |
| Finance lease liabilities | <u>(198)</u> | <u>(198)</u> | <u>(297)</u> | <u>(294)</u> |

23. Financial instruments (continued)

23.7 Fair value information (continued)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

| | 2015 | 2014 |
|---------------------------|-------|-------------|
| Finance lease liabilities | 4.43% | 4.43%-5.58% |

23.7.1 Fair value hierarchy

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2014: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

24. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirement.

The debt-to-equity ratios at 31 August 2015 and 31 August 2014 were as follows:

| | Note | 2015 RM'000 | 2014 RM'000 |
|---------------------------------|------|----------------|-----------------------|
| Total loans and borrowings | 11 | 9,432 | 6,025 |
| Less: Cash and cash equivalents | 9 | (8,338) | (26,290) |
| Net debt | | <u>1,094</u> | <u>(20,265)</u> |
| Total equity | | <u>110,291</u> | <u>93,709</u> |
| Net debt-to-equity ratios | | <u>0.01</u> | <u>Not applicable</u> |

There was no change in the Group's approach to capital management during the financial year.

25. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

| | Note | 2015 RM'000 | 2014 RM'000 |
|--|------|----------------|----------------|
| Bank guarantees obtained by the Group to the Ministry of Education | (i) | <u>488</u> | <u>236</u> |

- (i) As part of the agreements with the Ministry of Education, the Group has issued performance bond in the form of bank guarantees to the Ministry of Education for the supply of text books and applied learning products.

26. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel of the Group refers to the Directors of the Group.

The Group and the Company have related party relationship with its subsidiaries, key management personnel and a company controlled by a close member of the family of a Director of the Company.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 8 and Note 14.

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Company controlled by a close member of the family of a Director of the Company: | | | | |
| Sales returns | - | 16 | - | - |
| Purchases of goods | - | 2 | - | - |
| Subsidiary: | | | | |
| Net advances received/(given) | - | - | 2,166 | (3,017) |
| Dividend income | - | - | (3,840) | (3,000) |
| Key management personnel: | | | | |
| Directors' remuneration | | | | |
| - Fees | 650 | 380 | 650 | 150 |
| - Other emoluments | 1,495 | 2,223 | - | - |
| | 2,145 | 2,603 | 650 | 150 |

The estimated monetary value of Directors' benefit-in-kind of the Group is RM67,000 (2014: RM78,000).

27. Significant events

- a) On 13 October 2014, the Company's wholly-owned subsidiary, Sasbadi Online Sdn Bhd ("SOSB") had entered into a License and Services Agreement with PT. Penerbit Erlangga ("PPE"), a company incorporated in Indonesia, wherein SOSB shall grant PPE a sole/exclusive and non-transferable license for PPE to use an interactive online learning system ("i-Learn Online Learning System") developed by SOSB and for PPE to sell the online learning materials under the i-Learn Online Learning System in Indonesia. In consideration of the license being granted by SOSB to PPE, PPE shall pay a one-off non-refundable license fee of USD300,000 to SOSB and during the term of the licensing agreement, PPE shall pay to SOSB royalties based on net sales received by PPE on a semi-annual basis.
- b) On 28 October 2014, the Company's wholly-owned subsidiary, Sasbadi Sdn. Bhd. had entered into a Sale Agreement and Assignment of Intellectual Property Rights with Penerbitan Multimedia Sdn. Bhd. ("PMSB"), to acquire all the rights, title and interest in the publishing list of PMSB relating to learning and educational materials in the teacher education and secondary school segment and the trademark of PMSB comprising trade name, work mark and device mark for a cash consideration of RM1,000,000. The acquisition was completed on 31 December 2014.
- c) On 29 June 2015, the Company had entered into a conditional Share Sale Agreement with Chua Chong Keow, Amir Hamzah Bin Mohd Yusof and Norizan Binti Samausi to acquire 100% of the issued and paid-up share capital of PMI Education Sdn. Bhd., comprising 1,000,000 ordinary shares of RM1.00 each, for a purchase price of RM2,600,000 to be settled via cash. The proposed acquisition is pending completion as at the date of this report.
- d) On 10 July 2015, the Company had acquired the entire issued and paid-up capital of Mindtech Education Sdn. Bhd., comprising 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00.

