www.sasbadiholdings.com


**SASBADI HOLDINGS BERHAD**
(Company No.: 1022660-T)

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

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**SASBADI HOLDINGS BERHAD** (Company No. 1022660-T)

PROSPECTUS


SASBADI

**SASBADI HOLDINGS BERHAD**
(Company No. 1022660-T)
(Incorporated in Malaysia under the Companies Act, 1965)




# PROSPECTUS

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

(I) PUBLIC ISSUE OF 21,200,000 NEW ORDINARY SHARES OF RM0.50 EACH ("SHARES") IN THE FOLLOWING MANNER:

- 6,350,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE PUBLIC;
- 5,700,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP;
- 9,150,000 NEW SHARES BY WAY OF PLACEMENT TO SELECTED INVESTORS;

AND

(II) OFFER FOR SALE OF UP TO 35,950,000 EXISTING SHARES IN THE FOLLOWING MANNER:

- 12,700,000 EXISTING SHARES BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;
- 23,250,000 EXISTING SHARES BY WAY OF PLACEMENT TO SELECTED INVESTORS;

AT AN ISSUE/OFFER PRICE OF RM1.19 PER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Underwriter and Placement Agent

ALLIANCE INVESTMENT BANK
**Alliance Investment Bank Berhad** (21605-D)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. TURN TO SECTION 4 HEREIN FOR THE 'RISK FACTORS'.**

**THIS PROSPECTUS IS DATED 7 JULY 2014**

## RESPONSIBILITY STATEMENTS

Our Board, Promoters and Offerors (as defined herein) have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there is no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

Alliance Investment Bank Berhad, being our Principal Adviser, Underwriter and Placement Agent acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our Public Issue and Offer for Sale (as defined herein).

## STATEMENTS OF DISCLAIMER

The Securities Commission of Malaysia ("**SC**") has approved the Public Issue and Offer for Sale (as defined herein) and a copy of this Prospectus has been registered with the SC. The approval and registration of this Prospectus should not be taken to indicate that the SC recommends our Public Issue and Offer for Sale or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

The valuation utilised for the purpose of the corporate exercise should not be construed as an endorsement by the SC on the value of the subject assets.

Approval has been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the securities being offered. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our Public Issue and Offer for Sale, our Company or our securities.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the application forms has also been lodged with the Registrar of Companies ("**ROC**") who takes no responsibility for its contents.

## OTHER STATEMENTS

As with all investments, you should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to amongst others, this Prospectus, our latest financial statements and corporate announcements. You are strongly recommended to seek advice from your stockbroker, solicitor, accountant or other professional advisers.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("**CMSA**"). Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our Public Issue and Offer for Sale for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

**ELECTRONIC PROSPECTUS**

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the electronic Prospectus are as per the contents of the copy of this Prospectus registered with the SC.

You may also obtain a copy of the electronic Prospectus from the website of Affin Bank Berhad at www.affinOnline.com, the website of Affin Investment Bank Berhad at www.affintrade.com, the website of CIMB Investment Bank Berhad at www.eipocimb.com, the website of CIMB Bank Berhad at www.cimbclicks.com.my, the website of Malayan Banking Berhad at www.maybank2u.com.my, the website of RHB Bank Berhad at www.rhb.com.my, and the website of Public Bank Berhad at www.pbebank.com.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application is subject to the risk of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. (Internet Participating Financial Institutions are listed in Section 17 of this Prospectus). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt as to the validity or integrity of an electronic Prospectus, you should immediately request from us, our Principal Adviser or the Issuing House, a paper/printed copy of this Prospectus.

The electronic Prospectus submitted to the SC and Bursa Securities is the same as the registered paper/printed copy. In the event of any discrepancies arising between the contents of the electronic Prospectus and the contents of the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus, which is identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites ("**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

(i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss, damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and

(iii) any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

(i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of an electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

(ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an electronic Prospectus, the accuracy and reliability of an electronic Prospectus cannot be guaranteed as the Internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on an applicant's personal computer.

This Prospectus is prepared and published solely for our Public Issue and Offer for Sale in Malaysia under the laws of Malaysia. Our Issue Shares (as defined herein) are issued in Malaysia solely based on the contents of this Prospectus. Our Board, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our Public Issue and Offer for Sale, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility, if you are or may be subject to the laws of any country or jurisdiction other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our Public Issue and Offer for Sale would result in the contravention of any law of such country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our Public Issue and Offer for Sale would be in compliance with the terms of this Prospectus and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you have accepted our Public Issue and Offer for Sale in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

The distribution of this Prospectus and the accompanying documents are subject to Malaysian laws. Our Board, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Board, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent have not taken any action to permit a Public Issue and Offer for Sale of our securities based on this Prospectus or the distribution of this Prospectus outside Malaysia.

This Prospectus may not be used as an offer to sell or an invitation to buy our securities in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or is unlawful. This Prospectus shall also not be used to make an offer of or invitation to buy our securities to any person to whom it is unlawful to do so. Our Board, Promoters, Offerors, Principal Adviser, Underwriter and Placement Agent require you to inform yourself and to observe such restrictions.

## INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities is set out below:

| EVENT | TENTATIVE DATE / TIME |
|---|---|
| Issuance of Prospectus/Opening of application for our IPO | 7 July 2014 at 10.00 a.m. |
| Closing of application for our IPO | 14 July 2014 at 5.00 p.m. |
| Balloting of applications | 16 July 2014 |
| Allotment of shares to successful applicants | 21 July 2014 |
| Listing on the Main Market of Bursa Securities | 23 July 2014 |

Our Board, Promoters and Offerors together with Alliance, may mutually decide at their absolute discretion to extend the date for the closing of applications to any later date or dates. If the date of closing of application is extended, the dates of balloting, allotment and listing would be extended accordingly. We will publish any extension of the date of closing of application in a widely circulated English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of application. **Late applications will not be accepted.**

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "our Company" or "Sasbadi Holdings" in this Prospectus are to Sasbadi Holdings Berhad, while references to "our Group" are to our Company and our subsidiary companies. References to "we", "us", "our" and "ourselves" are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to "Management" are to our Executive Directors and our Key Management Personnel as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Board.

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" section of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any enactment in this Prospectus shall be a reference to that enactment as for the time being or amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from us.

In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by Vital Factor (hereinafter defined), an independent business and market research consulting firm. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. However, neither we nor our Principal Adviser have independently verified these data. Neither we nor our Principal Adviser make any representation as to the correctness, accuracy or completeness of such data, hence accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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## FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which include all statements other than those of historical facts including amongst others, those regarding our Group's financial position, business strategies, plans and objectives of our Management for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our Group's control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Prospectus will be realised.

Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group operates. Additional factors that could cause our Group's actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 - Risk Factors and Section 12 - Management Discussion and Analysis of Financial Condition, Results of Operations and Prospects, of this Prospectus.

These forward-looking statements are based on information available to us as at the date of this Prospectus. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statements contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward looking statements that are contained herein.

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## DEFINITIONS

Unless otherwise defined or the context otherwise requires, the following definitions shall apply throughout this Prospectus:

| | | |
|---|---|---|
| AAGR | : | Average Annual Growth Rate |
| Acquisitions | : | Acquisition of Sasbadi, Acquisition of Maya Press, Acquisition of Orbit Buku, Acquisition of Sasbadi Online and Acquisition of Malaysian Book Promotions collectively |
| Acquisition of Malaysian Book Promotions | : | Acquisition by Sasbadi Holdings of the entire issued and paid-up share capital in Malaysian Book Promotions of RM75,005 comprising 75,005 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM77,754 which was reflected as amount owing by Sasbadi Holdings to Sasbadi |
| Acquisition of Maya Press | : | Acquisition by Sasbadi Holdings of the entire issued and paid-up share capital in Maya Press of RM2.00 comprising two (2) ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 which was reflected as amount owing by Sasbadi Holdings to Sasbadi |
| Acquisition of Orbit Buku | : | Acquisition by Sasbadi Holdings of the entire issued and paid-up share capital in Orbit Buku of RM10,000 comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 which was reflected as amount owing by Sasbadi Holdings to Sasbadi |
| Acquisition of Sasbadi | : | Acquisition by Sasbadi Holdings of the entire issued and paid-up share capital in Sasbadi of RM2,400,000 comprising 2,400,000 ordinary shares of RM1.00 each from the Vendors for a total purchase consideration of RM52,899,998 which was entirely satisfied by the issuance of 105,799,996 new Sasbadi Holdings Shares at an issue price of RM0.50 per share credited as fully paid |
| Acquisition of Sasbadi Online | : | Acquisition by Sasbadi Holdings of the entire issued and paid-up share capital in Sasbadi Online of RM10,000 comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM277,919 which was reflected as amount owing by Sasbadi Holdings to Sasbadi |
| Act | : | Companies Act, 1965, as amended from time to time and any re-enactment thereof |
| ADA | : | Authorised Depository Agent |
| Alliance or Principal Adviser or Underwriter or Placement Agent | : | Alliance Investment Bank Berhad (21605-D) |
| Application Form(s) | : | The printed application form(s) for the application of our IPO Shares accompanying this Prospectus |
| ASEAN | : | Association of South East Asian Nations |
| ATM(s) | : | Automated Teller Machine(s) |
| Board | : | Board of Directors of Sasbadi Holdings |
| Bursa Depository | : | Bursa Malaysia Depository Sdn Bhd (165570-W) |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (635998-W) |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| CCM | : | Companies Commission of Malaysia |
| CDS | : | Central Depository System |
| CDS Account | : | An account established by Bursa Depository for a depositor to record deposits or withdrawals of securities and for dealings in such securities by the depositor |
| Central Depositories Act | : | The Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof |
| CMSA | : | Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof |
| Dividend Payment | : | Dividend totalling RM8.5 million paid by Sasbadi to the Vendors before the Acquisition of Sasbadi |
| EPS | : | Earnings per share |
| ESA or Electronic Share Application | : | Application for our Public Issue Shares through a Participating Financial Institution's ATM |
| FPE | : | Financial period ended/ending |
| FYE | : | Financial year ended/ending |
| IMR Report | : | Vital Factor's Independent Market Research Report titled 'Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia' included in Section 7 of this Prospectus |
| Incorporation of Subsidiaries | : | Incorporation of MBP Publications on 28 March 2014 and Sasbadi Learning Solutions on 3 April 2014 |
| Independent Property Valuer | : | City Valuers & Consultants Sdn Bhd (98373-K) |
| IPO | : | Public Issue and Offer for Sale, collectively |
| IPO Price | : | The issue/offer price of RM1.19 per IPO Share |
| IPO Share(s) | : | The Public Issue Shares and the Offer for Sale Shares, collectively |
| Issuing House or MIH | : | Malaysian Issuing House Sdn Bhd (258345-X) |
| Karya Kencana | : | Karya Kencana Sdn Bhd (1039847-X) |
| Karya Kencana Shares | : | Ordinary share(s) of RM1.00 each in Karya Kencana |
| KPMG or Reporting Accountants | : | KPMG (AF0758) |
| Listing | : | The admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM63,500,000 comprising 127,000,000 Shares on the Main Market of Bursa Securities |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| Listing Requirements | : | Main Market Listing Requirements of Bursa Securities, as amended or expanded from time to time |
| Listing Scheme | : | The Dividend Payment, Acquisitions, Public Issue, Offer for Sale, Vendors' Shareholdings Reorganisation and Listing collectively |
| LPD | : | 19 May 2014, being the latest practicable date prior to the issuance of this Prospectus |
| Malaysian Book Promotions | : | Malaysian Book Promotions Sdn Bhd (310517-A) |
| Market Day | : | Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities |
| Maya Press | : | Maya Press Sdn Bhd (585059-A) |
| MBP Publications | : | MBP Publications Sdn Bhd (1086597-H) |
| MITI | : | Ministry of International Trade and Industry, Malaysia |
| MOU | : | Memorandum of understanding |
| MyIPO | : | Perbadanan Harta Intelek Malaysia or Intellectual Property Corporation of Malaysia |
| NA | : | Net assets |
| NBV | : | Net book value |
| Offer for Sale | : | Offer for sale by the Offerors of up to 35,950,000 Sasbadi Holdings Shares by way of placement to Bumiputera investors approved by the MITI and selected investors at the IPO Price |
| Offer for Sale Share(s) or Offer Share(s) | : | Up to 35,950,000 Sasbadi Holdings Shares to be offered for sale by the Offerors |
| Offerors | : | Law King Hui, Lee Swee Hang and Lee Eng Sang collectively |
| Orbit Buku | : | Orbit Buku Sdn Bhd (894135-W) |
| Participating Financial Institution(s) | : | The participating financial institution(s) for the ESA as listed in Section 17 of this Prospectus |
| PAT | : | Profit after tax |
| PBT | : | Profit before tax |
| PE Multiple | : | Price-earnings multiple |
| Pearson Malaysia | : | Pearson Malaysia Sdn Bhd (4409-W) |
| Promoters | : | Karya Kencana, Law King Hui, Lee Swee Hang, Lee Eng Sang and Law En Ruey collectively |
| Prospectus | : | This prospectus dated 7 July 2014 in relation to our IPO |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| Public | : | All persons or members of the public but excluding our Directors, substantial shareholders and persons connected or associated with them (as defined in the Listing Requirements) |
| Public Issue | : | The 21,200,000 new Sasbadi Holdings Shares, representing approximately 16.7% of the enlarged issued and paid-up share capital of Sasbadi Holdings at the IPO Price |
| Public Issue Share(s) or Issue Share(s) | : | 21,200,000 new Sasbadi Holdings Shares to be issued pursuant to the Public Issue |
| RM and sen | : | Ringgit Malaysia and sen, respectively |
| Rules | : | The Rules of the Bursa Depository, including any amendment that may be made from time to time |
| Sasbadi | : | Sasbadi Sdn Bhd (139288-X) |
| Sasbadi Holdings or Company | : | Sasbadi Holdings Berhad (1022660-T) |
| Sasbadi Holdings Group or Group | : | Sasbadi Holdings and its direct wholly-owned subsidiary companies, namely Sasbadi, Maya Press, Orbit Buku, Sasbadi Online, Malaysian Book Promotions, MBP Publications and Sasbadi Learning Solutions collectively |
| Sasbadi Holdings Share(s) or Share(s) | : | Ordinary share(s) of RM0.50 each in Sasbadi Holdings |
| Sasbadi Learning Solutions | : | Sasbadi Learning Solutions Sdn Bhd (1087549-A) |
| Sasbadi Online | : | Sasbadi Online Sdn Bhd (951383-X) |
| SC | : | Securities Commission of Malaysia |
| sq. ft. | : | Square feet |
| Underwriting Agreement | : | The underwriting agreement dated 18 June 2014 made between our Company and our Underwriter for the underwriting of up to 12,050,000 Public Issue Shares |
| USD | : | United States Dollar |
| Vendors | : | Law King Hui, Lee Swee Hang and Lee Eng Sang collectively |
| Vendors' Shareholdings Reorganisation | : | The reorganisation of the Vendors' shareholdings in Sasbadi Holdings during the prescribed period involving the transfer of 25,400,000 Sasbadi Holdings Shares which they collectively received from the Acquisition of Sasbadi to Karya Kencana, an investment holding company substantially owned by the Vendors |
| Vital Factor | : | Vital Factor Consulting Sdn Bhd (266797-T) |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| YGMB | : | Yayasan Guru Malaysia Berhad (2951523-T). YGMB was incorporated on 7 March 1994 in Malaysia under the Act as a company limited by guarantee. It is run by a board of trustees, and the main objective for the establishment of YGMB is to look after the welfare of teachers, especially members of YGMB, through support/assistance in areas such as education, health, cases of death, disasters etc |

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## GLOSSARY OF TECHNICAL TERMS AND ACRONYMS

| | | |
|---|---|---|
| applied learning products | : | Products that enable learners to experience practical and hands-on learning as opposed to theoretical and classroom learning from written materials. In addition, applied learning products serve to stimulate learners' creativity and higher order thinking skills |
| applied learning centre | : | A centre that facilitates practical and hands-on learning methods as opposed to theoretical and classroom learning from written materials. In addition, an applied learning centre helps cultivate creativity and higher order thinking skills through play and "learning by making" |
| assessment books | : | Non-prescribed National School Curriculum based educational materials developed for students and teachers to test and evaluate students' understanding and knowledge of a particular topic and subject |
| children's books | : | Books intended for children to develop their reading and comprehension skills, and general knowledge. Some examples of children's books may include activity books, readers, illustrated storybooks, illustrated reference books, poems, educational comics, fiction books and informational books |
| cloud-computing | : | Provision of ICT services through the internet where users do not need to own physical infrastructure or software used for accessing services. Cloud computing generally covers the use of one or more combination of processors, storage, software and platforms |
| digital format | : | A form of representation of materials or contents which may be stored, manipulated and transmitted electronically |
| digital publishing | : | Publication materials where the contents are stored in digital format and may be downloaded from an electronic storage site onto another device or made available through optical discs |
| educational publishing | : | Publication of materials designed to teach or to enable the users or consumers to learn and acquire knowledge and skills through these materials |
| ELT | : | English Language Teaching |
| general titles | : | Publications commonly intended for personal interest and development. Some examples of these include fiction, literature, art and cultural publications. Nevertheless, general titles may be used for educational and academic purposes in the relevant fields of studies. In the context of this Prospectus, it mainly refers to publications not generally used for school education purposes. Used interchangeably with general title books |
| higher education | : | Education provided by an education institution leading to the award of a diploma, degree or equivalent thereof |
| ICT | : | Information and communications technology |
| IT | : | Information technology |
| ISBN | : | International Standard Book Number, a unique numerical code given as an identifier for a specific edition or version of a publication |
| KBSM | : | Kurikulum Bersepadu Sekolah Menengah - Integrated Curriculum for Secondary Schools in Malaysia |

