

## **SASBADI HOLDINGS BERHAD**

(Company No. 1022660-T)

(Incorporated in Malaysia)

Minutes of the Fifth Annual General Meeting of the Company held at The Greens III Function Room, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 23 January 2018 at 10.00 a.m.

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Present : Dato' Salleh Bin Mohd Husein (Chairman)  
Others as per attendance list attached

In Attendance : Ms Tan Fong Shian (Company Secretary)

### **1. INTRODUCTION**

Dato' Salleh Bin Mohd Husein, the Chairman of the Board of Directors ("the Chairman"), extended a warm welcome to all members present at the Company's Fifth Annual General Meeting ("AGM" or "Meeting") for the purpose of considering the business of the Company as set out in the Notice of AGM dated 28 December 2017.

The Chairman thereafter passed the time to Mr Law King Hui ("Mr Law"), the Group Managing Director, for a briefing on the current performance of the Group and its future prospects.

Before proceeding with his briefing, Mr Law introduced to the Meeting all the other members of the Board of Directors ("the Board"), the Group Chief Financial Officer ("CFO") and the Company Secretary. He then briefed the Meeting on the following areas: -

- i) The Group's financial performance for the financial year ended 31 August 2017 ("FYE2017") was affected by:
  - The weak retail market conditions with retailers reporting significant drop in their sales.
  - A shift by the Government from the use of physical book vouchers worth RM250 per student for students in higher education institutions and Form 6 to a debit card system. This had resulted in loss of sales for the local book industry as the usage of the debit card was not limited to the purchase of books only as opposed to the book vouchers. The impact of the shift was beyond the Group's expectation which resulted in the Group recording its first quarterly loss in the fourth quarter ended 31 August 2017.
  - As announced in the 2018 Budget, book vouchers will continue to be given in 2018, and the Group hopes to benefit from it again.

- ii) The Group's future plans and strategies include, among others:
- New market segment (private and international schools) – Distribution agreement with Marshall Cavendish Education Pte Ltd ("MCE") for the exclusive right to distribute certain MCE-published titles in Malaysia for a 3-year term.
  - Publication of pre-school books, 96 book titles in total, targeting children aged 4 to 6 years old. This is also a new market segment for the Group and new source of revenue for the financial year ending 31 August 2018 ("FYE2018").
  - Collaboration with Animasia Studio Sdn Bhd ("Animasia") whereby Sasbadi Sdn Bhd ("SSB") have been licensed by Animasia for a period of 3 years to publish, sell and sub-license a range of printed materials based on Animasia's animated television series, Chuck Chicken, in Malaysia and the rest of the world. The animated television series is currently being aired on Netflix. SSB has come up with a series of comic and colouring books with augmented reality on Chuck Chicken and the books are already available in major bookstores locally.
- iii) The Group's revenue recovered strongly in the first financial quarter ended 30 November 2017 ("Q1 FYE2018"), despite a slight decrease of 5.6% when compared against the preceding financial year's corresponding quarter ("Q1 FYE2017"). The revenue recorded in Q1 FYE2017 included the following:
- The non-recurring contract of RM3.85 million for the supply of robotics sets to the Ministry of Education ("MoE").
  - Orders of reprinted textbooks of approximately RM3.00 million arising from the delay in the orders by the MoE which would normally be placed in the fourth quarter of the financial year.

When compared to the revenue in Q1 FYE2017 after excluding the above two (2) items, the Group's revenue for Q1 FYE2018 would show a growth of approximately 21.0%.

- iv) In Q1 FYE2018, the Digital/Online and Technology-enabled Solutions and Network Marketing Business Division recorded higher revenue as compared to Q1 FYE2017 due to the Group's network marketing/direct sales business continuing to gain momentum. A Recognition Rally 2017 was held on 20 January 2018 at Ideal Convention Centre Shah Alam attended by more than 1,000 participants.

Upon concluding his briefing, Mr Law invited Mr Tang Yuen Kin, the CFO, to brief the Meeting on the Group's financials for FYE2017. The following salient points which affected the financial performance of the Group for FYE2017 were highlighted:

- i) Higher cost of amortisation of intellectual properties due to increase in book titles arising from the acquisition of United Publishing House (M) Sdn Bhd and its subsidiaries ("UPH Group") in August 2016;

- ii) Impairment loss on trade receivables;
- iii) Higher interest expense due to additional bank borrowings obtained by the Group; and
- iv) An exceptional bargain purchase gain of RM4.32 million arising from the acquisition of UPH Group recorded in financial year ended 31 August 2016.