The issued and paid up share capital of Mindtech Education Sdn. Bhd. was further increased to RM1,500,000 on 4 August 2015 through the subscription by the Company of additional 1,499,998 ordinary shares of RM1.00 each for a cash consideration of RM 1,499,998.

Mindtech Education Sdn. Bhd. is a private company limited by shares and was incorporated in Malaysia under the Companies Act, 1965 on 26 June 2015. The Company intends to explore business opportunities in network marketing via this subsidiary.

- e) On 7 August 2015, the Company had entered into a conditional Sale and Purchase Agreement with Law En Tzer and Kuan Shaw Ping to acquire 70% of the issued and paid-up share capital of Sanjung Unggul Sdn. Bhd. ("Sanjung Unggul"), comprising 5,600,000 ordinary shares of RM1.00 each, for a cash consideration of RM21,000,000. Sanjung Unggul has a wholly-owned subsidiary, i.e. The Malaya Press Sdn. Berhad, which in turn, has 3 wholly-owned subsidiaries, i.e. Big Tree Publications Sdn. Bhd., Jinbang Publication Sdn. Bhd. and Media Distribution Sdn. Bhd.. The acquisition was completed on 21 August 2015.

27. Significant events (continued)

- f) On 13 August 2015, Sasbadi Sdn. Bhd. entered into a conditional Sale and Purchase Agreement with Tama Equity Sdn. Bhd. to acquire a parcel of leasehold industrial land held under H.S.(D) 283534, PT 12527, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor, measuring approximately 1,157.993 square meters (equivalent to 12,464.53 square feet) with a three (3) – storey factory building erected thereon, for a total cash consideration of RM7,500,000. The proposed acquisition is pending completion as at the date of this report.

28. Acquisition of subsidiaries and non-controlling interests

- a) On 21 August 2015, the Company had acquired 70% equity interest in Sanjung Unggul Sdn. Bhd. ("Sanjung Unggul") for a cash consideration of RM21,000,000. Sanjung Unggul has a wholly-owned subsidiary, i.e. The Malaya Press Sdn. Berhad, which in turn, has three (3) wholly-owned subsidiaries, i.e. Big Tree Publications Sdn. Bhd., Jinbang Publication Sdn. Bhd. and Media Distribution Sdn. Bhd. (Note: Sanjung Unggul and its subsidiaries are herein collectively known as "the Sanjung Unggul Group"). In the ten days to 31 August 2015, the Sanjung Unggul Group contributed revenue of RM4,827,000 and profit of RM1,515,000.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| | Group 2015 RM'000 |
|---|----------------------------------|
| Fair value of consideration transferred | |
| Cash and cash equivalents | <u>21,000</u> |
| Identifiable assets acquired and liabilities assumed | Group 2015 RM'000 |
| Property, plant and equipment | 421 |
| Intangible assets – Intellectual properties | 6,740 |
| Other investments | 308 |
| Deferred tax assets | 30 |
| Trade and other receivables | 4,847 |
| Cash and cash equivalents | 2,367 |
| Inventories | 5,832 |
| Current tax assets | 933 |
| Trade and other payables | (4,033) |
| Current tax liabilities | (323) |
| Deferred tax liabilities | (1,769) |
| Total identifiable net assets | <u>15,353</u> |

28. Acquisition of subsidiaries and non-controlling interests (continued)

| | Group 2015 RM'000 |
|--|-------------------------|
| Net cash outflow arising from acquisition of subsidiary | |
| Purchase consideration settled in cash and cash equivalents | (21,000) |
| Cash and cash equivalents acquired | <u>2,367</u> |
| | <u>(18,633)</u> |

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

| | Group 2015 RM'000 |
|--|-------------------------|
| Total consideration transferred | 21,000 |
| Fair value of net identifiable assets | (15,353) |
| Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree | <u>4,606</u> |
| | <u>10,253</u> |

The goodwill is attributable mainly to the brand name of The Malaya Press and the synergies expected to be achieved from integrating the Sanjung Unggul Group into the Group's existing publishing business. None of the goodwill recognised is expected to be deductible for income tax purposes.