## GLOSSARY OF TECHNICAL TERMS AND ACRONYMS *(Cont'd)*

| | | |
|---|---|---|
| KBSR | : | Kurikulum Bersepadu Sekolah Rendah – Integrated Curriculum for Primary Schools in Malaysia |
| KSSM | : | Kurrikulum Standard Sekolah Menengah - Standard Curriculum for Secondary Schools in Malaysia (with effect from 2017) |
| KSSR | : | Kurrikulum Standard Sekolah Rendah – Standard Curriculum for Primary Schools in Malaysia (with effect from 2011) |
| materials | : | In the context of this Prospectus, it is used to refer to contents comprising one or some combination of literacy works, artistic works, data, information, still images, moving images and sound |
| MELTA | : | Malaysian English Language Teaching Association |
| Ministry of Education | : | Refers to the Ministry of Education, Malaysia, unless otherwise stated |
| model test papers | : | Non-prescribed National School Curriculum based educational materials, which simulate national examination papers and/or examination papers in line with prevailing national examination standards. These materials are developed for students to use as practice and exercise materials for their preparations for examinations as well as for teachers to assess students' performance on a particular subject |
| National Curriculum | : | Used interchangeably with National School Curriculum |
| National Education System | : | According to the Education Act 1996, the National Education System in Malaysia comprises the following:<br>- pre-school education;<br>- primary education;<br>- secondary education;<br>- post-secondary education; and<br>- higher education.<br><br>In the context of this Prospectus, the National Education System refers mainly to primary and secondary education in Malaysia.<br><br>The National Education System for primary and secondary education in Malaysia primarily uses the National School Curriculum. |
| national schools | : | Used interchangeably with public schools |
| National School Curriculum | : | In the context of this Prospectus, it refers to the Malaysian National School Curriculum. The National School Curriculum is a series of standardised courses prescribed by the Ministry of Education for conducting education in all kindergartens, primary and secondary schools, excluding international, expatriate, correspondence and some special education and religious schools, in Malaysia. It also includes government or government-aided colleges that provide post-secondary education |

| | | |
|---|---|---|
| National School Curriculum based educational materials | : | In the context of this Prospectus, it refers to educational publications developed based on the National School Curriculum. National School Curriculum based educational materials may cover prescribed and non-prescribed materials. Prescribed materials commonly refer to textbooks, which are compulsory educational materials prescribed by the Ministry of Education for use in schools. Non-prescribed materials commonly include workbooks, revision guides, assessment books, model test papers, actual past year examination papers and readers, which are not compulsory materials prescribed by the Ministry of Education for use in schools but containing contents that comply with the National School Curriculum |
| online | : | Digital data, tools and resources made available through the internet. Used interchangeably with web-based |
| online publishing | : | Publication materials where the contents are accessible through a website |
| past year examination papers | : | Examination papers from past years' national examinations such as UPSR, PMR, SPM and STAM |
| PMR | : | Penilaian Menengah Rendah - Lower Secondary Assessment, set and run by Malaysian Examinations Syndicate. It is intended for:<br>- school candidates which are form 3 students of government secondary schools, government aided secondary schools or other schools recognised by the Ministry of Education<br>- private candidates who have sat for PMR/SRP/Lower Certificate of Education/Sabah Junior School Certificate/Sarawak Junior School Certificate or undergone a course of studies recognised by State Directors of Education comprising the same level with Form 3 in schools that receive government aids |
| post-secondary education | : | In the context of this Prospectus, it refers to education for individuals who have completed secondary education but does not include higher education |
| print publishing | : | Publication of materials in printed format |
| private schools | : | Generally, it refers to schools maintained out of private funds. It comprises primary and secondary:<br>- private academic schools;<br>- private religious schools;<br>- private special education schools;<br>- international schools;<br>- expatriate schools; and<br>- correspondence schools.<br>and also<br>- Chinese independent secondary schools.<br><br>Private schools also use the National School Curriculum with the exception of international, expatriate, correspondence and some special education and religious schools. |

| | | |
|---|---|---|
| public schools | : | It refers to schools maintained out of public funds. It comprises the following:<br>**Primary Education:**<br>- national primary schools;<br>- national-type schools (Chinese);<br>- national-type schools (Tamil);<br>- government aided religious schools; and<br>- special education schools.<br>**Secondary Education:**<br>- national secondary schools;<br>- government aided religious school;<br>- national religious schools;<br>- special education schools;<br>- fully residential schools;<br>- arts and sports schools; and<br>- technical/vocational schools. |
| publication materials | : | In the context of this Prospectus, all publication materials are assumed to be print publications, unless stated otherwise |
| publishing | : | The process of acquiring, preparing, producing and disseminating materials to the masses or some special interest groups |
| readers | : | In the context of this Prospectus, it refers to educational materials developed to improve reading and comprehension skills |
| revision guides | : | In the context of this Prospectus, it refers to non-prescribed National School Curriculum based educational materials developed for revision purposes. These materials are commonly use as study companions and teaching references |
| SaaS | : | Software-as-a-Service, which refers to software for which a user pays a recurring fee for the continuing right to use the software, as opposed to making a single payment or fixed price for the right to use the software on a permanent basis. The recurring fee may be charged based on usage or time periods |
| SJK(C) | : | Sekolah Jenis Kebangsaan (Cina) (national-type school (Chinese)) |
| SPM | : | Sijil Pelajaran Malaysia - Malaysian Certificate of Education, set and run by Malaysian Examinations Syndicate. It is intended for:<br>- school candidates which are Form 5 students of government schools, government aided schools, government aided religious schools, schools under other government agencies, state religious secondary schools, private schools registered with the Ministry of Education, people's religious secondary schools, and have reached the age of 16 on 1 January of the examination year;<br>- private candidates who have sat for SPM/SPM (Vocational)/Malaysian Vocational Certificate of Education (SPVM)/Malaysian Certificate of Education (MCE), or have sat for PMR at least one year before applying to register for SPM, or have reached the age of 17 on 1 January of the examination year |
| SRP | : | Sijil Rendah Pelajaran - Lower Certificate of Education. SRP was replaced by PMR in 1993 |

| | | |
|---|---|---|
| STAM | : | Sijil Tinggi Agama Malaysia – Malaysian Higher Certificate of Religious Education, set and run by Malaysian Examinations Syndicate. It is intended for students who have undergone course of studies using the curriculum of Ma'ahad Bu'uth Al-Azhar, have sat for SPM or have reached the age of 18 on 1 January of the examination year |
| STPM | : | Sijil Tinggi Pelajaran Malaysia – Malaysian Higher School Certificate, set and run by Malaysian Examination Council. It is generally intended for candidates who have passed Malay Language examination in the SPM examination, and has obtained one of the following qualifications for at least two (2) years before being eligible for STPM examination:<br>- SPM in 1999 or previous years;<br>- SPM (Vocational);<br>- Malaysian Certificate of Education (MCE);<br>- Federation of Malaya Certificate of Education;<br>- Cambridge School Certificate;<br>- General Certificate of Education (GCE)/Sijil Am Pelajaran (SAP) (Malaysia or Cambridge, with three (3) normal passes acquired in one (1) sitting of an examination); and<br>- SPM in 2000 to 2011 which was obtained in one (1) examination with a minimum grade of C for three (3) subjects or a minimum grade of C for two (2) subjects and a pass in four (4) other subjects. |
| supplementary educational materials | : | In the context of this Prospectus, it refers to non-curriculum based materials intended for general teaching, learning as well as to facilitate the learning process |
| textbooks | : | In the context of this Prospectus, it refers to National School Curriculum based educational materials prescribed by the Ministry of Education as the main source of learning materials for use in primary and secondary schools, covering primary, secondary and post-secondary levels of education |
| title | : | In reference to the publication industry, each published work is referred to as a title<br><br>For example, a title could be a specific book. The book could be for a particular subject in a particular level of education. A book may also have various editions with the same name. Each edition is considered as a separate title. Usually each title will have its own ISBN (ISBN is not compulsory) |
| UPSR | : | Ujian Pencapaian Sekolah Rendah – Primary School Achievement Test, set and run by Malaysian Examinations Syndicate. It is intended for year six students of national schools, national-type schools and private schools that are registered with the Ministry of Education |
| web-based | : | Used interchangeably with online |
| workbooks | : | In the context of this Prospectus, it refers to non-prescribed National School Curriculum based educational materials developed for the use as homework or formative exercises in schools. These materials are sometimes selected by school authorities for inclusion as part of their educational materials used in schools |

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Company No. 1022660-T

## 1. CORPORATE DIRECTORY

### BOARD OF DIRECTORS

| Name/Designation | Address | Occupation | Nationality |
|---|---|---|---|
| Dato' Salleh bin Mohd Husein<br>*Independent Non-Executive Chairman* | 4, Jalan 7D/KU5<br>Taman Aman Perdana<br>41050 Klang<br>Selangor Darul Ehsan | Director | Malaysian |
| Law King Hui<br>*Managing Director* | 14, Jalan TR 8/3<br>Tropicana Golf & Country Resort<br>47410 Petaling Jaya<br>Selangor Darul Ehsan | Director | Malaysian |
| Lee Swee Hang<br>*Executive Director* | 21, Jalan Tropicana Utama<br>Tropicana Golf & Country Resort<br>47410 Petaling Jaya<br>Selangor Darul Ehsan | Director | Malaysian |
| Lee Eng Sang<br>*Executive Director* | 8, Jalan Kenyalang 11/17<br>Botanic Villa<br>Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan | Director | Malaysian |
| Law En Ruey<br>*Executive Director* | 14, Jalan TR 8/3<br>Tropicana Golf & Country Resort<br>47410 Petaling Jaya<br>Selangor Darul Ehsan | Director | Malaysian |
| Dato' Noor Rezan binti Bapoo Hashim<br>*Independent Non-Executive Director* | 10, Lorong 2/27D<br>Section 6, Wangsa Maju<br>Setapak<br>53300 Kuala Lumpur | Director | Malaysian |
| Lim Hun Soon @ David Lim<br>*Independent Non-Executive Director* | 18, Jalan Taban 4<br>Taman Lucky, Bangsar<br>59100 Kuala Lumpur | Director | Malaysian |

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## 1. CORPORATE DIRECTORY *(Cont'd)*

### AUDIT COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Lim Hun Soon @ David Lim | Chairman | Independent Non-Executive Director |
| Dato' Salleh bin Mohd Husein | Member | Independent Non-Executive Chairman |
| Dato' Noor Rezan binti Bapoo Hashim | Member | Independent Non-Executive Director |

### NOMINATION COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Dato' Noor Rezan binti Bapoo Hashim | Chairman | Independent Non-Executive Director |
| Dato' Salleh bin Mohd Husein | Member | Independent Non-Executive Chairman |
| Lim Hun Soon @ David Lim | Member | Independent Non-Executive Director |

### REMUNERATION COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Lim Hun Soon @ David Lim | Chairman | Independent Non-Executive Director |
| Dato' Salleh bin Mohd Husein | Member | Independent Non-Executive Chairman |
| Law King Hui | Member | Managing Director |

**COMPANY SECRETARY** :

Yeoh Chong Keat (MIA 2736)
Suite 11.1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2031 1988
Fax: (603) 2031 9788

Lim Fei Chia (MAICSA 7036158)
Suite 11.1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2031 1988
Fax: (603) 2031 9788

**REGISTERED OFFICE** :

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

**HEAD OFFICE** :

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

## 1. CORPORATE DIRECTORY *(Cont'd)*

| | | |
|---|---|---|
| **REPORTING ACCOUNTANTS & AUDITORS** | : | KPMG (AF 0758)<br>Level 10, KPMG Tower<br>8, First Avenue, Bandar Utama<br>47800 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: (603) 7721 3388<br>Fax: (603) 7721 3399 |
| **SOLICITORS** | : | **in respect of legal due diligence**<br>Amin, Wern Li & Associates<br>Fraser Business Park<br>50-3A, Jalan Metro Pudu<br>Off Jalan Yew<br>55100 Kuala Lumpur<br>Tel: (603) 9222 8121<br>Fax: (603) 9223 8121<br><br>**in respect of prospectus drafting**<br>Teh & Lee<br>A-3-3 & A-3-4, Northpoint Offices<br>Mid Valley City<br>No.1, Medan Syed Putra Utara<br>59200 Kuala Lumpur<br>Tel: (603) 2283 2800<br>Fax: (603) 2283 2500 |
| **INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS** | : | Vital Factor Consulting Sdn Bhd (266797-T)<br>V Square @ PJ City Centre (VSQ)<br>Block 6, Level 6, Jalan Utara<br>46200 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: (603) 7931 3188<br>Fax: (603) 7931 2188 |
| **PRINCIPAL BANKERS** | : | Malayan Banking Berhad (3813-K)<br>Taman Tun Dr. Ismail Branch<br>2, Lorong Rahim Kajai 14<br>Taman Tun Dr. Ismail<br>60000 Kuala Lumpur<br>Tel: (603) 7729 3671<br>Fax: (603) 7729 2770<br><br>Alliance Bank Malaysia Berhad (88103-W)<br>Menara Multi-Purpose, Capital Square<br>8, Jalan Munshi Abdullah<br>50100 Kuala Lumpur<br>Tel: (603) 2604 3333<br>Fax: (603) 2694 6727 |
| **ISSUING HOUSE** | : | Malaysian Issuing House Sdn Bhd (258345-X)<br>Level 6, Symphony House<br>Pusat Dagangan Dana 1<br>Jalan PJU 1A/46<br>47301 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: (603) 7841 8000<br>Fax: (603) 7841 8150 |

## 1. CORPORATE DIRECTORY *(Cont'd)*

| | | |
|---|---|---|
| **SHARE REGISTRAR** | : | Symphony Share Registrars Sdn Bhd (378993-D)<br>Level 6, Symphony House<br>Pusat Dagangan Dana 1<br>Jalan PJU 1A/46<br>47301 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: (603) 7841 8000<br>Fax: (603) 7841 8151 |
| **INDEPENDENT PROPERTY VALUER** | : | City Valuers & Consultants Sdn Bhd (98373-K)<br>(Registration No. VE (1) 0015)<br>Suites B-9-12, 13 & 13A<br>Gateway Corporate Suites<br>No. 1, Jalan Desa Kiara, Mont Kiara<br>50480 Kuala Lumpur<br>Tel: (603) 6205 2882<br>Fax: (603) 6201 9009 |
| **PRINCIPAL ADVISER, UNDERWRITER AND PLACEMENT AGENT** | : | Alliance Investment Bank Berhad (21605-D)<br>Level 3, Menara Multi-Purpose<br>Capital Square<br>8, Jalan Munshi Abdullah<br>50100 Kuala Lumpur<br>Tel: (603) 2604 3333<br>Fax: (603) 2694 6200 |
| **LISTING SOUGHT** | : | Main Market of Bursa Securities |

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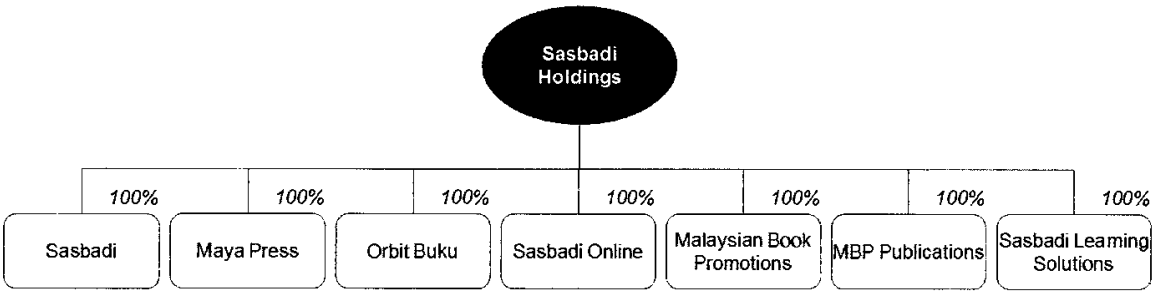
## 2. INFORMATION SUMMARY

**THIS INFORMATION SUMMARY SETS OUT THE SALIENT INFORMATION CONTAINED IN THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THIS INFORMATION SUMMARY TOGETHER WITH THE FULL TEXT OF THIS PROSPECTUS BEFORE YOU DECIDE WHETHER TO INVEST IN OUR SHARES.**

### 2.1 OUR HISTORY AND BUSINESS

We are principally a publisher of educational materials. We mainly undertake print publishing focusing on primary and secondary school education. While most of our educational materials are based on the Malaysian National School Curriculum, we also publish other non-curriculum based educational materials. We also undertake online publishing of educational materials based on the Malaysian National School Curriculum.

Our group structure is as follows:




Our principal activities are as follows:

| Company | Principal Activities |
|---|---|
| Sasbadi Holdings | Investment holding |
| Sasbadi | Publisher of printed educational materials, distribution of applied learning products and trading of paper |
| Maya Press | Imprint for general titles* |
| Orbit Buku | Publisher of supplementary educational materials |
| Sasbadi Online | Publisher of online educational resources |
| Malaysian Book Promotions | Publishing and distribution of printed educational materials (1) |
| MBP Publications | Imprint for printed educational materials ^ |
| Sasbadi Learning Solutions | Dormant (2) |

*Notes:*

* *Maya Press is an imprint i.e. a trade name under which general titles are published by Sasbadi. Sasbadi bears all costs and receives all revenue arising from these activities.*

^ *MBP Publications is an imprint for printed educational materials published by Malaysian Book Promotions. Malaysian Book Promotions bears all costs and receives all revenue arising from these activities.*

*(1) Additional intended activity is to undertake organisation of book fairs and exhibitions.*

*(2) The intended activity is to undertake the distribution of applied learning products and operation of applied learning centres.*

Our Group was co-founded by Mr Law King Hui, our Managing Director, together with Mr Lee Swee Hang and Mr Lee Eng Sang, our Executive Directors, with the aim of publishing quality educational materials to students in Malaysia. Each of our founders has between 33 and 39 years of experience in the publishing industry. Over the years, each of them has contributed significantly to the development, growth and success of our Group. Please refer to Section 8.2.1 of this Prospectus for their respective profiles.

## 2. INFORMATION SUMMARY *(Cont'd)*

The history of our business can be traced back to 1985 with the incorporation of Sasbadi where in the same year we commenced operations as a publisher of educational materials. Our first publication was a series of workbooks for primary six students, aimed at preparing these students for secondary levels of education.

In 1986, we published a series of KBSM workbooks, entitled 'Strategi'. This was our first series of workbook with a 3-in-1 packaging involving three (3) different books bound into one (1), where each of these books are detachable for independent use.

In 1987, we published our first textbook approved by the Ministry of Education, entitled 'Bahasa Malaysia KBSM Tingkatan 1'. Since then, we have published textbooks of various other subjects for both primary and secondary levels of education including, amongst others, English, Geography, Science, Principles of Accounting, Basic Economics and Mathematics.

In the same year, we extended our product range to include a series of KBSR workbooks for various subjects such as Bahasa Malaysia, English and Mathematics for primary levels of education.