The CFO also briefed the Meeting on the Q1 FYE2018 results of the Group, as follows:

- i) Revenue dropped by 5.6% as compared to Q1 FYE2017 which also included the non-recurring contract of RM3.85 million for the supply of robotics sets to the MoE and the delayed orders of reprinted textbooks by the MoE. When compared to the revenue in Q1 FYE2017 after excluding these two (2) items, the Group's revenue for Q1 FYE2018 would show a growth of approximately 21.0%.
- ii) Gross profit margin remained stable at 48.3% in Q1 FYE2018 as compared to 47.8% in Q1 FYE2017.
- iii) Profit before tax remained relatively unchanged at RM6.31 million in Q1 FYE2018 vis-à-vis RM6.38 million in Q1 FYE2017.
- iv) As at 30 November 2017, inventories stood at RM69.43 million representing approximately 31% of total assets due to stocking up for the forthcoming academic year.
- v) Trade receivables also recorded an increase due to the supply of new textbooks to the MoE as well as sales picking up in view of the forthcoming academic year.
- vi) Unaudited net assets as at 30 November 2017 increased by 1 sen to RM0.36 per share.
- vii) The Group's debt-to-equity ratio has increased to 0.3 times which was still below the management's maximum threshold of 0.4 times.

After the CFO concluded his presentation, the Chairman continued with the AGM.

## 2. **QUORUM**

The Company Secretary being called upon by the Chairman, confirmed that there was a quorum present for the Meeting.

The Chairman then called the Meeting to order.

3. **SHAREHOLDERS' RIGHTS AS TO VOTING**

The Company Secretary was called upon by the Chairman to explain how the shareholders present in person or by proxy or representative, may exercise their voting rights at the Meeting and the voting at the AGM would be conducted on a poll.

The Chairman informed that he would exercise his right as the Chairman of the Meeting to demand for a poll in accordance with Article 70.1 of the Company's Constitution (Articles of Association) in respect of all resolutions which would be put to vote at the Meeting.

He further informed that the polling process for all the resolutions would be conducted upon the completion of the deliberation of all items to be transacted at the AGM. The Company had appointed Symphony Share Registrars Sdn Bhd as the Poll Administrator to conduct the polling process and Archer Consulting Group Sdn Bhd as the Scrutineers to verify the poll results.

4. **NOTICE**

There being no objection, the Notice convening the Meeting, having been circulated earlier to all the shareholders of the Company within the prescribed notice period, was taken as read.

The Chairman informed that in order to facilitate the orderly conduct of the Meeting, question & answer sessions would be held after the Meeting had procedurally moved each motion.

5. **AUDITED FINANCIAL STATEMENTS AND REPORTS**

The Audited Financial Statements ("AFS") of the Company for FYE2017 and the Reports of the Directors and Auditors thereon which had been circulated earlier to all members of the Company within the statutory period were tabled and laid before the Meeting.

The Chairman then invited questions from the floor. The Meeting deliberated at length on this item and the questions/issues raised by the shareholders/proxies were responded by Management as follows:

- (i) Mr Muniandy A/L Karishnan ("Mr Muniandy"), enquired on the impairment loss on trade receivables and the diversification of the Group beyond the core academic segment into new revenue streams where the Group do not have significant presence referred to under Prospects – Message to Shareholders.

The CFO explained that the impairment loss on trade receivables was due to the weak market conditions. Management, however, will continue its effort to pursue the recoverability wherever possible and has taken steps such as tighter credit control and close monitoring of trade receivables.

Mr Law informed that the new segments referred to have been explained in his earlier briefing. The new segments would be within the publishing/education industry and not necessarily diversification into other areas/industries.

- (ii) Mr Muniandy also enquired why the breakdown of revenue is not by individual subsidiaries and sought Management's explanation on a piece of news article that quoted an analyst's forecast on the Group's revenue and profits.

The CFO explained that breakdown of revenue by individual subsidiaries is not presented as the revenue and profits of some of the subsidiaries are rather immaterial to the Group. In addition, some of the subsidiaries are monitored and managed by Management on a sub-group basis given the similarity in their nature of business.

On the news article, the CFO responded that Management has no control over the reports made by the media, and the forecast reflects the personal opinion and assessment of the Group by the analyst. He further added that, although the Company conducts meetings with analysts and media when requested, the Company adheres closely to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and does not share any internal targets with them.

- (iii) In relation to the Chuck Chicken comic book series, Mr Muniandy commented that the language used should be suitable and proper for children.

The CFO replied that the Company is always mindful of the language used in its publications.

- (iv) Mr Veiven Goon then enquired on the ownership of the intellectual property ("IP") of Chuck Chicken and the long term evaluation of the publishing industry especially with the evolution digital/online era.