- b) On 19 May 2014, the Company had acquired the entire issued and paid-up share capital in Sasbadi Sdn. Bhd. comprising 2,400,000 ordinary share of RM1.00 each for a total purchase consideration of RM52,899,998 satisfied by the issuance of 105,799,996 new ordinary shares of RM0.50 each in the Company at an issue price of RM0.50 each.

As the Company and Sasbadi Sdn. Bhd. were controlled by the same parties both before and after the combination, book value accounting was applied. The difference between the cost of acquisition of RM52,899,998 and the nominal value of the shares acquired of RM2,400,000 was taken to merger deficit.

29. Subsequent events

- a) On 23 November 2015, the Company had entered into a Memorandum of Understanding ("MOU") with Southern Publishing and Media Company Limited, a company incorporated in China with a view to explore collaboration in the following areas:
 - i) Intellectual property rights;
 - ii) Digital teaching and learning resources and technology; and
 - iii) Online teaching and learning platforms.
- b) On 21 December 2015, the Company had announced the following proposals:
 - i) Proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of the Company to third party investor(s) to be identified;
 - ii) Proposed share split involving the subdivision of every one (1) existing ordinary share of RM0.50 each in the Company into two (2) ordinary shares of RM0.25 each in the Company held on an entitlement date to be determined and announced later ("Proposed Share Split"); and
 - iii) Proposed amendment to the Memorandum of Association of the Company to facilitate the implementation of the Proposed Share Split.

The proposals are pending completion as at the date of this report.

30. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company at 31 August, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, are as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - realised | 70,661 | 59,667 | 179 | 845 |
| - unrealised | (5,488) | (6,015) | - | - |
| Total retained earnings | <u>65,173</u> | <u>53,652</u> | <u>179</u> | <u>845</u> |

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 59 to 125 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 August 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 on page 126 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Law King Hui

.....
Lee Swee Hang

Kuala Lumpur,

Date: 31 December 2015

STATUTORY DECLARATION

pursuant to Section 169(16) of the
Companies Act, 1965

I, **Tang Yuen Kin**, the officer primarily responsible for the financial management of Sasbadi Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 126 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 31 December 2015.

.....
Tang Yuen Kin

Before me:

INDEPENDENT AUDITORS' REPORT to the members of Sasbadi Holdings Berhad

Report on the Financial Statements

We have audited the financial statements of Sasbadi Holdings Berhad, which comprise the statements of financial position as at 31 August 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 59 to 125.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 August 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.
- c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 30 on page 126 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Chin Shoon Chong

Approval Number: 2823/04/17(J)
Chartered Accountant

Petaling Jaya,

Date: 31 December 2015

LIST OF PROPERTIES

as at 31 August 2015

| Registered/ Beneficial Owner | Location | Description/ Existing Use | Tenure | Land Area/ Built-up Area (sq. ft.) | Approximate Age of Building (Years) | Net Book Value as at 31 August 2015 (RM'000) | Year of Revaluation |
|------------------------------------|--|--|--|---|--|--|------------------------|
| Sasbadi Sdn Bhd | Lot 12, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan | Industrial land erected upon with a single storey warehouse building with a three (3) storey office cum internal warehouse building annex/ Industrial warehouse and office | Registered lease 60 years (from 22.11.2001 to 21.11.2061) | 105,562 [^] / 76,945 | 11 | 25,402 | 2014 |
| Sasbadi Sdn Bhd | Unit No. C-10-5, Block C, Bay View Villas, PD World Marina International Resort, 6th Mile Jalan Pantai, Teluk Kemang, 71050 Port Dickson, Negeri Sembilan Darul Khusus | Three (3) bedroom apartment/Apartment (currently unoccupied) | Leasehold (99 years expiring on 17.12.2101) | Not Applicable/ 1,278* | 16 | 82 | 2014 |
| Sasbadi Sdn Bhd | Unit No. B 1-2, Block B, The Regency Tanjung Tuan Beach Resort, 5th Mile, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus | Two (2) bedroom apartment/ Holiday apartment | Leasehold (99 years expiring on 13.05.2081) | Not Applicable/ 969* | 29 | 204 | 2014 |

Notes:

[^] Land area as stated on the title document to the relevant property.