In line with our business growth, in 1989, we acquired a four (4)-storey shoplot in Damansara Utama, Selangor Darul Ehsan and moved into the building in 1990. Thereafter, we also rented two (2) other four (4)-storey shoplots in the same area to cater to our expanding business operations.

Subsequently in 1997, we began publishing Malay translated publications after securing the rights from Two-Can Publishing Limited, London and Dorling Kindersley Limited, London to publish their English science books namely 'Make It Work!' and 'Eyewitness Science' respectively. Since then, we have continued to secure rights from various foreign publishing houses where we reproduced translated publications for the Malaysian market. In the same year, we published our first teaching guide, 'Sumber Dalam Fail'.

In 2002, we began our collaboration with MELTA to publish ELT materials. In the same year, in collaboration with MELTA we launched our first publication of ELT material, 'Developing Reading Skills'. MELTA's role in the collaboration included writing while our role was focused on editing, design and distribution. Since then, we have published a series of ELT materials through our collaboration with MELTA.

Maya Press was incorporated in 2002 as an imprint for Sasbadi to publish general titles in support of Malaysian authors, who write in English. The first title published under the trade name of Maya Press, in 2003, was entitled 'Spirit of the Keris', an anthology by a number of Malaysian authors.

In 2002, we also acquired a piece of leasehold land in Kota Damansara, Selangor Darul Ehsan, for the construction of our office and warehouse. In 2004, we moved into our own purpose-built building with an approximate built-up area of 76,945 sq. ft. in Kota Damansara, Selangor Darul Ehsan.

In 2005, we ventured into supply of digital educational resources by developing and launching Total eDictionary, our first generation electronic dictionary targeted for use by students. Subsequently, in 2009, we launched eleksisPro, our second generation electronic dictionary. Our electronic dictionaries are manufactured by third party manufacturer under our specifications. As at LPD, we have ceased the production of our electronic dictionaries as we shift our focus from supply of digital educational resources towards online educational resources.

As part of management's intention to broaden our range of educational products, we secured the rights from LEGO Systems A/S to be the sole distributor of and exclusive partner in LEGO Education products for Brunei and Malaysia since 2005. LEGO Education offers a range of applied learning products for children. In 2005, we organised our first Malaysia Robot Olympiad (now known as National Robotics Competition). Since then, we have continued to champion the hands-on learning platform in schools in Malaysia which is supported by the Ministry of Education. To date, we have organised nine (9) consecutive years of the annual National Robotics Competition in Malaysia, which has grown from approximately 100 teams in 2005 to approximately 2,800 teams in 2013.

In 2009, we organised our first book fair namely Bazar Baca in Malaysia. In the same year, we organised a total of 112 book fairs throughout Malaysia. The Bazar Baca book fair has since been discontinued. During the same year in 2009, we were appointed as the exclusive distributor of Pitsco Inc for the sale and distribution of Pitsco products to early childhood institutions and schools in Malaysia. Pitsco products generally include a range of robotics products and devices. In addition, we were also granted non-exclusive right to market and sell Pitsco products to private users (home learning) in Malaysia. However, the non-exclusive right does not permit us to market and sell Pitsco products via retail outlets. To the best of our management's knowledge, we are not aware of any parties other than our Group which have been granted the non-exclusive right to market and sell Pitsco products to private users (home learning) in Malaysia.

Orbit Buku was incorporated in 2010 and commenced operation in 2011 to expand our range of supplementary educational materials. Some of these include children's books such as fiction and informational books. These books are mainly targeted at households with school going children and school libraries.

During 2010, Sasbadi, as the World Robot Olympiad national organiser of Malaysia, won the rights from the World Robot Olympiad Advisory Committee to co-organise the World Robot Olympiad 2012 in Malaysia.

Also, in 2010, we were appointed by YGMB to reprint, distribute, market and sell past year examination papers for SPM and STAM. Subsequently, over the years, we were awarded the licence by YGMB to reprint, distribute, market and sell past year examination papers for UPSR, PMR, STAM and SPM. However, the licence was not renewed upon its expiry on 14 September 2013, and we have ceased the reprinting, distributing, marketing and selling of the past year examination papers with effect from 15 September 2013.

During the same year in 2010, we recorded our first export sales to Indonesia for the translation rights of a range of Sasbadi's publications. However, this was on a small scale basis. We also acquired Malaysian Book Promotions, an event management company specialising in organising book fairs and conferences. After the acquisition, this company ceased operations as an event management company before resuming operations in September 2013 to distribute printed educational materials.

In 2011, Sasbadi Online was incorporated as part of our intention to expand into publishing of online educational resources targeting both teachers and students. During the same year, we launched our first online teaching product, namely Penjana Pentaksiran Instan, an instant assessment paper generator. Since then, we have launched various online educational resources including i-Teach, i-Learn and iPBS, which are cloud-based teaching and learning platforms based on subscription.

During the same year in 2011, National Instruments Singapore (Pte) Ltd appointed us as its exclusive Malaysian distributor for a range of applied learning products namely NI myDAQ and LabVIEW for Education to primary and secondary educational institutions for educational purposes. NI myDAQ is a portable data acquisition device used with a computer for measuring and analysing live signals including voltage, current, temperature, pressure and sound. LabVIEW for Education is a software that provides tools to create measurement and control systems.

In 2012, we co-organised with the Government of Malaysia, the World Robot Olympiad 2012 in Kuala Lumpur. As at 21 February 2013, the event was the largest in the history of World Robot Olympiad with a record participation of 403 teams from 30 countries.

Sasbadi Holdings was incorporated in Malaysia under the Act in 30 October 2012 and converted into a public limited company on 15 March 2013 to serve as an investment holding company and the listing vehicle of our Group.

On 2 April 2013, Sasbadi signed an MOU with YGMB to offer and support an online tutorial programme with self-assessment for 20,000 candidates of UPSR and SPM for 2013 in selected schools in Perak Darul Ridzuan. This was undertaken under i-TR1M (Interaktif Tuisyen Rakyat 1Malaysia), a government education initiative. This involved the supply and implementation of our online educational resources, namely i-Learn. Based on the said MOU, our Group had billed YGMB on a quarterly basis based on a fixed schedule. The MOU was valid until end of 2013.

On 5 August 2013 and 30 September 2013, Sasbadi signed a letter of intent and an Intellectual Property Rights Assignment Agreement, respectively, to acquire from Pearson Malaysia the publishing rights and production files for a list of titles consisting mainly of National School Curriculum based educational materials (i.e. revision guides, workbooks, assessment books and model test papers) for RM5.5 million. In conjunction with the acquisition of the publishing rights and production files, Sasbadi has also acquired stocks of educational materials for approximately RM1.6 million and paper for approximately RM0.6 million from Pearson Malaysia. Under the Intellectual Property Rights Assignment Agreement, Sasbadi is allowed until 31 March 2014 to reprint the titles acquired under the Pearson brand and to continue to sell the reprinted/ acquired Pearson branded stocks until 31 December 2014. All stocks printed after 31 March 2014 are to be branded under our Group. The acquisition of the publishing rights and production files for the list of titles was completed on 30 September 2013. The acquisition of Pearson Malaysia's publishing rights and production files, stocks of educational materials and paper were funded by internally generated funds. In September 2013, our subsidiary company, Malaysian Book Promotions resumed operations and started distributing the acquired stocks of National School Curriculum based educational materials from Pearson Malaysia. Subsequently in May 2014, Malaysian Book Promotions started publishing printed educational materials under the imprint of MBP Publications.

In February 2014, Sasbadi Online was appointed by the Academy of Sciences Malaysia as the National Science Challenge ("**NSC**") preliminary level online system developer and smart partner for 2014 NSC. In this regard, the 2014 NSC preliminary level is administered based on the engines used in our online educational resources. This enables us to showcase our online educational capabilities on a national scale and helps create greater market awareness for our online educational resources.

MBP Publications was incorporated on 28 March 2014 and it is an imprint for Malaysian Book Promotions to publish printed educational materials. On 3 April 2014, Sasbadi Learning Solutions was incorporated and is currently dormant. Its intended activity is to undertake the distribution of applied learning products and operation of applied learning centres.

In April 2014, Sasbadi renewed its appointment as a distributor for National Instruments' applied learning products in Malaysia under a non-exclusive arrangement which is valid until 31 December 2014. In May 2014, Sasbadi won its most recent tender from the Ministry of Education to publish, print and supply textbooks for Design and Technology subject for Year 5 (Chinese) primary level of education. The letter of acceptance to publish, print and supply the textbooks for Design and Technology subject is valid from 2014 to 2016. Sasbadi Online had in May 2014, agreed in principle to grant a publishing house in Jakarta, Indonesia the rights to use and sell i-Learn in Indonesia under licence. This is pending the signing of the license and services agreement which is exclusive for the territory of Indonesia.

As at LPD, Sasbadi Online has finished developing and launched two (2) new products namely Mind-Map and Most Essential Exam Techniques (MEET). Mind-Map, which is an interactive system that allows users to build mind maps on computers, tablets or smart phones, can be used in a classroom environment either as individual or collaborative work among students. MEET is a collection of videos aimed at tackling difficult questions in Malaysian school exams.

Since we began our operations in 1985, we have established ourselves as a reputable publisher of educational materials in Malaysia. We currently publish under the brand names of 'Sasbadi', 'Sasbadi Online', 'Maya Press', 'Orbit Buku' and 'MBP Publications'. For the FYE 31 August 2013, we achieved total revenue of RM78.0 million and PAT of RM12.8 million.

On 19 May 2014, we completed the Acquisitions. Details of our Group, our business and our future plans are set out in Sections 5 and 6 of this Prospectus.

## 2.2 SUMMARY OF OUR PUBLIC ISSUE

| | | |
|---|---|---|
| Size of our Public Issue | : | 21,200,000 new Sasbadi Holdings Shares, representing approximately 16.7% of our Company's enlarged issued and paid-up share capital which are reserved for the application by the Public, eligible Directors, employees of our Group and persons who have contributed to the success of our Group and selected investors, of which at least 50% of the Public Tranche (as defined in Section 3.1.1(i) of this Prospectus) will be to the extent possible allocated to Bumiputera individuals, companies, societies, co-operatives and institutions |
| Size of our Offer for Sale | : | Up to 35,950,000 Sasbadi Holdings Shares, representing approximately up to 28.3% of our Company's enlarged issued and paid-up share capital to be offered for sale by the Offerors to selected investors and Bumiputera investors approved by the MITI |
| IPO Price | : | RM1.19 per IPO Share |
| Utilisation of proceeds from the Public Issue | : | The gross proceeds from the Public Issue amounting to RM25,228,000 is intended to be utilised in the following manner: |

| **Purpose** | **RM'000** | **%** |
|---|---|---|
| Establishment of applied learning centres | 1,000 | 4.0 |
| Part-financing of proposed acquisition of publishing businesses | 11,500 | 45.6 |
| Financing of proposed acquisition of an office cum warehouse building | 7,000 | 27.7 |
| Working capital | 2,728 | 10.8 |
| Estimated listing expenses | 3,000 | 11.9 |
| Total gross proceeds | 25,228 | 100.0 |

| | | |
|---|---|---|
| Total enlarged issued and paid-up share capital after Listing | : | RM63,500,000 comprising 127,000,000 Shares |
| Market capitalisation upon Listing | : | RM151,130,000 |

Further details of our IPO and utilisation of proceeds from our Public Issue are set out in Sections 3.1 and 3.6 respectively of this Prospectus.

## 2.3 FINANCIAL HIGHLIGHTS

### 2.3.1 Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income

The table below sets out our pro forma consolidated statement of profit or loss and other comprehensive income for the past four (4) FYE 31 August 2010 to FYE 31 August 2013 and FPE 28 February 2014, which have been prepared for illustrative purposes only assuming that our current Group structure has been in existence throughout the financial years/period under review. In addition, the unaudited consolidated financial information for FPE 28 February 2013 has been prepared for information only.

You should read the summary of our pro forma consolidated statement of profit or loss and other comprehensive income for the past four (4) FYE 31 August 2010 to FYE 31 August 2013 and FPE 28 February 2014 which has been presented below together with the management's discussion and analysis of financial condition and results of operations as set out in Section 12 of this Prospectus and the accompanying notes and assumptions included in the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus.

| | <----------Audited----------> | | | | Unaudited | Audited |
|---|---|---|---|---|---|---|
| | <---------- FYE 31 August ----------> | | | | FPE 28 February | |
| | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Revenue** | 47,012 | 59,961 | 64,821 | 77,964 | 49,986 | 43,992 |
| Cost of sales | (28,460) | (35,143) | (37,916) | (45,831) | (27,753) | (22,343) |
| **Gross profit** | 18,552 | 24,818 | 26,905 | 32,133 | 22,233 | 21,649 |
| Other operating income | 300 | 364 | 812 | 806 | 153 | 94 |
| Distribution costs | (4,492) | (5,216) | (5,245) | (5,535) | (2,753) | (3,294) |
| Administrative expenses | (5,922) | (6,857) | (7,311) | (9,365) | (4,632) | (5,176) |
| Other operating expenses | (243) | (341) | (296) | (476) | (181) | (2,222) |
| **Results from operating activities** | 8,195 | 12,768 | 14,865 | 17,563 | 14,820 | 11,051 |
| Interest income | 177 | 223 | 92 | 173 | 145 | 55 |
| Finance costs | (126) | (49) | (59) | (73) | (25) | (170) |
| **Profit before tax** | 8,246 | 12,942 | 14,898 | 17,663 | 14,940 | 10,936 |
| Income tax expense | (2,176) | (3,466) | (4,006) | (4,909) | (4,114) | (2,906) |
| **Profit for the financial year/period** | 6,070 | 9,476 | 10,892 | 12,754 | 10,826 | 8,030 |
| **Other comprehensive income, net of tax** | | | | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | | | | |
| **Revaluation of property, plant and equipment** | 4,172 | - | 4,168 | - | - | - |
| **Total comprehensive income for the financial year/period** | 10,242 | 9,476 | 15,060 | 12,754 | 10,826 | 8,030 |
| **Profit attributable to:** | | | | | | |
| Owners of the Company | 6,070 | 9,476 | 10,892 | 12,754 | 10,826 | 8,030 |
| **Total comprehensive income attributable to:** | | | | | | |
| Owners of the Company | 10,242 | 9,476 | 15,060 | 12,754 | 10,826 | 8,030 |

## 2. INFORMATION SUMMARY *(Cont'd)*

**Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)**

| | | <----------Audited----------> | | | | Unaudited | Audited |
|---|---|---|---|---|---|---|---|
| | | <---------- FYE 31 August ----------> | | | | FPE 28 February | |
| | | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| (i) | Gross profit margin (%) * | 39.5 | 41.4 | 41.5 | 41.2 | 44.5 | 49.2 |
| (ii) | Interest income (RM'000) | 177 | 223 | 92 | 173 | 145 | 55 |
| (iii) | Interest expense (RM'000) | 105 | 33 | 32 | 36 | 18 | 106 |
| (iv) | Depreciation and amortisation (RM'000) | 1,184 | 1,355 | 1,618 | 1,916 | 949 | 1,301 |
| (v) | Earnings before interest, taxation, depreciation and amortisation (EBITDA) (RM'000) | 9,358 | 14,107 | 16,456 | 19,442 | 15,762 | 12,288 |
| (vi) | Profit before tax margin (%) ^ | 17.5 | 21.6 | 23.0 | 22.7 | 29.9 | 24.9 |
| (vii) | Profit after tax margin (%) θ | 12.9 | 15.8 | 16.8 | 16.4 | 21.7 | 18.3 |
| (viii) | Number of ordinary shares assumed in issue ('000) # | 105,800 | 105,800 | 105,800 | 105,800 | 105,800 | 105,800 |
| (ix) | Basic and diluted earnings per ordinary share (sen) @,α | 5.74 | 8.96 | 10.29 | 12.05 | 20.47^^ | 15.18^^ |

*Notes:*

* *Gross profit margin is computed based on the gross profit divided by the revenue for the respective financial years/periods under review.*

^ *Profit before tax margin is computed based on the profit before tax divided by the revenue for the respective financial years/periods under review.*

θ *Profit after tax margin is computed based on the profit after tax divided by the revenue for the respective financial years/periods under review.*

\# *Based on the issued and paid-up share capital of 105,800,000 Shares after the Acquisitions.*

@ *Basic earnings per ordinary share is computed based on the profit for the financial years/periods attributed to the owners of the Company divided by the number of ordinary shares assumed in issue.*

α *No dilution of earnings per ordinary share.*

^^ *Annualised to 12 months for comparison purposes.*

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### 2.3.2 Pro Forma Consolidated Statement of Financial Position

Our pro forma consolidated statement of financial position as set out below has been prepared for illustrative purposes only, based on our audited statement of financial position as at 28 February 2014 assuming that our Public Issue and utilisation of proceeds had been effected as at that date.

