

Sasbadi Holdings Berhad

(Company No. 1022660-T)

(Incorporated in Malaysia)

and its subsidiaries

**Financial statements for the financial
year ended 31 August 2015**

Sasbadi Holdings Berhad

(Company No. 1022660-T)

(Incorporated in Malaysia)

and its subsidiaries

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.

Company No. 1022660-T

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

Sasbadi Holdings Berhad

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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		28,269	16,748	179	845
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 14 to 73 are an integral part of these financial statements.

Sasbadi Holdings Berhad

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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 14 to 73 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 (continued)

	Note	Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	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 14 to 73 are an integral part of these financial statements.

Sasbadi Holdings Berhad

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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

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Consolidated statement of changes in equity for the financial year ended 31 August 2015 (continued)

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 2014	63,500	13,461	(50,500)	13,596	53,652	93,709	-	93,709
Profit and total comprehensive income for the financial year	-	-	-	-	15,331	15,331	455	15,786
<i>Contributions by and distributions to owners of the Company</i>								
Effect of acquisition of a subsidiary (Note 28(a))	-	-	-	-	-	-	4,606	4,606
Dividends to owners of the Company (Note 20)	-	-	-	-	(3,810)	(3,810)	-	(3,810)
Total transactions with owners of the Company	-	-	-	-	(3,810)	(3,810)	4,606	796
At 31 August 2015	63,500	13,461	(50,500)	13,596	65,173	105,230	5,061	110,291
	Note 10.1	Note 10.2	Note 10.3	Note 10.4				

The notes on pages 14 to 73 are an integral part of these financial statements.

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Statement of changes in equity for the financial year ended 31 August 2015

Company	Non-distributable		Distributable (Accumulated losses)/	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Retained earnings 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 14 to 73 are an integral part of these financial statements.

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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)	-

Statements of cash flows for the financial year ended 31 August 2015 (continued)

		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><u>45</u></u>	<u><u>20,562</u></u>	<u><u>1,122</u></u>	<u><u>18,552</u></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><u>45</u></u>	<u><u>20,562</u></u>	<u><u>1,122</u></u>	<u><u>18,552</u></u>

* Denotes RM2

The notes on pages 14 to 73 are an integral part of these financial statements.

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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 financial 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
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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 Cost/Valuation	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
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	Leasehold land	Buildings	Motor vehicles	Office equipment, furniture and fittings	Renovation	Computers	Total
<i>Depreciation and impairment loss</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
<i>Carrying amounts</i>								
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	2014
	RM'000	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	Intellectual	Total
Cost	RM'000	properties	RM'000
		RM'000	RM'000
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	2014
			RM'000	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	
	2015 RM'000	2014 RM'000
Available-for-sale financial assets		
<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		(475)	(423)	-	-
		<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	2014	2015	2014
	RM'000	RM'000	RM'000	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

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2015	2015	2014	2014
	'000	RM'000	'000	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	2014
	RM'000	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
	<u>9,333</u>	<u>5,827</u>
	<u>9,432</u>	<u>6,025</u>

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

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

Security

The bank overdraft facility is secured by way of:

- (a) Charge over the land and buildings (Note 3); and
- (b) 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	-	-
	64	-	(6,092)	(4,332)	(6,028)	(4,332)

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
	(4,040)	460	(752)	(4,332)	43	(1,739)	(6,028)

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
	379	924

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	2014	2015	2014
	RM'000	RM'000	RM'000	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	2014	2015	2014
		RM'000	RM'000	RM'000	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		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	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		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	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	-	-
	472	456	-	-

19. Tax expense

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	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.

Company No. 1022660-T

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:									
Additions to non-current assets other than financial instruments and deferred tax assets	-	3,491	2	-	-	-	-	16	3,509

Company No. 1022660-T

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	2014
	RM'000	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	Depreciation	Finance	Interest	Segment	Additions
2015	revenue	and	costs	income	assets	to non-
	RM'000	amortisation	RM'000	RM'000	RM'000	current
		RM'000				assets
						RM'000
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	2014
	RM'000	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	2014
	RM'000	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 USD	
	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	2014
	RM'000	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.

	Profit or loss	
	100 bps increase RM'000	100 bps decrease RM'000
Group		
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	<u>4.43%</u>	<u>4.43%-5.58%</u>

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

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>
	Group 2015 RM'000
Identifiable assets acquired and liabilities assumed	
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	2014	2015	2014
	RM'000	RM'000	RM'000	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.

Sasbadi Holdings Berhad

(Company No. 1022660-T)

(Incorporated in Malaysia)

and its subsidiaries

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 6 to 72 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 73 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

Sasbadi Holdings Berhad

(Company No. 1022660-T)

(Incorporated in Malaysia)

and its subsidiaries**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 6 to 73 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

(Company No. 1022660-T)
(Incorporated in Malaysia)

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 6 to 72.

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.

Company No. 1022660-T

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 73 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.

Company No. 1022660-T

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