Mr Law informed that the IP rights of the Chuck Chicken character belongs to Animasia and SSB has the license to print, publish and sell a range of printed materials based on the Chuck Chicken series. On the digital/online solutions, the Group has begun to venture into this area in 2011 and today, its flagship product, i-LEARN Ace, is being marketed and sold through the multi-level marketing subsidiary, MindTech Education Sdn Bhd.

- (v) Mr Chong Chee Fern ("Mr Chong") commended the Board and Management for an informative briefing and insight of the Group's current performance as well as future prospects.
- (vi) In response to Mr Chong's enquiry on the percentage of revenue derived from Government contracts and overseas, Mr Law said that revenue contribution from Government contracts is below 10% of the Group's revenue while revenue from overseas contracts is not significant at this juncture.

- (vii) On the question of minimum dividend payout threshold by Mr Chong, Mr Law informed that there is no minimum threshold, however the Company's dividend policy is payout of up to 50% of the net profits. For FYE2017 the Company's dividend payout is 34.8% of the net profit which is in line with the Group's policy.

There being no further questions raised, the AFS of the Company for FYE2017 and the Reports of the Directors and Auditors as laid before the Meeting were declared by the Chairman to be duly received.

6. **ORDINARY RESOLUTION 1**  
**DIRECTORS' FEES FOR FYE2018**

Mr Muniandy proposed and Mr Chok Siew Sin seconded the following motion:-

“THAT the payment of a sum of not exceeding RM700,000-00 as total Directors' Fees and benefits for FYE2018 be and is hereby approved.”

Mr Law enlightened the Meeting that the actual total Directors' Fees paid for FYE2017 was RM560,000 despite approval being obtained at the Fourth AGM for a sum of not exceeding RM700,000.

The Chairman informed that the poll would be conducted upon completion of the remaining business of the Meeting and invited questions from the floor.

Mr Chong enquired on the breakdown of the benefits payable. The CFO clarified that the quantum of the benefits payable was minimal, i.e. only in respect of insurance coverage for Directors and Officers Liability Insurance of the Group, and approval for the benefits is sought as required by the new Companies Act 2016.

There being no further question raised from the floor, the Chairman proceeded with the next item on the agenda.

7. **ORDINARY RESOLUTIONS 2 AND 3**  
**RE-ELECTION OF DIRECTORS**

The Chairman informed the floor that pursuant to Article 84, Mr Lee Swee Hang retires by rotation and being eligible, had offered himself for re-election.

Mr Muniandy proposed and Mr Chok Siew Sin seconded the following motion:-

“THAT Mr Lee Swee Hang, the Director who is retiring pursuant to Article 84 of the Company's Constitution (Articles of Association), and being eligible, be and is hereby re-elected to the Board.”

The Chairman informed that the poll would be conducted upon completion of the remaining business of the Meeting and there was no question raised from the floor.

The Chairman then notified the Meeting that Mr Lee Eng Sang had indicated that he would not be seeking re-election as Director of the Company. With his withdrawal, Ordinary Resolution No. 3 was consequently withdrawn and not be put forward for voting.

8. **ORDINARY RESOLUTION 4**  
**RE-APPOINTMENT OF AUDITORS**

Upon the proposal by Encik Hassan Bin Hashim and duly seconded by Mr Chok Siew Sin, the following motion was moved:-

“THAT KPMG PLT be and are hereby re-appointed as the Company’s Auditors and to hold office until the conclusion of the next AGM AND THAT the Directors be and are hereby authorised to determine their remuneration.”

There being no questions raised from the floor, the Chairman informed that the poll would be conducted upon completion of the remaining business of the Meeting.

9. **SPECIAL BUSINESS**  
**ORDINARY RESOLUTION 5**  
**AUTHORITY FOR DIRECTORS TO ISSUE SHARES**

The Chairman informed that the next item on the agenda was to seek shareholders’ approval for the authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016. The Chairman then proposed and Mr Muniandy seconded the following motion:-

“THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby empowered to allot and issue new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company.”

There being no questions raised from the floor, the Chairman informed that the poll would be conducted upon completion of the remaining business of the Meeting.

10. **SPECIAL BUSINESS**  
**ORDINARY RESOLUTION 6**  
**PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The Chairman informed that the last item on the agenda was to seek shareholders' approval for the Proposed Renewal of Share Buy-Back Authority. The relevant information on the Proposed Renewal of Share Buy-Back Authority was set out in the Statement to Shareholders dated 28 December 2017.