We advise you to read the pro forma consolidated statement of financial position presented below together with the notes and assumptions included in the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus.

| | Audited statement of financial position at 28 February 2014 RM'000 | Pro forma I After Incorporation of Subsidiaries^, Dividend Payment and Acquisitions RM'000 | Pro forma II After Pro forma I, IPO, Vendors' Shareholdings Reorganisation and Listing RM'000 | Pro forma III After Pro forma II and utilisation of the proceeds from IPO RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | - | 27,650 | 27,650 | 35,650 |
| Other investments | - | 37 | 37 | 37 |
| Intangible assets | - | 5,225 | 5,225 | 5,225 |
| **Total non-current assets** | **-** | **32,912** | **32,912** | **40,912** |
| Inventories | - | 15,952 | 15,952 | 15,952 |
| Trade and other receivables, and other assets | - | 34,463 | 34,463 | 34,463 |
| Prepayments | 193 | 657 | 657 | 464 |
| Current tax assets | - | 318 | 318 | 318 |
| Cash and cash equivalents | * | 9,180 | 34,408 | 24,538 |
| **Total current assets** | **193** | **60,570** | **85,798** | **75,735** |
| **Total assets** | **193** | **93,482** | **118,710** | **116,647** |
| **Equity** | | | | |
| Share capital | * | 52,900 | 63,500 | 63,500 |
| Share premium | - | - | 14,628 | 13,644 |
| Revaluation reserve | - | 11,340 | 11,340 | 11,340 |
| Merger deficit | - | (50,500) | (50,500) | (50,500) |
| Retained earnings | (955) | 49,432 | 49,432 | 48,353 |
| **Total equity attributable to owners of the Company** | **(955)** | **63,172** | **88,400** | **86,337** |
| **Liabilities** | | | | |
| Borrowings | - | 247 | 247 | 247 |
| Deferred tax liabilities | - | 2,975 | 2,975 | 2,975 |
| **Total non-current liabilities** | **-** | **3,222** | **3,222** | **3,222** |
| Borrowings | - | 8,944 | 8,944 | 8,944 |
| Trade and other payables | 1,148 | 11,524 | 11,524 | 11,524 |
| Provisions | - | 4,149 | 4,149 | 4,149 |
| Current tax liabilities | - | 2,471 | 2,471 | 2,471 |
| **Total current liabilities** | **1,148** | **27,088** | **27,088** | **27,088** |
| **Total liabilities** | **1,148** | **30,310** | **30,310** | **30,310** |
| **Total equity and liabilities** | **193** | **93,482** | **118,710** | **116,647** |

## 2. INFORMATION SUMMARY *(Cont'd)*

| | Audited statement of financial position at 28 February 2014 RM'000 | Pro forma I After Incorporation of Subsidiaries^, Dividend Payment and Acquisitions RM'000 | Pro forma II After Pro forma I, IPO, Vendors' Shareholdings Reorganisation and Listing RM'000 | Pro forma III After Pro forma II and utilisation of the proceeds from IPO RM'000 |
|---|---|---|---|---|
| No. of shares in issue ('000) | ** | 105,800 | 127,000 | 127,000 |
| Net (liabilities)/ assets (RM'000) | (955) | 63,172 | 88,400 | 86,337 |
| Net (liabilities)/ assets per share attributable to owners of the Company (RM) | (238,750) | 0.60 | 0.70 | 0.68 |

***Notes:***

* *Denotes RM2.*

** *Represents 4 shares.*

^ *Includes the unaudited financial statements of MBP Publications and Sasbadi Learning Solutions on incorporation prepared by us as both subsidiaries were incorporated after FPE 28 February 2014.*

### 2.4 DIVIDEND POLICY

Upon Listing, our Board intends to adopt the policy of recommending up to fifty percent (50%) of the profit attributable to the owners of our Company in each financial year to be distributed as dividends to allow our shareholders to participate in the profits of our Group. However, our ability to declare dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds which are not required to be retained to fund our business.

Our Board will consider the following factors that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(i) The level of cash and level of indebtedness;

(ii) Required and expected interest expense, cash flow, our profits and return on equity and retained earnings;

(iii) Our expected results of operations and future level of operations; and

(iv) Our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above. There can be no assurance as to whether dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

Details of our dividend policy are also set out in Section 12.4 of this Prospectus.

## 2.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations as set out in Section 4 of this Prospectus (which may not be exhaustive), and are summarised below:

**Risks relating to our business and industry:**

- Fluctuations in price of paper;
- Dependency on suppliers;
- Dependency on customers;
- Inability to fully mitigate the loss in potential financial contribution resulting from the non-renewal of licence from YGMB for past year examination papers;
- Revocation of exclusive distributorship of LEGO Education products;
- Dependency on successful textbook tender from the Ministry of Education;
- Absence of long term contracts with customers;
- Stock returns and obsolescence;
- Seasonality;
- Dependency on Executive Directors and key management personnel;
- Infringement of intellectual property rights;
- Growing trend towards online publishing;
- Credit risk;
- Changes in National Curriculum and educational policies;
- Abolishment of national examinations;
- Dependency on experienced and skilled editors;
- Political, economic and regulatory uncertainties;
- Inadequate insurance coverage;
- Foreign exchange transaction risk;
- Unauthorised use of our brand names;
- Competition; and
- Utilisation of external writers in creating publications.

**Risks relating to investment in our Shares:**

- Delay or abortion of our Listing;
- No prior market for our Shares and possible volatility of our Share price;
- Control by Promoters; and
- Payment of dividends.

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## 3. PARTICULARS OF OUR IPO

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY BEFORE APPLYING FOR OUR IPO SHARES.**

### 3.1 OUR IPO

#### 3.1.1 Public Issue

Our Public Issue is subject to the terms and conditions of this Prospectus, and upon acceptance, will be allocated the aggregate of 21,200,000 new Shares in the manner explained below which is subject to clawback and reallocation:

**(i) Public ("Public Tranche")**

6,350,000 Public Issue Shares, representing 5.0% of our enlarged issued and paid-up share capital, will be available for application by the Public, of which at least 50% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

Any Public Issue Shares reserved under the Public Tranche which are not fully subscribed for by the Public will be made available for subscription by our eligible Directors, employees and persons who have contributed to the success of our Group under the Pink Form Tranche as described in Section 3.1.1(ii) below. Any remaining Public Issue Shares will subsequently be made available for subscription by our selected investors as described in Section 3.1.1(iii) and Section 3.1.2(ii) below and, if undersubscribed, such Public Issue Shares will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

**(ii) Our eligible Directors, employees and persons who have contributed to the success of our Group ("Pink Form Tranche")**

In recognition of their contributions to the success of our Group, we have reserved 5,700,000 Public Issue Shares, representing approximately 4.5% of our enlarged issued and paid-up share capital, for subscription by our eligible Directors, employees and persons who have contributed to the success of our Group.

We will allocate the Public Issue Shares to our eligible Directors, employees and persons who have contributed to the success of our Group in the following manner:

| Eligibility | No. of Eligible Persons | No. of Shares Allocated '000 |
|---|---|---|
| Our eligible Directors[1] | 4 | 400 |
| Our eligible employees[2] | 241 | 2,981 |
| Eligible persons who have contributed to the success of our Group[3] | 261 | 2,319 |
| Total | 506 | 5,700 |

*Notes:*

*(1)* *As approved by our Board, the criteria for allocation to our eligible Directors are based on, amongst others, their position in our Group. The Public Issue Shares under the Pink Form Tranche to be allocated to our eligible Directors are as follows:*

| *Name* | *Designation* | *No. of Shares Allocated('000)* |
|---|---|---|
| *Dato' Salleh bin Mohd Husein* | *Independent Non-Executive Chairman* | *100* |
| *Dato' Noor Rezan binti Bapoo Hashim* | *Independent Non-Executive Director* | *100* |
| *Lim Hun Soon @ David Lim* | *Independent Non-Executive Director* | *100* |
| *Law En Ruey* | *Executive Director* | *100* |
| | | *400* |

*(2)* *As approved by our Board, the criteria for allocation to our eligible employees are based on, amongst others, seniority, length of service and job performance in our Group.*

*(3)* *The criteria for allocation to eligible persons who have contributed to the success of our Group, are based on, amongst others, length of business relationship, and value of transactions.*

Any Public Issue Shares reserved under the Pink Form Tranche which are not taken up will be made available for subscription by other eligible Directors, employees and persons who have contributed to the success of our Group. Any remaining Public Issue Shares will subsequently be made available for subscription by the Public under the Public Tranche as described in Section 3.1.1(i) above and/or our selected investors as described in Section 3.1.1(iii) and Section 3.1.2(ii) below and, if undersubscribed, such Public Issue Shares will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

**(iii) Selected Investors via Placement ("Placement Tranche")**

9,150,000 Public Issue Shares, representing approximately 7.2% of our enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

The Public Issue Shares reserved under the Placement Tranche are not underwritten as written irrevocable undertakings to subscribe for these Public Issue Shares have been procured from the respective selected investors.

The basis of allocation for our Public Issue Shares takes into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening our shareholders base to meet the public spread requirements as per the Listing Requirements and to establish a liquid and an adequate market for our Shares.

There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of Public Issue Shares.

The salient terms of the Underwriting Agreement are set out in Section 3.9 of this Prospectus.

### 3.1.2 Offer for Sale

Concurrent with our Public Issue, the Offerors will offer for sale up to 35,950,000 Offer Shares representing approximately up to 28.3% of our enlarged issued and paid-up share capital at the IPO Price to be allocated in the following manner:

**(i) Bumiputera Investors Approved by the MITI ("MITI Tranche")**

Up to 12,700,000 Offer Shares, representing up to 10.0% of our enlarged issued and paid-up share capital to Bumiputera investors approved by the MITI.

The Offer for Sale Shares for placement to Bumiputera investors approved by MITI under the MITI Tranche shall be subject to the following reallocation provisions:

(a) Any of the Offer for Sale Shares not subscribed by the Bumiputera investors under the MITI Tranche shall be made available for application by the Bumiputera public who are applicants under the Public Tranche;

(b) If there are insufficient Bumiputera public applicants under the Public Tranche for reallocation of unsubscribed Offer for Sale Shares pursuant to paragraph (a) above, such unsubscribed Offer for Sale Shares shall be made available for application by the Public; and

(c) Subsequently, any unsubscribed Offer for Sale Shares by the Public pursuant to paragraph (b) above will be made available for subscription by our selected investors and/or our eligible Directors, employees and person who have contributed to the success of our Group.

Should the MITI Tranche be thereafter undersubscribed, the Offerors will retain the unsubscribed Offer for Sale Shares. The Offer for Sale Shares under the MITI Tranche are not underwritten by our Underwriter.

**(ii) Selected Investors via Placement ("Non-MITI Tranche")**

Up to 23,250,000 Offer Shares, representing approximately up to 18.3% of our enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

The Offer for Sale Shares reserved under the Non-MITI Tranche are not underwritten as written irrevocable undertakings to subscribe for these Offer for Sale Shares have been procured from the respective selected investors.

### 3.1.3 Listing on Bursa Securities

Bursa Securities had on 10 April 2014, approved the admission of our Company to its Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM63,500,000 comprising 127,000,000 Shares on the Main Market of Bursa Securities.

## 3. PARTICULARS OF OUR IPO *(Cont'd)*

### 3.1.4 Offerors

The details and shareholding of the Offerors before and after the IPO are as follows:

| Offerors / Address | Relationship with our Group | < ---- Before IPO ---- > No. of Shares held | % held* | < - Offer for Sale of Shares -- > No. of Shares held | % held* | % held^ | < ------- After IPO ------ > No. of Shares held | % held^ |
|---|---|---|---|---|---|---|---|---|
| Law King Hui/<br>14, Jalan TR 8/3<br>Tropicana Golf & Country Resort<br>47410 Petaling Jaya<br>Selangor Darul Ehsan | Promoter/<br>Managing<br>Director/<br>Substantial<br>shareholder | 52,900,000 | 50.0 | 14,800,000 | 14.0 | 11.7 | 38,100,000# | 30.0 |
| Lee Swee Hang/<br>21, Jalan Tropicana Utama<br>Tropicana Golf & Country Resort<br>47410 Petaling Jaya<br>Selangor Darul Ehsan | Promoter/<br>Executive<br>Director/<br>Substantial<br>shareholder | 26,450,000 | 25.0 | 7,400,000 | 7.0 | 5.8 | 19,050,000# | 15.0 |
| Lee Eng Sang/<br>8, Jalan Kenyalang 11/17<br>Botanic Villa<br>Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan | Promoter/<br>Executive<br>Director/<br>Substantial<br>shareholder | 26,450,000 | 25.0 | 13,750,000 | 13.0 | 10.8 | 12,700,000# | 10.0 |

*Notes:*

* *Based on our issued and paid-up share capital of 105,800,000 Shares after the Acquisitions but before our IPO.*

^ *Based on our enlarged issued and paid-up share capital of 127,000,000 Shares after our IPO.*

\# *Before taking into consideration the Vendors' Shareholdings Reorganisation. Please refer to Section 5.4.5 of this Prospectus for further details on the Vendors' Shareholdings Reorganisation.*

## 3. PARTICULARS OF OUR IPO *(Cont'd)*

### 3.2 SHARE CAPITAL

| | RM |
|---|---|
| ***Authorised share capital*** | |
| 1,000,000,000 ordinary shares of RM0.50 each | 500,000,000 |
| ***Issued and fully paid-up share capital as at the date of this Prospectus*** | 52,900,000 |
| 105,800,000 ordinary shares of RM0.50 each | |
| ***To be issued and credited as fully paid-up pursuant to our Public Issue*** | 10,600,000 |
| 21,200,000 new ordinary shares of RM0.50 each | |
| ***Enlarged issued and paid-up share capital upon Listing*** | |
| 127,000,000 ordinary shares of RM0.50 each | 63,500,000 |
| IPO Price | 1.19 |
| ***Market capitalisation upon Listing*** | 151,130,000 |

We have only one (1) class of shares in our Company, namely ordinary shares of RM0.50 each. Our Public Issue Shares will upon allotment rank *pari passu* in all respects with one another and all other existing Shares in our Company, including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of our Public Issue Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the capital paid-up on the shares held by them, be entitled to share in the whole of the distributable profits paid out by us as dividends and other distributions, and in the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and the provisions of the Act.

Each shareholder is entitled to vote at our general meetings in person or by proxy or by authorised representative or by attorney and on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share held. A proxy may but need not be a member of our Company or a qualified legal practitioner or an approved company auditor or a person approved by CCM and the provisions of Section 149(1) of the Act shall not apply to our Company.

### 3.3 PURPOSES OF OUR IPO AND LISTING

The purposes of our IPO and Listing are:

(i) to enable us to gain access to the capital market to raise funds for our future expansion and growth when the need arises in the future, through other forms of capital raising avenues;

(ii) to provide an opportunity for investors (including our eligible Directors, employees and persons who have contributed to the success of our Group) and institutions to participate in the continuing growth of our Group; and

(iii) to enhance our stature and heighten our public profile as well as increase market awareness of our products and services so as to assist us in expanding our customer base.

## 3.4 PRICING OF OUR IPO SHARES

The IPO Price was determined and agreed upon by our Directors, Promoters, Offerors and Alliance as our Principal Adviser, Underwriter and Placement Agent, after taking into account the prevailing market conditions and the following factors:

(i) A net PE multiple of 9.25 times based on our pro forma net EPS of approximately 12.86 sen, computed based on our pro forma PAT of approximately RM13.61 million (after adding back listing expenses of approximately RM0.85 million charged to the consolidated statement of profit and loss) for the FYE 31 August 2013 and our enlarged issued and paid-up share capital of 105,800,000 Shares after the Acquisitions.

(ii) Our pro forma consolidated NA per share of approximately RM0.68 per Share, computed based on our pro forma NA of approximately RM86.3 million as at 28 February 2014 after taking into consideration the Public Issue and utilisation of proceeds and our enlarged issued and paid-up share capital of 127,000,000 Shares; and

(iii) Our competitive advantages and key strengths:

- Brand awareness;
- Established track record;
- Extensive distribution network;
- Large customer base;
- Diversity in product range;
- In-house content development;
- Availability of large range of publications;
- Economies of scale; and
- Experienced management and editorial personnel.

Further details of our competitive advantages are described in Section 6.1 of this Prospectus.

You should note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. You should bear in mind the risk factors as set out in Section 4 of this Prospectus and form your own views on the valuation of our IPO Shares before deciding on whether to invest in our Shares.

## 3.5 DILUTION

Dilution is the amount by which the IPO Price to be paid by applicants for our IPO Shares exceeds our NA per Share after the IPO as follows:

| | | **RM** |
|---|---|---|
| IPO Price | | 1.19 |
| Pro forma consolidated NA per Share as at 28 February 2014 after Incorporation of Subsidiaries, Dividend Payment and Acquisitions but before our IPO | | 0.60 |
| Increase in pro forma consolidated NA per Share contributed by new investors | | 0.08 |
| Pro forma consolidated NA per Share after our IPO (after adjusting the effect of the utilisation of proceeds) | | 0.68 |
| Dilution in the pro forma consolidated NA per Share to new investors | | 0.51 |
| Dilution in the pro forma consolidated NA per Share as a percentage of the IPO Price | | 42.9% |

## 3. PARTICULARS OF OUR IPO *(Cont'd)*

The following table summarises the total number of Shares acquired by our Directors, Promoters, Offerors, substantial shareholders, key management personnel or persons connected to them during the past four (4) years prior to the date of this Prospectus and the average cost per Share to them and to the new investors who subscribe for our IPO Shares pursuant to the IPO:

| Promoters, Directors, Offerors, substantial shareholders, key management personnel or persons connected to them | No. of Shares Before IPO | No. of Shares From IPO^ | Total Consideration RM | Average Cost Per Share RM |
|---|---|---|---|---|
| **Promoters, Substantial Shareholders, Directors and Offerors** | | | | |
| Law King Hui | 52,900,000 | - | 26,450,000 | 0.50 |
| Lee Swee Hang | 26,450,000 | - | 13,225,000 | 0.50 |
| Lee Eng Sang | 26,450,000 | - | 13,225,000 | 0.50 |
| **Other Promoter and Substantial Shareholder** | | | | |
| Karya Kencana | - | 25,400,000# | 30,226,000 | 1.19 |
| **Other Promoter and Director** | | | | |
| Law En Ruey | - | 100,000^ | 119,000 | 1.19 |
| **Other Directors** | | | | |
| Dato' Salleh bin Mohd Husein | - | 100,000^ | 119,000 | 1.19 |
| Dato' Noor Rezan binti Bapoo Hashim | - | 100,000^ | 119,000 | 1.19 |
| Lim Hun Soon @ David Lim | - | 100,000^ | 119,000 | 1.19 |
| **Key management personnel** | | | | |
| Tan Shea Sheak | - | 40,000^ | 47,600 | 1.19 |
| Chen Yee Cheong | - | 80,000^ | 95,200 | 1.19 |
| Wan Meow Sang | - | 80,000^ | 95,200 | 1.19 |
| Chok Siew Sin | - | 80,000^ | 95,200 | 1.19 |
| Roslan bin Yahya | - | 60,000^ | 71,400 | 1.19 |
| Chew Yoke Chen | - | 60,000^ | 71,400 | 1.19 |
| Chan Yee Fuan | - | 60,000^ | 71,400 | 1.19 |
| Wong Yee Joong | - | 50,000^ | 59,500 | 1.19 |
| Wong Kok Shin | - | 30,000^ | 35,700 | 1.19 |
| Chua Siow Nam | - | 50,000^ | 59,500 | 1.19 |
| **New investors** | | | | |
| Public Issue | - | 21,200,000* | 25,228,000 | 1.19 |
| Offer for Sale | - | 35,950,000 | 42,780,500 | 1.19 |

***Notes:***

\# *Pursuant to the Vendors' Shareholdings Reorganisation. Please refer to Section 5.4.5 of this Prospectus for further details on the Vendors' Shareholdings Reorganisation.*

^ *Assuming full subscription of his/her Pink Form Tranche allocation.*

* *Prior to netting off the Pink Form Tranche allocation.*

## 3. PARTICULARS OF OUR IPO *(Cont'd)*

### 3.6 UTILISATION OF PROCEEDS

We will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale amounting up to RM42,780,500 will accrue entirely to the Offerors. The Offerors shall bear all expenses such as brokerage, stamp duty, registration and share transfer fees relating to the Offer Shares.