* Conversion of original measurements for properties in square meters (sq. m.) to square feet (sq. ft.) at 1 sq. m. = 10.7639 sq. ft.

ANALYSIS OF SHAREHOLDINGS

as at 31 December 2015

| | |
|--|---|
| Authorised Share Capital | : RM500,000,000.00 |
| Issued and Fully Paid-Up Share Capital | : RM63,500,000.00 comprising 127,000,000 Ordinary Shares of RM0.50 each |
| Class of Shares | : Ordinary Shares of RM0.50 each |
| Voting Rights | : One (1) vote per Ordinary Share |

DISTRIBUTION OF SHAREHOLDINGS

AS PER THE RECORD OF DEPOSITORS

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Issued Share Capital |
|------------------------|---------------------|-------------------|--------------------|---------------------------|
| Less than 100 | 5 | 0.80 | 100 | 0.00 |
| 100 – 1,000 | 128 | 20.25 | 96,500 | 0.08 |
| 1,001 – 10,000 | 286 | 45.25 | 1,323,800 | 1.04 |
| 10,001 – 100,000 | 135 | 21.36 | 5,640,700 | 4.44 |
| 100,001 to 6,349,999 * | 74 | 11.71 | 49,758,900 | 39.18 |
| 6,350,000 and above ** | 4 | 0.63 | 70,180,000 | 55.26 |
| Total | 632 | 100.00 | 127,000,000 | 100.00 |

Notes:

* Less than 5% of issued shares

** 5% and above of issued shares

DIRECTORS' SHAREHOLDINGS

AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

| Name of Director | Direct | | Indirect | |
|-------------------------------------|--------------------|-------|---------------------------|-------|
| | No. of Shares Held | % | No. of Shares Held | % |
| Dato' Salleh Bin Mohd Husein | 100,000 | 0.08 | – | – |
| Law King Hui | 25,594,500 | 20.15 | 25,400,000 ⁽¹⁾ | 20.00 |
| Lee Swee Hang | 12,835,500 | 10.11 | 25,400,000 ⁽¹⁾ | 20.00 |
| Lee Eng Sang | 6,350,000 | 5.00 | 25,400,000 ⁽¹⁾ | 20.00 |
| Dato' Noor Rezan Binti Bapoo Hashim | 100,000 | 0.08 | – | – |
| Lim Hun Soon @ David Lim | 100,000 | 0.08 | – | – |

Note:

(1) Deemed interest by virtue of his interest in Karya Kencana Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

| Name of Substantial Shareholder | Direct | | Indirect | |
|---------------------------------|--------------------|-------|---------------------------|-------|
| | No. of Shares Held | % | No. of Shares Held | % |
| Law King Hui | 25,594,500 | 20.15 | 25,400,000 ⁽¹⁾ | 20.00 |
| Karya Kencana Sdn Bhd | 25,400,000 | 20.00 | – | – |
| Lee Swee Hang | 12,835,500 | 10.11 | 25,400,000 ⁽¹⁾ | 20.00 |
| Lee Eng Sang | 6,350,000 | 5.00 | 25,400,000 ⁽¹⁾ | 20.00 |

Note:

(1) Deemed interest by virtue of his interest in Karya Kencana Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