The following motion was proposed by Mr Teoh Han Chong and duly seconded by Mr Muniandy:-

“THAT subject to the provisions of the Companies Act, 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase such number of issued ordinary shares in the share capital of the Company as may be determined by the Directors of the Company from time to time through Bursa Securities, upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:-

- (a) the aggregate number of shares purchased does not exceed ten percent (10%) of the total number of issued shares of the Company (“Purchased Shares”) at any point in time;
- (b) the maximum amount of funds to be allocated by the Company for the purposes of purchasing the Purchased Shares shall not exceed the aggregate amount of the retained earnings of the Company at the time of purchase;
- (c) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until:-
  - (i) the conclusion of the next AGM of the Company at which time the authority shall lapse unless it is renewed, either unconditionally or subject to conditions; or
  - (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
  - (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting;whichever occurs first,
- (d) upon completion of the purchase by the Company of the Purchased Shares, the Directors of the Company be and are hereby empowered to deal with Purchased Shares in the following manner:-
  - (i) cancel the Purchased Shares;
  - (ii) retain the Purchased Shares as treasury shares;
  - (iii) retain part of the Purchased Shares as treasury shares and cancel the remainder;
  - (iv) distribute the treasury shares as share dividends to the shareholders;



- (v) resell the treasury shares on Bursa Securities; or  
any combination of the above (i), (ii), (iii), (iv) and (v).

AND THAT the Directors of the Company be and are hereby authorised to take all such steps and to do all acts and things as may be required (including executing all documents) to give full effect to the purchase of the Company's own shares, with full power to assent to any conditions, variations, modifications, and/or amendments in any manner as may be required or permitted by any relevant authorities or as may be deemed necessary by the Board and in the best interests of the Company."

In response to Mr Muniandy's question on whether the Company intends to purchase its own shares especially with the current low market price of the Company's shares, Mr Law indicated that the Company would consider doing so when the Company has excess funds.

There being no further questions raised from the floor, the Chairman informed that the voting on all the Ordinary Resolutions by poll would be conducted.

Ms Yeap Hong Jin referred to the polling slip handed-out earlier during registration and enquired on the reason for the Company not conducting the poll by way of e-voting. Management took note of the comment and would consider the use of e-voting in its future general meetings.

11. **POLLING**

As the Company had not received any notice for transaction of any other business at the Meeting, upon the Chairman's request, the Company Secretary explained the procedures for polling to the Meeting.

The computation of votes then took place immediately after all the shareholders had cast their votes and the Meeting was adjourned at 11.40 a.m. for 25 minutes for this purpose.

12. **RESULTS OF THE POLL**

At 12.05 p.m., the Chairman called the Meeting back to order for the declaration of results. He informed that he had received the poll results and the said results were verified by the Scrutineers. The Chairman invited the Company Secretary to read out the poll results, which were also displayed on slides for those present at the Meeting.

The Company Secretary announced the poll results in respect of all the Ordinary Resolutions which were carried as follows:

**SASBADI HOLDINGS BERHAD (1022660-T)**Minutes of the Fifth Annual General Meeting held on 23 January 2018 - *Cont'd*

Resolution	Vote For		Vote Against		Total		Abstained
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares
<b>Ordinary Resolution 1</b> Approval of the Directors' Fees for the financial year ending 31 August 2018	211,565,358	86.45	33,157,900	13.55	244,723,258	100.00	130,000
<b>Ordinary Resolution 2</b> Re-election of Lee Swee Hang as Director	242,223,158	100.00	-	0.00	242,223,158	100.00	2,630,100
<b>Ordinary Resolution 4</b> Re-appointment of KPMG PLT as Auditors of the Company	244,723,258	100.00	-	0.00	244,723,258	100.00	130,000
<b>Ordinary Resolution 5</b> Authority for Directors to issue shares	243,973,258	99.69	750,000	0.31	244,723,258	100.00	130,000
<b>Ordinary Resolution 6</b> Proposed Renewal of Share Buy-Back Authority	244,723,058	100.00	200	0.00	244,723,258	100.00	130,000

The Chairman declared that Ordinary Resolutions 1, 2, 4, 5 and 6 were all duly carried.

(Note: Ordinary Resolution 3 was withdrawn as Mr Lee Eng Sang did not seek re-election as a director.)

13. **CLOSURE**

On behalf of the Board, Mr Law recorded his appreciation to Mr Lee Eng Sang, one of the co-founders of the Group, who now retires at the conclusion of this AGM in accordance with Article 84 of the Company's Constitution. He placed on record his thanks to Mr Lee Eng Sang for his commitment, invaluable contributions and guidance to the Group throughout his long tenure as Director of the Company and wished him all the best in his future endeavours.

There being no further business to be transacted, the Meeting was closed at 12.10 p.m. with a vote of thanks to the Chairman.

READ AND CONFIRMED BY

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CHAIRMAN

Date: 6 February 2018