Based on the IPO Price, gross proceeds of RM25,228,000 will be raised from our Public Issue. The proceeds shall accrue entirely to our Company and are intended to be utilised in the following manner:

| | Purposes | RM'000 | % | Estimated timeframe for use (from the listing date) |
|---|---|---|---|---|
| (i) | Establishment of applied learning centres | 1,000 | 4.0 | Within two (2) years |
| (ii) | Part-financing of proposed acquisition of publishing businesses | 11,500 | 45.6 | Within two (2) years |
| (iii) | Financing of proposed acquisition of an office cum warehouse building | 7,000 | 27.7 | Within two (2) years |
| (iv) | Working capital* | 2,728 | 10.8 | Within one (1) year |
| (v) | Estimated listing expenses* | 3,000 | 11.9 | Upon Listing |
| | Total gross proceeds | 25,228 | 100.0 | |

***Notes:***

* *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

*(i) Establishment of applied learning centres*

*We plan to utilise RM1.0 million from our IPO proceeds to set-up applied learning centres within 24 months from the date of listing. However, as this is still in the preliminary stages, we have yet to identify any suitable location for the setting up of the applied learning centres. Any additional funding required will be met through internally generated funds and/or external funding. Please refer to Section 6.18.1(iii) of this Prospectus for further details on our Group's future plans to establish applied learning centres.*

*(ii) Part-financing of proposed acquisition of publishing businesses*

*Having published National School Curriculum based educational materials mainly in Bahasa Malaysia and English to cater for national schools, we plan to acquire into publishing businesses that focus on educational materials for national-type schools (Chinese) and general titles (in Bahasa Malaysia and Chinese). Please refer to Section 6.18.1(i) of this Prospectus for further details on our Group's future plans in relation to the acquisition of publishing businesses.*

*As at LPD, our Group has not entered into any active discussion or negotiation to acquire any of the said publishing businesses. The final cost of the acquisition is dependent upon, amongst others, earnings potential, market reputation, brand names and future prospects of the businesses. The exact terms will only be finalised after negotiation and upon agreement with potential vendors. The acquisition maybe funded via a combination of IPO proceeds, internally generated funds and/or external funding. Our Group has earmarked RM11.5 million from our IPO proceeds for this purpose which is expected to be implemented within 24 months from the date of listing.*

*(iii) Financing of proposed acquisition of an office cum warehouse building*

*As part of our business expansion plan, we intend to utilise RM7.0 million from our IPO proceeds to acquire another office cum warehouse building with a built-up area of approximately 10,000 sq. ft. in the Klang Valley within 24 months from the date of listing. Any additional funding required will be met through internally generated funds and/or external funding. As at LPD, we have yet to identify a suitable property for this purpose. Please refer to Section 6.18.1(ii) of this Prospectus for further details on our Group's future plans in relation to the acquisition of an office cum warehouse building.*

*(iv) Working capital*

*Our requirement for working capital will increase in tandem with our future plans. Therefore, we expect to utilise approximately RM2.7 million of the proceeds raised as additional working capital to finance our day-to-day operations, including inter-alia, payment to trade suppliers, salaries for an expanded workforce and defrayment of operational expenses.*

*(v)* *Estimated listing expenses*

*The estimated listing expenses for the Listing to be borne by us are as follows:*

| | ***RM'000*** |
|---|---|
| *Professional advisory fees^* | *1,688* |
| *Fees to the authorities and Issuing House* | *282* |
| *Underwriting commission, placement fee and brokerage fees* | *580* |
| *Printing and advertising cost* | *290* |
| *Other incidental charges* | *160* |
| *Total* | *3,000* |

***Note:***

^ *Includes fees of the Principal Adviser, Reporting Accountants, Solicitors, Independent Business and Market Research Consultants and other professional advisers for our IPO.*

Pending the utilisation of the proceeds from our Public Issue as mentioned above, the proceeds will be placed in short-term deposits with licensed financial institutions or short-term money market instruments.

## 3.7 FINANCIAL IMPACT FROM THE UTILISATION OF PROCEEDS

The utilisation of proceeds from our Public Issue is expected to have the following financial impact on our Group:

### (a) Enhancement of Working Capital

The additional working capital of RM2.7 million arising from the Public Issue is expected to strengthen our liquidity and cash flow position and enable us to conduct our day-to-day operations without being overly dependent on external funding.

### (b) Increase in Revenue

The allocation of the IPO proceeds of RM12.5 million for the proposed establishment of applied learning centres and proposed acquisition of publishing businesses are expected to improve our Group's product and services by enhancing the diversity of product offering to include, amongst others, educational materials for national-type schools (Chinese) and general titles (in Bahasa Malaysia and Chinese). This will contribute to our Group's future revenue growth and profitability.

### (c) Improve productivity and efficiency

The capital expenditure of RM7.0 million for the proposed acquisition of an office cum warehouse building with a built-up area of approximately 10,000 sq. ft. will provide additional space to cater for our Group's business expansion. Please refer to Section 6.18.1(ii) of this Prospectus for further details on the utilisation of the additional spacing.

## 3.8 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

**Brokerage**

Brokerage relating to our 6,350,000 Public Issue Shares made available for application by the Public is payable by us at the rate of 1.0% of the IPO Price, in respect of successful applications bearing the stamp of Alliance, a participating organisation of Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association or the Issuing House.

**Underwriting commission**

Alliance, as our Underwriter, has agreed to underwrite up to 12,050,000 Public Issue Shares as set out in Sections 3.1.1(i) and (ii) of this Prospectus. Underwriting commission is payable by us to our Underwriter at the rate 2.25% of the total value of the underwritten Shares based on the IPO Price.

**Placement fee**

Alliance, as our Placement Agent, has agreed to place the IPO Shares available under the Placement Tranche, MITI Tranche and Non-MITI Tranche as set out in Sections 3.1.1(iii), 3.1.2(i) and (ii) of this Prospectus.

Accordingly, our Company will pay the placement fee to be incurred on the sale of the Public Issue Shares under Section 3.1.1(iii) of this Prospectus at the rate of between 0.5% and 2.25% of the value of the IPO Shares based on the IPO Price.

The Offerors will pay the placement fee to be incurred on the sale of the Offer Shares under Sections 3.1.2(i) and (ii) of this Prospectus at the rate of between 0.5% and 2.25% of the value of the IPO Shares based on the IPO Price.

## 3.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into an underwriting agreement with Alliance on 18 June 2014 ("Underwriting Agreement") to underwrite up to 12,050,000 Public Issue Shares as set out in Sections 3.1.1(i) and (ii) of this Prospectus subject to the clawback and reallocation provisions as set out therein. The following salient terms are reproduced from the Underwriting Agreement. The terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement.

2. **AGREEMENT TO UNDERWRITE**

2.2 The obligations of the Underwriter under this Agreement are conditional on the performance by the Company of all its obligations under this Agreement and upon:

2.2.1 there having been on or prior to the Closing Date, in the opinion of the Underwriter (whose opinion is final and binding), neither any material adverse change nor any development reasonably likely to result in any material adverse change, in the condition (financial, business, operations or otherwise) of the Company or its subsidiary companies, which is material in the context of the Initial Public Offering from that set forth in the Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect to any extent which is or will be material in the opinion of the Underwriter, which makes any of the representations and warranties contained in Clause 3 untrue and incorrect in any respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3;

2.2.2 the delivery to the Underwriter:

2.2.2.1 prior to the date of the registration of the Prospectus, a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors and the shareholders in general meeting approving this Agreement, the Prospectus, the Initial Public Offering and authorising the execution of this Agreement and the issuance of the Prospectus; and

2.2.2.2 a certificate, in the form or substantially in the form contained in the **SECOND SCHEDULE**, dated the date of the Prospectus signed by a duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.2.1.

2.2.3 the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the Directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Group;

2.2.4 the Initial Public Offering not being prohibited or impeded by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, including but not limited to Bursa Securities and the SC;

2.2.5 the Underwriter having been satisfied that the Company has complied with and that the Initial Public Offering is in compliance with the CMSA, policies, guidelines and requirements of the relevant authorities (including Bursa Securities and/or the SC) and all revisions, amendments and/or supplements thereto;

2.2.6 the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the Initial Public Offering and the lodgement of the Prospectus with the ROC on or before their release under the Initial Public Offering or in accordance with the CMSA together with copies of all documents required under the CMSA;

2.2.7 this Agreement having been duly executed by the Parties and stamped;

2.2.8 the Prospectus being in form and substance satisfactory to the Underwriter and the issue of the Prospectus being not later than one (1) month from the Agreement date or such later date as the Underwriter may from time to time agree in writing; and

2.2.9 the approval of Bursa Securities for the admission of the Company to the Official List and the listing of and quotation for its entire enlarged issued and paid-up share capital being obtained on terms acceptable to the Underwriter and remaining in full force and effect and that all conditions precedent to the approval have been complied with to the satisfaction of the Underwriter and such approval has not been withdrawn.

2.3 If any of the conditions set out in Clause 2.2 is not satisfied by the Closing Date, the Underwriter shall thereupon be entitled to terminate this Agreement by notice and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 12 incurred prior to the termination and any claims pursuant to Clause 3.3.1, there shall be no further claims by the Underwriter against the Company, and the Parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriter may at its absolute discretion waive compliance with any of the provisions of Clause 2.2 except for any conditions required by any laws, rules, regulations and guidelines or by any regulatory or governmental authorities/bodies.

8. **TERMINATION**

8.1 Notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:

8.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company to the satisfaction of the Underwriter, or by the Closing Date, whichever is earlier; or

8.1.2 there is withholding of information which is required to be disclosed to the Underwriter pursuant to this Agreement, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Initial Public Offering, or the distribution or sale of the Public Issue Shares; or

8.1.3 there shall have occurred, happened or come into effect any of the following circumstances:

(a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or the occurrence of any combination of any of the foregoing;

(b) any new law, regulation, directive, policy or ruling or any material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Underwriter or any event or series of events beyond the reasonable control of the Underwriter;

(c) any material and adverse change to the business or financial condition of the Company or the Group;

(d) approval for the Initial Public Offering is withdrawn, modified and/or subject to terms and conditions not acceptable to the Underwriter;

which would have or can reasonably be expected to have, a material adverse effect on the success of the Initial Public Offering, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or

8.1.4 there is failure on the part of the Company to perform any of its obligations herein contained; or

8.1.5 if the Closing Date is more than two (2) calendar months from the date of this Agreement or any later date as the Company and the Underwriter may mutually agree upon in writing, this Agreement will automatically lapse without the requirement for any notice in writing to be given to such effect and the Underwriter will be released and discharged from its obligations.

8.2 Subject to prior consultation with the Company, the Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if any of the following occurs:

8.2.1 there is a material change in any law, regulation, directive, policy or ruling in any jurisdiction which seriously affects or will seriously affect the business or financial condition of the Company and/or any company in the Group;

8.2.2 any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Underwriter is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FBM KLCI is, at the close of normal trading on Bursa Securities, on any Market Day:

(i) on or after the date of this Agreement; and

(ii) prior to the Listing Date,

lower than 85%, of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition; or

8.2.3 the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for three (3) or more consecutive Market Days.

8.3 Upon such notice(s) being given under this Clause 8, the Underwriter shall be released and discharged of its obligations under this Agreement without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of its obligations and liabilities under Clause 3, any antecedent breaches and under Clause 12 for the payment of the costs and expenses already incurred up to the date of termination or in connection with such termination and for the payment of any taxes, duties or levies within seven (7) days from the date of the same being due.

9 **FORCE MAJEURE**

9.1 It will be an event of force majeure if the Underwriter is unable to perform its obligations stipulated herein resulting from any event or series of events beyond the reasonable control of the Underwriter, including without limitation any of the following: (i) acts of God, (ii) national disorder, (iii) armed conflict or serious threat of the same, (iv) hostilities, (v) embargo, (vi) detention, (vii) revolution, (viii) riot, (ix) looting or other labour disputes, (x) any unavailability of transportation or severe economic dislocation, (xi) earthquake, (xii) typhoon, (xiii) outbreak of war, (xiv) outbreak of disease, (xv) acts of terrorism or (xvi) the declaration of a state of national emergency.

9.2 In the event of a force majeure pursuant to Clause 9.1, the Underwriter may, subject to prior consultation with the Company, at any time prior to or on the Closing Date:

9.2.1 terminate this Agreement by giving notice to the Company in the manner as set out in Clause 13; or

9.2.2 request for the Closing Date to be extended to such reasonable date as the Underwriter may decide.

9.3 Upon delivery of the notice of termination pursuant to Clause 9.2.1 and in the manner as set out in Clause 13, this Agreement will terminate whereupon each Party's rights and obligations will cease and none of the Parties will have any claim against each other, except that the Company will remain liable in respect of antecedent breaches and its obligations under Clauses 3 and 12.

9.4 In the event of a delivery of a request under Clause 9.2.2, the Company shall procure that the Closing Date be extended as requested.

9.5 The delivery of a request under Clause 9.2.2 shall not preclude the Underwriter from giving a further request for extension pursuant to Clause 9.2.2 or giving of a notice to terminate pursuant to Clause 9.2.1.

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## 4. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE INVESTING IN OUR SHARES.**

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser.

### 4.1 RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### 4.1.1 Fluctuations in price of paper

Paper is a major raw material used in our business operations. It constitutes the bulk of our direct operating costs. For the FYE 31 August 2013 and FPE 28 February 2014, paper materials contributed 43.9% and 42.8% to our total purchases of materials, services and products respectively.

As paper is a commodity, it is subjected to fluctuations in world paper prices. Paper prices are affected by various factors, notably, prices of raw materials including virgin pulp and pulp from used/recycled paper as well as demand and supply conditions. In the event of a sustained increase in the price of paper, there is a risk that we may be unable to pass the price increase to our customers or, if we do, we may not be price competitive. Under such scenarios, paper price increases may adversely affect our financial performance.

The following provides some indication of prices of printing and writing paper commonly used by the print publishing industry:

- Between 2009 and 2013, the average price of uncoated woodfree paper (local production) increased at an AAGR of 0.6% whilst the average price of newsprint (imported) decreased at an average annual rate of 9.3%.

The following provides some indication on the supply conditions of the paper industry in Malaysia:

- Between 2009 and 2013, production quantity of uncoated woodfree paper increased at an AAGR of 4.5%;
- Between 2009 and 2013, the import quantity of uncoated printing and writing paper increased at an AAGR of 5.9%; and
- In 2010, there were 175 establishments involved in the manufacture of pulp, papers and paperboard in Malaysia.

*(Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor)*

We also keep a certain level of inventory of paper for our Group's needs for up to six (6) months, especially when paper prices are on the uptrend. In instances of a downtrend in paper prices, our Group would adopt a prudent approach by restraining from stocking up on our paper. In the event of a drop in the price of paper, we would be using relatively more expensive inventory paper compared to publishers that purchase paper on the spot market. If our competitors drop their publication prices as a result of lower paper costs, we may not be able to act promptly or, if we drop our publication prices, it may affect our profit margin. Similarly, in the event price of paper were to increase, we would be using relatively cheaper inventory paper compared to publishers that purchase paper on the spot market. Nevertheless, all publishers will be equally affected by fluctuations in the price of paper. As such, it is unlikely for any one (1) publisher to have a sustained cost advantage over other publishers.

Over the past four (4) FYE 31 August 2010 to 2013 as well as FPE 28 February 2014, we have not experienced any material impact on our profitability arising from fluctuations in paper prices. This is substantiated by our continued growth and positive PBT of RM8.2 million, RM12.9 million, RM14.9 million and RM17.7 million for FYE 31 August 2010, 2011, 2012 and 2013 respectively, as well as positive PBT of RM10.9 million for FPE 28 February 2014. However, there is no assurance that our operating results may not be affected by fluctuations in paper prices in the future.

**4.1.2 Dependency on suppliers**

We are dependent on Singa Trading (Malaysia) Sdn Bhd for the supply of paper as it contributed 22.4%, 10.8%, 40.0%, 29.5% and 22.6% of our total purchases of materials, services and products for FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014 respectively. Etamax Sdn Bhd, which also supplies paper to our Group, contributed 13.1% of our total purchases of materials, services and products for FPE 28 February 2014, while its contributions to our total purchases of materials, services and products for FYE 31 August 2010, 2011, 2012 and 2013 were 5.8%, 7.3%, 2.5% and 4.1% respectively. In addition, Modern Alpine Sdn Bhd was also one of our major suppliers of paper as it contributed 10.1% and 12.7% of our total purchases of materials, services and products for FYE 31 August 2010 and 2011 respectively. The contribution from Modern Alpine Sdn Bhd in FYE 31 August 2012 and 2013 had, however been reduced to 0.1% and 0.01% of our total purchases of materials, services and products respectively. We did not purchase any paper from Modern Alpine Sdn Bhd for FPE 28 February 2014.

In mitigation, we have established a stable business relationship with Singa Trading (Malaysia) Sdn Bhd and Etamax Sdn Bhd for 29 years and 23 years respectively. As such, the stable relationship will provide us with the basis for continuing supply of paper.

As paper is a commodity, it is widely available from other suppliers. Currently, we also source from several other suppliers of paper, such as Kertas Krafik Sdn Bhd and Intrapac Trading (M) Sdn Bhd. Thus, in the unlikely event that Singa Trading (Malaysia) Sdn Bhd and Etamax Sdn Bhd are unable to supply us with sufficient paper at cost competitive prices, we can promptly purchase from alternative suppliers.

Although we do not foresee any difficulties in procurement of paper and have not previously experienced any material disruptions in the supply of paper, there is no assurance that we can continue to source sufficient quantity of paper at competitive prices.

**4.1.3 Dependency on customers**

For the past four (4) FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014, we have been dependent on our major customer, namely Popular Book Co. (Malaysia) Sdn Bhd by virtue of its revenue contribution of 9.3%, 9.4%, 10.3%, 10.3% and 8.1% of our total Group revenue respectively.