THIRTY LARGEST SHAREHOLDERS
 AS PER THE RECORD OF DEPOSITORS

| No. | Name of Shareholder | No. of Shares Held | % |
|-----|---|-----------------------|-------|
| 1 | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LAW KING HUI (PB) | 25,594,500 | 20.15 |
| 2 | KARYA KENCANA SDN BHD | 25,400,000 | 20.00 |
| 3 | LEE SWEE HANG | 12,835,500 | 10.11 |
| 4 | LEE ENG SANG | 6,350,000 | 5.00 |
| 5 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD | 5,838,100 | 4.60 |
| 6 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR CIMB-PRINCIPAL MALAYSIA EQUITY FUND | 3,909,500 | 3.08 |
| 7 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMART TREASURE FUND | 2,041,000 | 1.61 |
| 8 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI) | 2,000,000 | 1.57 |
| 9 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB-OSK PRIVATE FUND – SERIES 3 | 1,745,400 | 1.37 |
| 10 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF) | 1,636,000 | 1.29 |
| 11 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB EQUITY TRUST | 1,613,000 | 1.27 |
| 12 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND | 1,470,300 | 1.16 |
| 13 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P) | 1,400,400 | 1.10 |
| 14 | AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC EQUITY AGGRESSIVE FUND | 1,312,200 | 1.03 |
| 15 | CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND | 1,300,100 | 1.02 |
| 16 | MA TIEN LEONG | 1,257,900 | 0.99 |
| 17 | CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR KAF VISION FUND | 1,158,000 | 0.91 |
| 18 | AMANAHRAYA TRUSTEES BERHAD CIMB PRINCIPAL EQUITY AGGRESSIVE FUND 1 | 1,106,000 | 0.87 |
| 19 | MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218) | 1,087,100 | 0.86 |
| 20 | MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (PREM EQUITY FD) | 988,500 | 0.78 |
| 21 | CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD (AMUNDI MALAYSIA) | 925,100 | 0.73 |

THIRTY LARGEST SHAREHOLDERS (continued)
AS PER THE RECORD OF DEPOSITORS

| No. | Name of Shareholder | No. of Shares Held | % |
|--------------|--|-----------------------|--------------|
| 22 | MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL EQUITY AGGRESSIVEFUND 3 (980050) | 910,400 | 0.72 |
| 23 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM) | 823,900 | 0.65 |
| 24 | CITIGROUP NOMINEES (ASING) SDN BHD CILTD FOR PHEIM SICAV-SIF | 780,000 | 0.61 |
| 25 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD MIDF AMANAH ASSET MANAGEMENT BERHAD FOR TAKAFUL IKHLAS SDN BHD (JS487) | 770,000 | 0.61 |
| 26 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST | 708,000 | 0.56 |
| 27 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD MIDF AMANAH ASSET MANAGEMENT BERHAD FOR UNIVERSITI MALAYA (JG488) | 675,700 | 0.53 |
| 28 | HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR PHEIM ASEAN EQUITY FUND (TCSB) | 675,000 | 0.53 |
| 29 | RHB NOMINEES (TEMPATAN) SDN BHD RHB ASSET MANAGEMENT SDN BHD FOR RHB INSURANCE BERHAD | 670,000 | 0.53 |
| 30 | CHAU MING CHIEW @ CHAW MING CHIEW | 661,700 | 0.52 |
| TOTAL | | 107,643,300 | 84.76 |

NOTICE OF THIRD ANNUAL GENERAL MEETING



SASBADI HOLDINGS BERHAD

(Company No.: 1022660-T)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of Sasbadi Holdings Berhad will be held at The Greens 3 Function Room, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 18 February 2016 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 August 2015 and the Reports of Directors and Auditors thereon.
2. To approve the payment of a final single tier dividend of 2 sen per ordinary share of RM0.50 each for the financial year ended 31 August 2015.
3. To approve the payment of Directors' Fees of RM600,000 for the financial year ending 31 August 2016.
4. To re-elect Mr Lee Swee Hang as Director, who is retiring by rotation pursuant to Article 84 of the Company's Articles of Association.
5. To re-elect Mr Lim Hun Soon @ David Lim as Director, who is retiring by rotation pursuant to Article 84 of the Company's Articles of Association.
6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Ordinary
Resolution 1**

**Ordinary
Resolution 2**

**Ordinary
Resolution 3**

**Ordinary
Resolution 4**

**Ordinary
Resolution 5**

SPECIAL BUSINESS

To consider and if deemed fit, with or without any modification(s), to pass the following resolutions:-

7. **ORDINARY RESOLUTION
PROPOSED SHARE SPLIT INVOLVING THE SUBDIVISION OF EVERY ONE (1) EXISTING
ORDINARY SHARE OF RM0.50 EACH IN SASBADI HOLDINGS BERHAD INTO TWO (2)
ORDINARY SHARES OF RM0.25 EACH IN SASBADI HOLDINGS BERHAD ("PROPOSED
SHARE SPLIT")**

**Ordinary
Resolution 6**

"THAT subject to the passing of Special Resolution 1 below and the approval of all relevant authorities being obtained, approval be and is hereby given to the Company to subdivide each of the ordinary share of RM0.50 each in the Company into two (2) ordinary shares of RM0.25 each ("Subdivided Shares") held by registered shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board of Directors.