In mitigation, we have been dealing with Popular Book Co. (Malaysia) Sdn Bhd for approximately 28 years. This demonstrates a stable and long-term business relationship with this customer. Furthermore, our risk of dependency on this customer is minimised by our diverse base of approximately 1,380 and 620 active customers for FYE 31 August 2013 and FPE 28 February 2014 respectively. Our customer diversity is further substantiated where our top 10 customers accounted for only 32.6% and 28.7% of our total revenue for FYE 31 August 2013 and FPE 28 February 2014 respectively.

Nevertheless, there is no assurance that our dependency on this major customer will not have a significant impact on our future business performance.

### 4.1.4 Inability to fully mitigate the loss in potential financial contribution resulting from the non-renewal of licence from YGMB for past year examination papers

Our licence from YGMB to reprint, distribute, market and sell past year examination papers of UPSR, PMR, STAM and SPM has not been renewed upon its expiry on 14 September 2013. In this regard, we have ceased reprinting, distributing, marketing and selling the past year examination papers with effect from 15 September 2013. For the past four (4) FYE 31 August 2010, 2011, 2012 and 2013, this series of publication constituted 7.7%, 17.7%, 23.6% and 17.7% of our total revenue respectively. For FPE 28 February 2014, there was no revenue contribution from this series of publication.

The non-renewal of this licensing agreement may financially affect our operational results in the future. However, our Group has taken steps to reduce the impact of the non-renewal of this agreement such as increasing our range of publications via the acquisition of the publication rights and production files for a list of titles for National School Curriculum based educational materials from Pearson Malaysia as detailed in Section 5.1 of this Prospectus, launching our new range of publications and growing our online publishing segment.

Nevertheless, there can be no assurance that we will be able to fully mitigate the financial impact from the non-renewal of the licence to reprint, distribute, market and sell past year examination papers of UPSR, PMR, STAM and SPM.

### 4.1.5 Revocation of exclusive distributorship of LEGO Education products

We have been dealing with LEGO System A/S, which has its headquarters in Denmark, as the exclusive distributor of LEGO Education products in Malaysia and Brunei, which includes early learning products, machines and mechanisms, and robotics since 2005. Our existing agreement with LEGO System A/S is valid until 31 December 2014.

For the FYE 31 August 2013 and FPE 28 February 2014, sales from LEGO Education products contributed the majority of our applied learning products which accounted for 5.4% and 4.5% of our total revenue respectively. As such, our dependency on the distribution of LEGO Education products is relatively low and a revocation of the exclusive distributorship of LEGO Education products may not have a material financial impact on our operational results.

Apart from LEGO Education products, we are also appointed as a distributor of other applied learning products by Pitsco and National Instruments, both of which have their headquarters in the United States. The contribution from Pitsco products for FYE 31 August 2013 were approximately RM0.3 million or 7.1% of the total contribution of applied learning products of RM4.2 million while the remaining contribution of applied learning products of approximately RM3.9 million or 92.9% were from LEGO Education products. Meanwhile, the contribution from Pitsco products for FPE 28 February 2014 were approximately RM45,000 or 2.3% of the total contribution of applied learning products of RM2.0 million while the remaining contribution of applied learning products of approximately RM1.9 million or 97.7% were from LEGO Education products. In addition, we can also source similar products from other manufacturers or suppliers. This would lower our dependency on the exclusive distributorship of LEGO Education products.

Nevertheless, there can be no assurance that a revocation or non-renewal of our exclusive distributorship for LEGO Education products will not have a material adverse impact on our business in the future.

### 4.1.6 Dependency on successful textbook tender from the Ministry of Education

We currently have agreements with the Ministry of Education to publish a range of textbooks for primary and secondary levels of education. Generally, these agreements would have an initial contract period of three (3) years. Subsequent extension/renewal period of one (1) to three (3) years will be given at the discretion of the Ministry of Education, until there is a revision to the said curriculum. These textbooks under the agreements are geographically exclusive in nature (i.e. the mandatory usage of the publisher's textbook(s) for a certain subject and level in a particular territory or area within Malaysia). As at LPD, our agreements with the Ministry of Education for the publishing of textbooks have expiry dates ranging from July 2014 to December 2016.

Publishing of textbooks is dependent on our ability in winning textbook tenders from the Ministry of Education. For the past four (4) FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014, our revenue generated from sales of textbooks contributed 4.5%, 11.6%, 5.6%, 9.5% and 1.3% to our total revenue respectively. As such, our dependency on textbook tenders from the Ministry of Education is relatively low. Nevertheless, in the event that we fail to sustain the number of successful textbook tenders in the future, our business performance may be somewhat affected.

Our strengths and competitive advantages include our strong brand name, established track record in the educational publishing industry since our business commencement in 1985, proven track record with the Ministry of Education as we have won numerous tenders and successfully met our tender obligations, long term business relationship with the Ministry of Education since we won our first textbook tender in 1987, and our financial strengths to promptly undertake large volume printing and distribution of textbooks to national schools in Malaysia. These strengths and competitive advantages help position us in winning future tenders to publish textbooks from the Ministry of Education.

Nevertheless, there can be no assurance that in the future we will continue to win sufficient number of textbook tenders and that our failure to win textbook tenders will not have a material adverse impact on our financial performance.

### 4.1.7 Absence of long term contracts with customers

With the exception of the Ministry of Education, we do not have any long term contracts with our customers as the majority of our sales are based on purchase orders. This is a common practice in the industry. As such, the uncertainty in sales may impact on our business performance.

We have a large customer base and established business relationships with our customers. For FYE 31 August 2013 and FPE 28 February 2014, we have approximately 1,380 and 620 active customers, respectively. Our top ten (10) customers for FPE 28 February 2014 have been dealing with us for at least 13 years.

Although we have not previously experienced any material impact due to the absence of long term contracts, there can be no assurance that our customers will continue to purchase sufficient quantity of our products.

### 4.1.8 Stock returns and obsolescence

We typically publish new edition of educational materials every year. Some of the educational materials that we sell may be returned to us for either a full refund or offset against future sales. Such returns are commonly resold to other customers or placed back into our inventory with all other stocks for future resale. Returns that are not resold over a period of time, as with all other stocks which cannot be sold after a period of time, will be deemed obsolete and subsequently written off and disposed as scrap. As a result, we may face the risk of holding obsolete stocks which may financially affect our operational results if the volume of obsolete stocks is large and are written off or sold at a discount.

To manage and control our sales returns, we have in place an inventory management system to monitor the sales and distribution of our stocks to our customers across Malaysia. Following this, we could analyse the historical and current trends in demand for our titles, which provides us with purchasing data to enable us to anticipate demand for our titles and therefore, enable us to plan our supply, lessening the risk to overproduce and control cost over-run as well as minimising any subsequent sales returns. This is demonstrated by the fact that for the FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014, the value from credit notes issued for stock returns amounted to RM9.7 million, RM11.6 million, RM10.9 million, RM10.8 million and RM7.5 million respectively as compared to gross revenue approximately RM56.7 million, RM71.5 million, RM75.7 million, RM90.7 million and RM58.2 million for FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014 respectively. In this regard, for the FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014, actual sales returns as a percentage of the relevant financial year's/period's gross sales have been declining from 17.1% to 16.2%, 14.4%, 11.9% and 12.9% respectively.

Over the past four (4) FYE 31 August 2010 to 2013 as well as FPE 28 February 2014, we have not experienced any material impact on our profitability arising from stock returns or obsolescence. This is substantiated by our continued growth and positive PBT of RM8.2 million, RM12.9 million, RM14.9 million and RM17.7 million for FYE 31 August 2010, 2011, 2012 and 2013 respectively, as well as positive PBT of RM10.9 million for FPE 28 February 2014.

In addition, our focus is on National School Curriculum educational materials, which would normally stay relevant for a number of years. Even if there is a change in the curriculum, we usually have sufficient notice to adjust our production accordingly. Furthermore, our educational materials such as workbooks, revision guides, assessment books and model test papers are not perishables and their storage life in our warehouse is approximately three (3) years before they are written down to zero and eventually disposed of as scrap. Our Group adopts a three (3) years policy to write down these educational materials as, based on our past experience, there is still demand for these materials even when a new edition is available in the market. Our workbooks, revision guides, assessment books and model test papers can be used independently or collectively as revision and practice materials. The older edition of these educational materials, which are in line with the National School Curriculum, are still relevant for use in schools and by students, as different editions of these educational materials generally contain different sets of questions and exercises. Our Group adopts product bundling and discount pricing strategies to promote older editions of these educational materials. Textbooks, on the other hand, are considered obsolete when there is a change in the National School Curriculum.

All other books such as supplementary educational materials, general titles, readers, applied learning products and electronic dictionaries are not subject to any write-down policy as these products continue to be relevant and useful over long periods of time, notwithstanding changes in the National School Curriculum. For example, the content of our Group's general title "Spirit of the Keris", a selection of short stories, would continue to entertain readers at any point in time. Supplementary materials such as our Group's educational comic that teaches about the human body would continue to be relevant and useful over long periods of time. Similarly, our Group's applied learning products are mainly used to educate children about robotics. They will continue to be relevant and useful for a long period of time because the basic principles, mechanics and electronics of robotics do not normally change. Hence, these products will be written down in full only when there is no longer market demand for the product.

As mentioned in Section 6.2.3 of this Prospectus, we have ceased the production of our electronic dictionaries and as at LPD, we have remaining stocks of electronic dictionaries carried at the cost of RM151,250 in our inventory.

Our inventory of printed access code cards are access passes to our Group's online resources and the contents of these online resources are continuously being updated to comply with the National School Curriculum and to meet customers' needs. As such, the printed access code cards are not subject to any obsolescence at present.

However, despite our efforts, there can be no assurance that the operational and financial position of our Group will not be affected by stock returns or obsolescence and/or slow-moving stocks.

**4.1.9 Seasonality**

Our business operations are exposed to seasonality patterns. For the last four (4) financial years between FYE 31 August 2010 and 2013, our second financial quarter (December to February) consistently experienced the highest quarterly sales, which contributed an average of 49.9% of total sales for each financial year. Conversely, we had consistently been recording lowest quarterly sales for our fourth financial quarter (June to August), which contributed an average of 6.2% of total sales for each financial year. Our first financial quarter (September to November) and third financial quarter (March to May) contributed an average of 25.0% and 18.9% respectively of the total sales for each of the last four (4) financial years between FYE 31 August 2010 and 2013.

These seasonality patterns are primarily caused by the timing of the start of the academic year for national schools. As a result, our seasonal sales pattern may adversely impact on our quarterly profits and cash flow. However, these seasonality patterns have been consistent for the past four (4) financial years under review and such seasonality patterns are taken into consideration by our Group in our cash flow planning.

For FYE 31 August 2014, we expect some changes in our seasonality patterns due to the abolishment of PMR to be replaced by Form 3 Assessment (PT3 – Pentaksiran Tingkatan 3) as per the circular by the Ministry of Education on 31 March 2014. In this regard, in June 2014, our Group has launched new series of model test papers based on the PT3 format for lower secondary levels of education. In addition, our Group is also in the midst of publishing new series of assessment books and revision guides based on the PT3 format. As such, we expect to record sales from PT3 educational materials in our fourth financial quarter (June to August) of 2014.

Moving forward, we also expect to record sales of post-secondary educational materials in our fourth financial quarter (June to August), which coincides with the intake of post-secondary students in May for national schools.

### 4.1.10 Dependency on Executive Directors and key management personnel

As in any other businesses, our Group believes that its continued success will depend, to a significant extent, upon the abilities, skills, experience, competency and continuous efforts of our existing Executive Directors and management team. Over the years, we have built a strong management and operations team that has vast experience in the educational publishing industry and knowledge of our business as well as understanding of end-consumers' needs and requirements. As such, the loss of any of our Executive Directors and key management personnel, without a suitable and timely replacement, may have a material adverse impact on our business and our continuing ability to compete effectively. The profiles of our Board of Directors and key management personnel are set out in Sections 8.2.1 and 8.4.1 of this Prospectus respectively.

We recognise the importance of attracting and retaining our key management personnel and have put in place competitive compensation packages for their contribution towards our continuing success. In addition, we provide a healthy working environment, practise conducive workplace culture, uphold good work ethics to create a sense of belonging and foster good working relationships amongst our employees. We also have in place a management succession plan and provide training and career development opportunities for our employees.

Whilst we depend on our Executive Directors and key management personnel, we are not overly dependent on any one of them. Nonetheless, there can be no assurance that the above measures will be successful in attracting and retaining our key management personnel or ensuring a smooth transition should changes occur.

### 4.1.11 Infringement of intellectual property rights

We have developed and used various intellectual properties in connection with our business. We are susceptible to claims by third parties to have infringed their intellectual property rights. Similarly, we are also susceptible to infringement of our intellectual property rights by third parties. In defending our legal rights and entitlements, we may be exposed to suits and counter suits by third parties. Such disputes as to the ownership of intellectual property rights and the resolution of such disputes, by litigation or otherwise, may be time consuming and costly. Any of the above could have an adverse impact on our business, operations and financial conditions.

Therefore, our Group requires our authors to undertake to indemnify us for losses and damages arising out of the contents of their works which has infringed the rights of third parties. We also own the copyrights to all published versions of our titles, which are protected under the Copyright Act 1987. This is further explained in Section 6.15 of this Prospectus. In the event of third party infringing our intellectual property rights, we will undertake necessary legal actions to seek damages as well as to protect our rights. Our Group has also put in place a policy of using only licensed softwares in our business. As at LPD, neither have we filed nor have we been served with any legal process in relation to any infringement of intellectual property rights.

There can be no assurance that there will be no future infringement of intellectual property rights, which may have a material adverse impact on our business and operations.

### 4.1.12 Growing trend towards online publishing

Under the Household Use of the Internet Survey 2011 conducted by the Malaysian Communications and Multimedia Commission (MCMC), it was estimated that 63.5% of households used the internet for educational purposes as compared to 46.0% in 2009. With the aim of improving the quality of learning across Malaysia, the Malaysian Government has commenced the implementation of 1BestariNet, which provides high speed internet access and virtual learning environment for 10,000 schools nationwide. The increased usage of online learning materials may threaten and reduce the usage of print educational materials, hence posing a risk to the industry.

In line with the growing trend of learning via online medium, educational publishers that are involved in print publication should consider diversifying into or strengthening their online publishing as a complementary business activity. There are synergies between print and online publishing as the same content and material can be used for both medium of publishing. In addition, digital publications including online publications can be more engaging and interactive, which could be useful for publishers to create brand loyalty among consumers.

(*Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor*)

For the FYE 31 August 2013 and FPE 28 February 2014, print publishing of educational materials accounted for 82.6% and 92.9% of our total revenue respectively. As such, a growing trend towards online publishing may affect our business.

To keep up with the developments towards on-line learning, our Group has embarked on online publishing since 2011. Our online educational resources include cloud-based teaching and learning content, tools and platforms. Our online publishing revenue has increased by 866.7% from approximately RM0.6 million in FYE 31 August 2011 to approximately RM5.8 million in FYE 31 August 2013. For FPE 28 February 2014, we have recorded online publishing revenue of approximately RM83,000 (after netting off sales returns of approximately RM0.6 million mainly due to sales returns for our iPBS online educational products). In line with our emphasis on growing the online publishing, we will continue to develop and introduce new online educational resources in the future. This is expected to grow in the coming years, while our print publishing operations will continue to meet the existing demands in the market.

In recognition of our online educational resources, we had, on 2 April 2013, successfully secured an MOU with YGMB to offer and support an online tutorial programme with self-assessment for 20,000 candidates of UPSR and SPM for 2013 in selected schools in Perak Darul Ridzuan. This was undertaken under i-TR1M (Interaktif Tuisyen Rakyat 1Malaysia), a government education initiative. This involved the supply and implementation of our online educational resources, namely i-Learn. Under the said MOU, our Group had billed YGMB on a quarterly basis based on a fixed schedule. The MOU was valid until end of 2013.

Nevertheless, despite our online efforts, there can be no assurance that the growing trends towards online publishing will not materially impact on our business.

### 4.1.13 Credit risk

We generally grant our customers credit periods of between 60 days and 90 days. We are exposed to credit risks arising from trade receivables which may arise from events and circumstances beyond our control or events which are difficult to anticipate or detect, such as an economic downturn or deterioration. In the event of significant delay or default in payment by our customers or where our customers face significant financial difficulties, we will have to make allowance for impairment losses on trade receivables or write off trade receivables as bad debts, which may adversely affect our financial performance.

For the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014, our Group has not written off any bad debts directly to the statement of profit or loss. However, our Group has recognised allowance for impairment losses on trade receivables of RM80,000, RM92,000, RM9,000, RM130,000 and RM198,000 in the statement of profit or loss for FYE 31 August 2010 to 2013 and FPE 28 February 2014 respectively. As at 31 August 2010, 2011, 2012, 2013 and as at 28 February 2014, the balance of the allowance for impairment losses on trade receivables in the statement of financial position amounted to approximately RM0.6 million, RM0.7 million, RM0.1 million, RM0.2 million and RM0.4 million respectively.

Notwithstanding the above, there is no assurance that we will not encounter significant allowance for impairment losses on trade receivables or bad debts in the future that may materially affect our financial performance.

**4.1.14 Changes in National Curriculum and educational policies**

We are principally a publisher of educational materials focusing on primary and secondary school education based on the Malaysian National School Curriculum. In the event of a change in curriculum or educational policies such as medium of instruction, publishing business like ours may not be able to react quickly to such changes.

However, changes to the Malaysian National School Curriculum are announced ahead of time, and this would usually allow sufficient time for our Group to realign our business activities. An example of such changes is the reversion of Mathematics and Science to be taught in Bahasa Malaysia instead of English and the introduction of KSSM to replace KBSM in 2017.

A change in curriculum is generally positive for publishers, as it would encourage end-users to buy new educational materials when the older publications are made obsolete by the new curriculum. An example is the new KSSR curriculum incorporating school based assessment and national examination namely UPSR. This curriculum change may stimulate demand for additional purchases of educational materials, such as revision materials, during the academic year.

Publishers with a ready pool of experienced writers and editors with the appropriate subject matter and language skills would be in a better position to quickly adapt to changes in curriculum to minimise any adverse impact, and at the same time benefit from first-mover advantage or fast-to-market.

(*Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor*).