THAT the Subdivided Shares shall, upon issuance and allotment, rank *pari passu* in all respects with each other, save and except that the Subdivided Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the Subdivided Shares were allotted on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

AND THAT the Board be and is hereby authorised to do all acts and things as may be required to give full effect to the Proposed Share Split with full power to assent to any conditions, variations, modifications, and/or amendments in any manner as may be required or permitted by any relevant authorities or as may be deemed necessary by the Board and in the best interests of the Company, and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Share Split."

8. SPECIAL RESOLUTION**PROPOSED AMENDMENT TO THE MEMORANDUM OF ASSOCIATION OF SASBADI HOLDINGS BERHAD TO FACILITATE THE IMPLEMENTATION OF THE PROPOSED SHARE SPLIT ("PROPOSED AMENDMENT")****Special
Resolution 1**

"THAT subject to the passing of Ordinary Resolution 6 above, the existing first sentence of Clause 5 of the Memorandum of Association of the Company be amended to as follows:

| Existing Clause 5 | Proposed Clause 5 |
|--|--|
| The Authorised Capital of the Company is RM500,000,000 divided into 1,000,000,000 shares of RM0.50 each. | The Authorised Capital of the Company is RM500,000,000 divided into <u>2,000,000,000</u> shares of <u>RM0.25</u> each. |

AND THAT the Board be and is hereby authorised to do all acts and things as may be required to give full effect to the Proposed Amendment with full power to assent to any conditions, variations, modifications, and/or amendments in any manner as may be required or permitted by any relevant authorities or as may be deemed necessary by the Board and in the best interests of the Company, and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Amendment."

9. ORDINARY RESOLUTION**AUTHORITY FOR DIRECTORS TO ISSUE SHARES****Ordinary
Resolution 7**

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby empowered to issue new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per cent (10%) of the nominal value of the total issued and paid-up share capital of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

10. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

FURTHER NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Third Annual General Meeting to be held on Thursday, 18 February 2016, a final single tier dividend of 2 sen per ordinary share of RM0.50 each for the financial year ended 31 August 2015 will be payable on 18 March 2016 to Depositors registered in the Record of Depositors on 24 February 2016.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 24 February 2016 in respect of ordinary transfer; and
- b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board
SASBADI HOLDINGS BERHAD

YEOH CHONG KEAT (MIA 2736)
TAN FONG SHIAN (MAICSA 7023187)
Secretaries

Kuala Lumpur
26 January 2016

Notes:

- (1) *A member may appoint up to two (2) proxies to attend and vote instead of him/her at the meeting. If the member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Companies Act, 1965 shall not apply to the Company.*
- (2) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- (3) *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*
- (4) *Only a depositor whose name appears in the Company's Record of Depositors as at 12 February 2016 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.*
- (5) *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
- (6) *The original instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.*

EXPLANATORY NOTES ON SPECIAL BUSINESS**Ordinary Resolution 6**

The proposed Ordinary Resolution 6, if passed, is expected to enhance the marketability and trading liquidity of the ordinary shares of the Company on Bursa Securities as a result of the increase in the number of shares in issue. The Proposed Share Split will result in an adjustment to the market price of the Company's shares, making the shares more affordable and appealing to a wider group of public shareholders and/or investors to participate in the growth of the Company.

Special Resolution 1

The proposed Special Resolution 1, if passed, will amend the Memorandum of Association of the Company to facilitate the implementation of the Proposed Share Split.

Ordinary Resolution 7

The proposed Ordinary Resolution 7, if passed, will renew the authority given to the Directors of the Company to allot and issue new shares in the Company pursuant to Section 132D of the Companies Act, 1965 ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the nominal value of any such shares issued during the preceding twelve (12) months, does not exceed 10% of the nominal value of the total issued share capital of the Company at the time of issue. This General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company had been granted a general mandate by its shareholders at the Second AGM held on 11 February 2015 ("Previous Mandate"). As at the date of this Notice, the Company had placed out 12,700,000 new ordinary shares of RM0.50 each which raised a total proceeds of RM31,623,000 pursuant to the Previous Mandate through a private placement exercise ("Private Placement"). The proceeds raised are expected to be utilised in the following manner:

| Details of utilisation | RM'000 | Estimated timeframe for utilisation (from receipt of proceeds) |
|---|---------------|---|
| Part financing of future acquisition(s) of publishing/ education/ education-related business(es), or intellectual property rights | 20,000 | Within eighteen (18) months |
| Part repayment of bank borrowings | 6,000 | Within three (3) months |
| Working capital | 5,103 | Within six (6) months |
| Estimated expenses in relation to the Private Placement | 520 | Within one (1) month |
| Total | 31,623 | |

The purpose to seek the General Mandate is to enable the Company to raise funds expeditiously for the purpose of funding future investment project(s), working capital, repayment of borrowings and/or acquisition(s) without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of the Directors standing for re-election are set out in the Directors' Profile Section of the Annual Report 2015.

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.

FORM OF PROXY



SASBADI HOLDINGS BERHAD (1022660-T)
(Incorporated in Malaysia)

I/We _____ NRIC/Company No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(ADDRESS)

being a member of **SASBADI HOLDINGS BERHAD**, hereby appoint _____
(FULL NAME IN BLOCK LETTERS & NRIC NO.)

_____ of _____
(ADDRESS)

or failing him/her _____
(FULL NAME IN BLOCK LETTERS & NRIC NO.)

of _____
(ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING* as my/our proxy to vote for me/us and on my/our behalf at the Third Annual General Meeting of the Company to be held at The Greens 3 Function Room, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 18 February 2016 at 10.00 a.m. and any adjournment thereof. My/Our proxy/proxies shall vote as indicated below:

| NO. | RESOLUTIONS | FOR | AGAINST |
|--------------------------|---|-----|---------|
| ORDINARY BUSINESS | | | |
| OR 1 | To approve the payment of a final single tier dividend of 2 sen per ordinary share of RM0.50 each for the financial year ended 31 August 2015 | | |
| OR 2 | To approve the payment of Directors' Fees of RM600,000 for the financial year ending 31 August 2016 | | |
| OR 3 | To re-elect Mr Lee Swee Hang as Director | | |
| OR 4 | To re-elect Mr Lim Hun Soon @ David Lim as Director | | |
| OR 5 | To re-appoint Messrs KPMG as Auditors of the Company | | |
| SPECIAL BUSINESS | | | |
| OR 6 | Proposed Share Split | | |
| SR 1 | Proposed Amendment | | |
| OR 7 | Authority for Directors to issue shares. | | |

Please indicate with a "✓" or "X" in the appropriate space how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy will vote as he or she thinks fit, or, at his or her discretion, abstain from voting.

Dated this _____ day of _____

Number of ordinary shares held

Signature/Common Seal of Member

Central Depository System Account No.

*Delete the words "the CHAIRMAN OF THE MEETING" if you wish to appoint some other person(s) only to be your proxy/proxies.

Notes:-

- (1) A member may appoint up to two (2) proxies to attend and vote instead of him/her at the meeting. If the member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149(1) of the Companies Act, 1965 shall not apply to the Company.
- (2) Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (3) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
- (4) Only a depositor whose name appears in the Company's Record of Depositors as at 12 February 2016 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.
- (5) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- (6) The original instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.



FOLD HERE

AFFIX
STAMP

The Company Secretary
Sasbadi Holdings Berhad
c/o Archer Corporate Services Sdn Bhd
Suite 11.1A Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur

FOLD HERE

SASBADI HOLDINGS BERHAD (1022660-T)

Lot 12, Jalan Teknologi 3/4, Taman Sains Selangor 1,
Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.
Tel: +603-6145 1188 Fax: +603-6145 1199
Website: www.sasbadiholdings.com