Our Group has an experienced management and editorial team with the capabilities to develop National School Curriculum based and supplementary educational materials in a timely manner to meet any new National School Curriculum requirements and educational policies. Our Group has published various National School Curriculum based educational materials, including textbooks, in Bahasa Malaysia and English for primary and secondary levels of education as well as some in Chinese for national-type schools (Chinese). With these capabilities, we are able to react quickly to changes in national curriculum and educational policies. Please refer to Section 6.1(c) of this Prospectus for further details of our Group's competitive advantages and key strengths.

However, there can be no assurance that changes in curriculum and educational policies may not have material adverse impact on our business in the future.

### 4.1.15 Abolishment of national examinations

In Malaysia, the majority of educational materials are examination oriented, targeted at students preparing to undertake national examinations such as Primary School Achievement Test (UPSR - Ujian Pencapaian Sekolah Rendah), Lower Secondary Assessment (PMR - Penilaian Menengah Rendah) and the Malaysian Certificate of Education (SPM - Sijil Pelajaran Malaysia). As of January 2014, the PMR examination has been abolished with 2013 being the last year of centralised examinations for Form 3 students. As such, publishers may face lower demand for educational materials for PMR.

Based on the circular by the Ministry of Education on 31 March 2014, PMR will be replaced by Form 3 Assessment (PT3 – Pentaksiran Tingkatan 3) whereby the results of the PT3 will be used as a basis for admission of students into certain types of schools and streaming of students for upper secondary levels of education.

(*Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor*)

In the same announcement by the Ministry of Education, the Document of Performance Standard (DSP – Dokumen Standard Prestasi), which are guidelines used by teachers to assess and report on students' achievements, has been simplified into a Student Learning Progress Guide (PPPM – Panduan Perkembangan Pembelajaran Murid). This guideline will form part of the School-Based Assessment (PBS) that will be effective for students in Year 1, 2 and 3 under primary levels of education and Form 1, 2 and 3 under lower secondary levels of edueation for the academic year of 2014.

In April 2014, our Group has published a new series of PBS educational materials based on PPPM. Also, in June 2014, our Group has launched new series of model test papers based on the PT3 format for lower secondary levels of education. In addition, our Group is also in the midst of publishing new series of assessment books and revision guides based on the PT3 format. Our educational materials which were originally published under our PMR series remain relevant as general revision materials for teachers and students alike.

Nonetheless, there can be no assurance that the abolishment of national examinations will not have a material adverse impact on our business performance.

### 4.1.16 Dependency on experienced and skilled editors

We believe that human capital is one of our key success factors. Our editorial personnel are critical in maintaining the quality of our publications as well as our brand and market reputation. We must continue to attract and retain experienced and skilled editorial personnel who have a strong command of the subject areas and relevant experience in editing. The lack of experienced and skilled editors may lead to a deterioration of quality of our publications and may impact on our brand names as well as market reputation, thus adversely affecting our business and financial performance.

We provide competitive remuneration packages to attract and retain experienced and skilled editors. In addition, we strive to maintain the quality of our staff by providing continuous training and development opportunities. Please refer to Section 8.9.2 of this Prospectus for our Group's training and development. Despite our efforts, there can be no assurance that we will continuously be able to maintain a sufficient pool of editors and it will not have a material impact on our business.

### 4.1.17 Political, economic and regulatory uncertainties

Any adverse development in the political, economic and regulatory environment in Malaysia could materially and adversely affect the financial and operational conditions as well as the overall profitability of our Group.

We will be affected by any changes in the political leadership and/or regulatory and government policies. Such political and/or regulatory changes or uncertainties include (but are not limited to) introduction of new laws and regulations which impose and/or increase restrictions on the publishing industry, political or social development, risk of war, expropriation, nationalisation and renegotiation or nullification of existing contracts.

Any widespread and/or prolonged economic slowdown would affect consumer and business confidence, and subsequently their tendency to spend. The uncertainty over the global economies, particularly resulting from the euro zone debt problem, may also impact on the local economy. This may cause consumers to be more cautious in their spending patterns, thus leading to a slowdown in consumer spending. However, the demand for educational materials like textbooks is generally more resilient to an economic slowdown as these form part of the requirements of the national school curriculum. In addition, consumers are generally less sensitive to changes in economic conditions when considering expenditure for educational purposes. This is substantiated by the fact that while the Malaysian economy experienced a 1.5% decline in real gross domestic product in 2009, real household final consumption on education increased by 11.5% in the same year.

*(Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor)*

We do not possess any printing press machines or publish periodicals, the two (2) matters requiring approvals from the Ministry of Home Affairs under the Printing Presses and Publications Act 1984. We outsource the printing of all our materials. Therefore, we do not need any licence for printing press or permit for periodicals save for the licence to participate in e-perolehan from the Ministry of Finance as disclosed in Section 6.14.1 of this Prospectus.

Whilst we have not experienced any severe restrictions on the conduct of our business, we will continue to take precautionary measures such as efficient operation procedures and take steps to comply with any new laws and regulations imposed. There is no assurance that any adverse development or change in the political, economic and regulatory environment would not have any adverse impact on our business and financial performance.

### 4.1.18 Inadequate insurance coverage

We maintain general insurance policies where practicable, covering both our assets and employees in line with general business practices in the publishing industry, with policy specifications and insured limits which we believe are reasonable. However, in the event that the amount of such claims exceed the coverage of general insurance policies which we have taken up, we may be liable for shortfalls in the amounts claimed. In such events, our business and financial position will be adversely affected. Our Directors have confirmed that there has not been any claim which has exceeded the coverage of our general insurance policies in the past.

In ensuring such risks are kept to a minimum level, we review and ensure adequate coverage for our assets on a continuous basis. We ensure the continuity of our insurance by renewing the insurance policies annually. The total amount insured is RM15.6 million on our motor vehicles, property, plant and equipment representing approximately 89.6% of the NBV of our property, plant and equipment (including motor vehicles, office equipment and buildings but excluding the NBV for land amounting to RM10.2 million) as at 28 February 2014. Our Group has also insured up to RM10.0 million of our inventories representing approximately 70.9% of our Group's inventories (excluding papers amounting to RM1.8 million held in the premises of our paper suppliers and printers) as at 28 February 2014. Although we have taken necessary steps to adequately insure our assets, there can be no assurance that our insurance coverage would be adequate to compensate the replacement costs of the assets or any consequential losses arising thereof.

**4.1.19 Foreign exchange transaction risk**

Some of our sales as well as our purchases of applied learning products are transacted in foreign currencies. As such, we are exposed to foreign exchange transaction risk. An unfavourable foreign exchange movement against the RM may have an impact on our profitability.

For FYE 31 August 2013 and FPE 28 February 2014, 5.5% and 9.3% of our purchases of materials, services and products were transacted in USD respectively. In addition, 0.5% of our revenue for FYE 31 August 2013 was transacted in USD and Brunei Dollar. There was no revenue transacted in USD for FPE 28 February 2014, whilst we have recorded minimal negative revenue in Brunei Dollar in the financial period under review as a result of sales return from the Brunei market. Due to the transactions in foreign currencies being not material, fluctuations in foreign exchange rates will not have a material impact on our purchases as well as revenue. For FYE 31 August 2013 and FPE 28 February 2014, we did not experience any material losses arising from foreign exchange transactions. Please refer to Section 12.2.10 of this Prospectus for further information on the impact of foreign exchange fluctuations on our financial performance.

Nevertheless, there can be no assurance that any foreign currency fluctuations in the future will not adversely affect our financial performance.

**4.1.20 Unauthorised use of our brand names**

We place great emphasis on the reputation of our brand names, namely 'Sasbadi', 'Sasbadi Online', 'Maya Press', 'Orbit Buku', 'Sasbadi Learning' and 'MBP Publications', as negative connotations could have an adverse impact on the sales of our products. In order to prevent the unauthorised use of our brand names, we have applied to register the said brand names and related logos with MyIPO. The registrations of our trademarks are in various stages of the approval and registration process. Please refer to Section 6.15 of this Prospectus for our Group's intellectual property rights.

Nonetheless, even when the brand names have been registered, there can be no assurance that there will not be unauthorised third party copying, using or exploiting our brand names and logos.

### 4.1.21 Competition

We face competition from existing competitors as well as potential new entrants in the educational publishing industry.

The barriers to entry into the educational publishing industry are relatively low based on capital requirements as most functions within the process of transforming a manuscript into the end-product may be outsourced to third parties.

The entry cost for online publishing is even lower as there are no printing costs involved compared to print publishing. In addition, distribution costs for online publishing are minimal as it is made available through the internet. As such, competition within the educational publishing industry may increase.

However, while set-up costs may be low, operating costs are considerably higher. This is due to the need to pay professional staff as well as to extend credit terms to resellers and retailers. In addition, there is a long lead time between obtaining manuscripts and transforming them into final products suitable for sales to consumers. All these factors would pose barriers to entry for new entrants. Furthermore, a more established publisher with a strong brand name, a wide distribution network whilst enjoying economies of scale, would be in a stronger position to compete in the market.

*(Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor)*

We leverage on our competitive strengths such as our established track record, brand awareness, extensive distribution network, large customer base, diversity in product range, in-house content development, availability of large range of publications, economies of scale as well as our experienced management and editorial personnel as set out in Section 6.1(c) of this Prospectus. While we continuously strive to maintain and adopt appropriate strategies to remain competitive, there can be no assurance that a change in the competitive environment would not have a material adverse impact on our business and financial performance.

### 4.1.22 Utilisation of external writers in creating publications

Our Group utilises contents developed in-house as well as external writers for our publications. It is common for us to acquire manuscripts from experienced lecturers, teachers and examiners as well as commissioning external writers for our National School Curriculum based and supplementary educational materials. For the FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014, 44.5%, 35.7%, 30.9%, 22.3% and 29.1% respectively of the new titles published by our Group were developed based on manuscripts of external writers. As such, we may face competition in engaging and retaining external writers from being sourced by our competitors.

Nevertheless, our Group has an experienced in-house editorial team that is capable of developing contents for publication. This enables us to develop and write our own publications without relying solely on external writers and third party manuscripts. As at LPD, our Group has 64 personnel in our editorial team including managerial personnel. Of these, approximately 53.1% of our editorial team members have between 7 and 26 years of experience as writers for publications. For the FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014, the remaining 55.5%, 64.3%, 69.1%, 77.7% and 70.9% respectively, were for new titles developed based on in-house created contents and in combination with third parties.

Furthermore, the external writers shall also not write or edit a competitive work for any other publishers and shall not publish such work himself for so long as their work is still in current publication by our Group. Our Group also has an advantage in sourcing for quality external writers due to, amongst others, our established brand name and the ability to market our products through a wide distribution network.

Although we have not experienced difficulties in creating publications due to shortage of contents or manuscripts, there is no assurance that we can continue to create and source sufficient contents and manuscripts for our publications.

**Notwithstanding the above measures, steps and efforts undertaken by our Group to mitigate the abovementioned risks relating to our business and industry, there can be no assurance and guarantee that we can successfully manage all the risks including our ability to compete successfully in the future and our ability to obtain sufficient supply of materials from our regular suppliers.**

**Further, there is no assurance that our customers will continue to place orders with us in the future and at the same levels as they had previously, or our ability to attract and to retain our key management personnel with similar level of experience and capabilities.**

**Failure to do so could have a material and adverse impact on our business, financial condition and the results of our operations.**

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## 4.2 RISKS RELATING TO INVESTMENT IN OUR SHARES

### 4.2.1 Delay or abortion of our Listing

Our Listing may be potentially delayed or aborted in the event of the following:

(a) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations; or

(b) we are unable to meet the public spread requirement of at least 25% of our enlarged issued and paid-up share capital to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the time of our Listing.

We expect to meet the public shareholding requirement at the point of Listing by allocating the IPO Shares to the required number of public shareholders during the balloting/private placement processes. However, in the event that we are unable to meet the above requirement, monies paid in respect of any application accepted will be returned to you without interest within fourteen (14) days after we become liable to repay it. If any such monies are not repaid within fourteen (14) days after we and the Offerors become liable to repay it, then the provisions under sub-section 243(2) and 243(6) of the CMSA shall apply.

### 4.2.2 No prior market for our Shares and possible volatility of our Share price

There is no prior market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or if developed, that such market will be sustained. In addition, our Shares could trade at prices that may be lower than our IPO Price as a result of many factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These include, amongst others, prevailing global and local economic conditions, the depth and liquidity of the market for our Shares and investors' individual perceptions of our Group.

### 4.2.3 Control by Promoters

Upon Listing, our Promoters will collectively hold approximately 55.1% of our enlarged issued and paid-up share capital. Depending on how they choose to vote and because of their shareholdings, our Promoters will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by law and/or as required by the relevant authorities.

Nevertheless, as a step towards good corporate governance, we have appointed three (3) Independent Non-Executive Directors and set up an Audit Committee to ensure that, *inter-alia*, any future transactions involving related parties are entered into on arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders.

### 4.2.4 Payment of dividends

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiary companies. Hence, our ability to pay future dividends is largely dependent on the performance of our subsidiary companies.

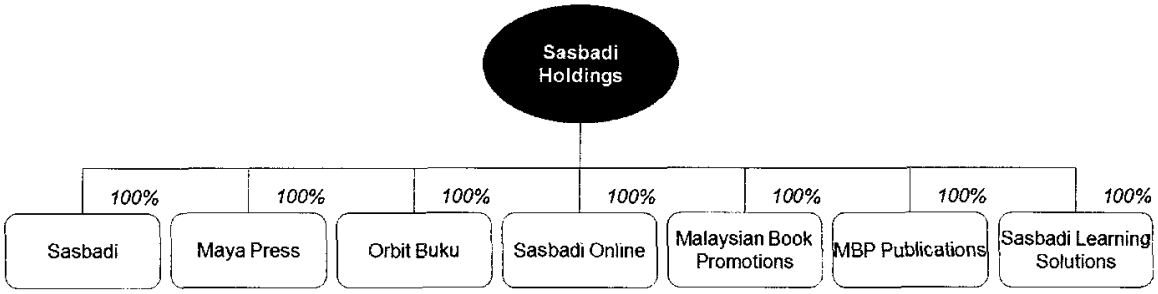
In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but are not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements. Whilst we endeavour to make payments of dividends, no assurance can be given that we are able to pay any dividends in the future as a result of factors stated above. Please refer to Section 12.4 of this Prospectus for further information on our dividend policy.

## 5. INFORMATION ON OUR GROUP

### 5.1 OUR HISTORY

We are principally a publisher of educational materials. We mainly undertake print publishing focusing on primary and secondary school education. While most of our educational materials are based on the Malaysian National School Curriculum, we also publish other non-curriculum based educational materials. We also undertake online publishing of educational materials based on the Malaysian National School Curriculum.

Our group structure is as follows:




Our principal activities are as follows:

| Company | Principal Activities |
|---|---|
| Sasbadi Holdings | Investment holding |
| Sasbadi | Publisher of printed educational materials, distribution of applied learning products and trading of paper |
| Maya Press | Imprint for general titles* |
| Orbit Buku | Publisher of supplementary educational materials |
| Sasbadi Online | Publisher of online educational resources |
| Malaysian Book Promotions | Publishing and distribution of printed educational materials (1) |
| MBP Publications | Imprint for printed educational materials ^ |
| Sasbadi Learning Solutions | Dormant (2) |

***Notes:***

* *Maya Press is an imprint i.e. a trade name under which general titles are published by Sasbadi. Sasbadi bears all costs and receives all revenue arising from these activities.*

^ *MBP Publications is an imprint for printed educational materials published by Malaysian Book Promotions. Malaysian Book Promotions bears all costs and receives all revenue arising from these activities.*

*(1) Additional intended activity is to undertake organisation of book fairs and exhibitions.*

*(2) The intended activity is to undertake the distribution of applied learning products and operation of applied learning centres.*

Our Group was co-founded by Mr Law King Hui, our Managing Director, together with Mr Lee Swee Hang and Mr Lee Eng Sang, our Executive Directors, with the aim of publishing quality educational materials to students in Malaysia. Each of our founders has between 33 and 39 years of experience in the publishing industry. Over the years, each of them has contributed significantly to the development, growth and success of our Group.

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

The history of our business can be traced back to 1985 with the incorporation of Sasbadi where in the same year we commenced operations as a publisher of educational materials. Our first publication was a series of workbooks for primary six students, aimed at preparing these students for secondary levels of education.

In 1986, we published a series of KBSM workbooks, entitled 'Strategi'. This was our first series of workbook with a 3-in-1 packaging involving three (3) different books bound into one (1), where each of these books are detachable for independent use.

In 1987, we published our first textbook approved by the Ministry of Education, entitled 'Bahasa Malaysia KBSM Tingkatan 1'. Since then, we have published textbooks of various other subjects for both primary and secondary levels of education including, amongst others, English, Geography, Science, Principles of Accounting, Basic Economics and Mathematics.

In the same year, we extended our product range to include a series of KBSR workbooks for various subjects such as Bahasa Malaysia, English and Mathematics for primary levels of education.

In line with our business growth, in 1989, we acquired a four (4)-storey shoplot in Damansara Utama, Selangor Darul Ehsan and moved into the building in 1990. Thereafter, we also rented two (2) other four (4)-storey shoplots in the same area to cater to our expanding business operations.

Subsequently in 1997, we began publishing Malay translated publications after securing the rights from Two-Can Publishing Limited, London and Dorling Kindersley Limited, London to publish their English science books namely 'Make It Work!' and 'Eyewitness Science' respectively. Since then, we have continued to secure rights from various foreign publishing houses where we reproduced translated publications for the Malaysian market. In the same year, we published our first teaching guide, 'Sumber Dalam Fail'.

In 2002, we began our collaboration with MELTA to publish ELT materials. In the same year, in collaboration with MELTA we launched our first publication of ELT material, 'Developing Reading Skills'. MELTA's role in the collaboration included writing while our role was focused on editing, design and distribution. Since then, we have published a series of ELT materials through our collaboration with MELTA.

Maya Press was also incorporated in 2002 as an imprint for Sasbadi to publish general titles in support of Malaysian authors, who write in English. The first title published under the trade name of Maya Press, in 2003 was entitled 'Spirit of the Keris', an anthology by a number of Malaysian authors.

In 2002, we also acquired a piece of leasehold land in Kota Damansara, Selangor Darul Ehsan for the construction of our office and warehouse. In 2004, we moved into our own purpose-built building with an approximate built-up area of 76,945 sq. ft. in Kota Damansara, Selangor Darul Ehsan.

In 2005, we ventured into supply of digital educational resources by developing and launching Total eDictionary, our first generation electronic dictionary targeted for use by students. Subsequently, in 2009, we launched eleksisPro, our second generation electronic dictionary. Our electronic dictionaries are manufactured by third party manufacturer under our specifications. As at LPD, we have ceased the production of our electronic dictionaries as we shift our focus from supply of digital educational resources towards online educational resources.

As part of management's intention to broaden our range of educational products, we secured the rights from LEGO System A/S to be the sole distributor of and exclusive partner in LEGO Education products for Brunei and Malaysia since 2005. LEGO Education offers a range of applied learning products for children. In 2005, we organised our first Malaysia Robot Olympiad (now known as National Robotics Competition). Since then, we have continued to champion the hands-on learning platform in schools in Malaysia which is supported by the Ministry of Education. To date, we have organised nine (9) consecutive years of the annual National Robotics Competition in Malaysia, whicb has grown from approximately 100 teams in 2005 to approximately 2,800 teams in 2013.

In 2009, we organised our first book fair namely Bazar Baca in Malaysia. In the same year, we organised a total of 112 book fairs throughout Malaysia. The Bazar Baca book fair has since been discontinued. During the same year in 2009, we were appointed as the exclusive distributor of Pitsco Inc for the sale and distribution of Pitsco products to early childhood institutions and schools in Malaysia. Pitsco products generally include a range of robotics products and devices. In addition, we were also granted non-exclusive right to market and sell Pitsco products to private users (home learning) in Malaysia. However, the non-exclusive right does not permit us to market and sell Pitsco products via retail outlets. To the best of our management's knowledge, we are not aware of any parties other than our Group which have been granted the non-exclusive right to market and sell Pitsco products to private users (home learning) in Malaysia.

Orbit Buku was incorporated in 2010 and commenced operation in 2011 to expand our range of supplementary educational materials. Some of these include children's books such as fiction and informational books. These books are mainly targeted at households with school going children and school libraries.

During 2010, Sasbadi, as the World Robot Olympiad national organiser of Malaysia, won the rights from the World Robot Olympiad Advisory Committee to co-organise the World Robot Olympiad 2012 in Malaysia.

Also, in 2010, we were appointed by YGMB to reprint, distribute, market and sell past year examination papers for SPM and STAM. Subsequently, over the years, we were awarded the licence by YGMB to reprint, distribute, market and sell past year examination papers for UPSR, PMR, STAM and SPM. However, the licence was not renewed upon its expiry on 14 September 2013, and we have ceased the reprinting, distributing, marketing and selling of the past year examination papers with effect from 15 September 2013.

During the same year in 2010, we recorded our first export sales to Indonesia for the translation rights of a range of Sasbadi's publications. However, this was on a small scale basis. We also acquired Malaysian Book Promotions, an event management company specialising in organising book fairs and conferences. After the acquisition, this company ceased operations as an event management company before resuming operations in September 2013 to distribute printed educational materials.

In 2011, Sasbadi Online was incorporated as part of our intention to expand into publishing of online educational resources targeting both teachers and students. During the same year, we launched our first online teaching product, namely Penjana Pentaksiran Instan, an instant assessment paper generator. Since then, we have launched various online educational resources including i-Teach, i-Learn and iPBS, which are cloud-based teaching and learning platforms based on subscription.

During the same year in 2011, National Instruments Singapore (Pte) Ltd appointed us as its exclusive Malaysian distributor for a range of applied learning products namely NI myDAQ and LabVIEW for Education to primary and secondary educational institutions for educational purposes. Nl myDAQ is a portable data acquisition device used with a computer for measuring and analysing live signals including voltage, current, temperature, pressure and sound. LabVIEW for Education is a software that provides tools to create measurement and control systems.

In 2012, we co-organised with the Government of Malaysia, the World Robot Olympiad 2012 in Kuala Lumpur. As at 21 February 2013, the event was the largest in the history of World Robot Olympiad with a record participation of 403 teams from 30 countries.

Sasbadi Holdings was incorporated in Malaysia under the Act on 30 October 2012 and converted into a public limited company on 15 March 2013 to serve as an investment holding company and the listing vehicle of our Group.

On 2 April 2013, Sasbadi signed an MOU with YGMB to offer and support an online tutorial programme with self-assessment for 20,000 candidates of UPSR and SPM for 2013 in selected schools in Perak Darul Ridzuan. This was undertaken under i-TR1M (Interaktif Tuisyen Rakyat 1Malaysia), a government education initiative. This involved the supply and implementation of our online educational resources, namely i-Learn. Based on the said MOU, our Group had billed YGMB on a quarterly basis based on a fixed schedule. The MOU was valid until end of 2013.

On 5 August 2013 and 30 September 2013, Sasbadi signed a letter of intent and an Intellectual Property Rights Assignment Agreement, respectively, to acquire from Pearson Malaysia the publishing rights and production files for a list of titles consisting mainly of National School Curriculum based educational materials (i.e. revision guides, workbooks, assessment books and model test papers) for RM5.5 million. In conjunction with the acquisition of the publishing rights and production files, Sasbadi has also acquired stocks of educational materials for approximately RM1.6 million and paper for approximately RM0.6 million from Pearson Malaysia. Under the Intellectual Property Rights Assignment Agreement, Sasbadi is allowed until 31 March 2014 to reprint the titles acquired under the Pearson brand and to continue to sell the reprinted/ acquired Pearson branded stocks until 31 December 2014. All stocks printed after 31 March 2014 are to be branded under our Group. The acquisition of the publishing rights and production files for the list of titles was completed on 30 September 2013. The acquisition of Pearson Malaysia's publishing rights and production files, stocks of educational materials and paper were funded by internally generated funds. In September 2013, our subsidiary company, Malaysian Book Promotions resumed operations and started distributing the acquired stocks of National School Curriculum based educational materials from Pearson Malaysia. Subsequently in May 2014, Malaysian Book Promotions started publishing printed educational materials under the imprint of MBP Publications.

In February 2014, Sasbadi Online was appointed by the Academy of Sciences Malaysia as the National Science Challenge ("**NSC**") preliminary level online system developer and smart partner for 2014 NSC. In this regard, the 2014 NSC preliminary level is administered based on the engines used in our online educational resources. This enables us to showcase our online educational capabilities on a national scale and helps create greater market awareness for our online educational resources.

MBP Publications was incorporated on 28 March 2014 and it is an imprint for Malaysian Book Promotions to publish printed educational materials. On 3 April 2014, Sasbadi Learning Solutions was incorporated and is currently dormant. Its intended activity is to undertake the distribution of applied learning products and operation of applied learning centres.

In April 2014, Sasbadi renewed its appointment as a distributor for National Instruments' applied learning products in Malaysia under a non-exclusive arrangement which is valid until 31 December 2014. In May 2014, Sasbadi won its most recent tender from the Ministry of Education to publish, print and supply textbooks for Design and Technology subject for Year 5 (Chinese) primary level of education. The letter of acceptance to publish, print and supply the textbooks for Design and Technology subject is valid from 2014 to 2016. Sasbadi Online had in May 2014, agreed in principle to grant a publishing house in Jakarta, Indonesia the rights to use and sell i-Learn in Indonesia under licence. This is pending the signing of the license and services agreement which is exclusive for the territory of Indonesia.

As at LPD, Sasbadi Online has finished developing and launched two (2) new products namely Mind-Map and Most Essential Exam Techniques (MEET). Mind-Map, which is an interactive system that allows users to build mind maps on computers, tablets or smart phones, can be used in a classroom environment either as individual or collaborative work among students. MEET is a collection of videos aimed at tackling difficult questions in Malaysian school exams.

Since we began our operations in 1985, we have established ourselves as a reputable publisher of educational materials in Malaysia. We currently publish under the brand names of 'Sasbadi', 'Sasbadi Online', 'Maya Press', 'Orbit Buku' and 'MBP Publications'. For the FYE 31 August 2013, we achieved total revenue of RM78.0 million and PAT of RM12.8 million.

On 19 May 2014, we completed the Acquisitions. Details of our Group, our business and our future plans are set out in this Sections 5 and 6 of this Prospectus.

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## 5.2 SHARE CAPITAL

Our present authorised share capital is RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each, of which RM52,900,000 comprising 105,800,000 Shares have been issued and credited as fully paid-up. Upon completion of our IPO, our issued and paid-up share capital will increase to RM63,500,000 comprising 127,000,000 Shares. The changes in our issued and paid-up share capital since our incorporation are as follows:

| Date of Allotment | No. of Shares Allotted | Par Value RM | Consideration[(1)] | Cumulative Total RM |
|---|---|---|---|---|
| 30.10.2012 | 2 | 1.00 | Cash | 2.00 |
| 13.03.2013 | 2* | 0.50 | Subdivision of Shares | 2.00 |
| 19.05.2014 | 105,799,996 | 0.50 | Acquisition of Sasbadi | 52,900,000 |

***Notes:***

* *After subdivision, our Company's issued and paid-up share capital translated from two (2) ordinary shares of RM1.00 each to four (4) ordinary shares of RM0.50 each.*

*(1)* *There were no discounts, special terms or instalment payment terms provided in relation to these transactions.*

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company.

## 5.3 SUBSIDIARY COMPANIES

### 5.3.1 Sasbadi

(i) History and Business

Sasbadi was incorporated on 3 May 1985 in Malaysia under the Act as a private limited company and commenced operations in 1985. It is principally involved in publishing printed educational materials, distribution of applied learning products and trading of paper.

(ii) Share Capital

Sasbadi's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM2,400,000 comprising 2,400,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

There is no change in the issued and paid-up share capital of Sasbadi for the past three (3) years up to LPD.

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Sasbadi.

(iii) Shareholders and Directors

Sasbadi is our direct wholly-owned subsidiary and its Directors are Law King Hui, Lee Swee Hang, Lee Eng Sang and Law En Ruey.

(iv) Subsidiary and Associated Companies

Sasbadi does not have any subsidiary or associated company.

**5.3.2 Maya Press**

(i) History and Business

Maya Press was incorporated on 3 July 2002 in Malaysia under the Act as a private limited company and commenced operations in 2003. Maya Press is an imprint for general titles for Sasbadi.

(ii) Share Capital

Maya Press' present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM2.00 comprising two (2) ordinary shares of RM1.00 each have been issued and fully paid-up.

There is no change in the issued and paid-up share capital of Maya Press for the past three (3) years up to LPD.

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Maya Press.

(iii) Shareholders and Directors

Maya Press is our direct wholly-owned subsidiary and its Directors are Law King Hui and Lee Swee Hang.

(iv) Subsidiary and Associated Companies

Maya Press does not have any subsidiary or associated company.

**5.3.3 Orbit Buku**

(i) History and Business

Orbit Buku was incorporated on 19 March 2010 in Malaysia under the Act as a private limited company and commenced operations in 2011. It is principally involved in publishing supplementary educational materials.

(ii) Share Capital

Orbit Buku's present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM10,000 comprising 10,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of Orbit Buku for the past three (3) years up to LPD are as follows:

| Date of Allotment | No. of Ordinary Shares Allotted | Par Value RM | Consideration[1] | Cumulative Total RM |
|---|---|---|---|---|
| 05.03.2013 | 9,998 | 1.00 | Cash | 10,000 |

*Note:*

*(1) There were no discounts, special terms or instalment payment terms provided in relation to this transaction.*

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Orbit Buku.

(iii) Shareholders and Directors

Orbit Buku is our direct wholly-owned subsidiary and its Directors are Law King Hui and Lee Swee Hang.

(iv) Subsidiary and Associated Companies

Orbit Buku does not have any subsidiary or associated company.

### 5.3.4 Sasbadi Online

(i) History and Business

Sasbadi Online was incorporated on 5 July 2011 in Malaysia under the Act as a private limited company and commenced operations in 2011. It is principally involved in publishing online educational resources.

(ii) Share Capital

Sasbadi Online's present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM10,000 comprising 10,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of Sasbadi Online since its incorporation up to LPD are as follows:

| Date of Allotment | No. of Ordinary Shares Allotted | Par Value RM | Consideration[1] | Cumulative Total RM |
|---|---|---|---|---|
| 05.07.2011 | 2 | 1.00 | Cash | 2.00 |
| 05.03.2013 | 9,998 | 1.00 | Cash | 10,000 |

*Note:*

*(1) There were no discounts, special terms or instalment payment terms provided in relation to these transactions.*

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Sasbadi Online.

(iii) Shareholders and Directors

Sasbadi Online is our direct wholly-owned subsidiary and its Directors are Law King Hui and Lee Swee Hang.

(iv) Subsidiary and Associated Companies

Sasbadi Online does not have any subsidiary or associated company.

**5.3.5 Malaysian Book Promotions**

(i) History and Business

Malaysian Book Promotions was incorporated on 4 August 1994 in Malaysia under the Act as a private limited company. It was previously inactive before resuming operations in September 2013. It is principally involved in publishing and distribution of printed educational materials. Additional intended activity is to undertake organisation of book fairs and exhibitions.

(ii) Share Capital

Malaysian Book Promotions' present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM75,005 comprising 75,005 ordinary shares of RM1.00 each have been issued and fully paid-up.

There is no change in the issued and paid-up share capital of Malaysian Book Promotions for the past three (3) years up to LPD.

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Malaysian Book Promotions.

(iii) Shareholders and Directors

Malaysian Book Promotions is our direct wholly-owned subsidiary and its Directors are Law King Hui and Lee Swee Hang.

(iv) Subsidiary and Associated Companies

Malaysian Book Promotions does not have any subsidiary or associated company.

**5.3.6 MBP Publications**

(i) History and Business

MBP Publications was incorporated on 28 March 2014 in Malaysia under the Act as a private limited company and commenced operations in May 2014. MBP Publications is an imprint for printed educational materials for Malaysian Book Promotions.

(ii) Share Capital

MBP Publications' present authorised share capital is RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which RM1,000 comprising 1,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of MBP Publications since its incorporation up to LPD are as follows:

| Date of Allotment | No. of Ordinary Shares Allotted | Par Value RM | Consideration[1] | Cumulative Total RM |
|---|---|---|---|---|
| 28.03.2014 | 1,000 | 1.00 | Cash | 1,000 |

*Note:*

*(1) There were no discounts, special terms or instalment payment terms provided in relation to this transaction.*

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in MBP Publications.

(iii) Shareholders and Directors

MBP Publications is our direct wholly-owned subsidiary and its Directors are Law King Hui and Lee Swee Hang.

(iv) Subsidiary and Associated Companies

MBP Publications does not have any subsidiary or associated company.

### 5.3.7 Sasbadi Learning Solutions

(i) History and Business

Sasbadi Learning Solutions was incorporated on 3 April 2014 in Malaysia under the Act as a private limited company. It is currently dormant and its intended activity is to undertake the distribution of applied learning products and operation of applied learning centres.

(ii) Share Capital

Sasbadi Learning Solutions' present authorised share capital is RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which RM1,000 comprising 1,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of Sasbadi Learning Solutions since its incorporation up to LPD are as follows:

| Date of Allotment | No. of Ordinary Shares Allotted | Par Value RM | Consideration[1] | Cumulative Total RM |
|---|---|---|---|---|
| 03.04.2014 | 1,000 | 1.00 | Cash | 1,000 |

*Note:*

*(1) There were no discounts, special terms or instalment payment terms provided in relation to this transaction.*

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Sasbadi Learning Solutions.

(iii) Shareholders and Directors

Sasbadi Learning Solutions is our direct wholly-owned subsidiary and its Directors are Law King Hui and Lee Swee Hang.

(iv) Subsidiary and Associated Companies

Sasbadi Learning Solutions does not have any subsidiary or associated company.

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## 5.4 LISTING SCHEME

In conjunction with and as an integral part of our Listing, we proposed a Listing Scheme which was approved by the SC on 30 January 2014. The Listing Scheme involves the following:

(i) Dividend Payment;
(ii) Acquisitions;
(iii) Public Issue;
(iv) Offer for sale;
(v) Vendors' Shareholdings Reorganisation; and
(vi) Listing and quotation on Bursa Securities

The above are inter-conditional and are viewed as one exercise undertaken to facilitate the Listing of our Company.

### 5.4.1 Dividend Payment

Prior to the Acquisition of Sasbadi as set out in Section 5.4.2(i) of this Prospectus, Sasbadi had, on 3 April 2014 and 16 May 2014, paid to the Vendors dividend totalling RM8.5 million.

### 5.4.2 Acquisitions

#### (i) Sasbadi

Pursuant to the conditional sale and purchase agreement dated 3 May 2013, Sasbadi Holdings acquired the entire issued and paid-up share capital in Sasbadi of RM2,400,000 comprising 2,400,000 ordinary shares of RM1.00 each from the Vendors for a total purchase consideration of RM52,899,998 which was entirely satisfied by the issuance of 105,799,996 new Sasbadi Holdings Shares at an issue price of RM0.50 per Share credited as fully paid.

The purchase consideration of RM52,899,998 was arrived at on a willing buyer-willing seller basis and after taking into account the audited consolidated NA position of Sasbadi as at 31 August 2012 of RM50,887,000.

The Acquisition of Sasbadi was completed on 19 May 2014.

#### (ii) Maya Press

Pursuant to the conditional sale and purchase agreement dated 3 May 2013, Sasbadi Holdings acquired the entire issued and paid-up share capital in Maya Press of RM2.00 comprising two (2) ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 which was reflected as amount owing by Sasbadi Holdings to Sasbadi.

The purchase consideration of RM1.00 was arrived at on a willing buyer-willing seller basis and after taking into account the audited net liabilities position of Maya Press as at 31 August 2012 of RM21,308.

The Acquisition of Maya Press was completed on 19 May 2014.

**(iii) Malaysian Book Promotions**

Pursuant to the conditional sale and purchase agreement dated 3 May 2013, Sasbadi Holdings acquired the entire issued and paid-up share capital in Malaysian Book Promotions of RM75,005 comprising 75,005 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM77,754 which was reflected as amount owing by Sasbadi Holdings to Sasbadi.

The purchase consideration of RM77,754 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA position of Malaysian Book Promotions as at 31 August 2012 of RM77,754.

The Acquisition of Malaysian Book Promotions was completed on 19 May 2014.

**(iv) Orbit Buku**

Pursuant to the conditional sale and purchase agreement dated 3 May 2013, Sasbadi Holdings acquired the entire issued and paid-up share capital in Orbit Buku of RM10,000 comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 which was reflected as amount owing by Sasbadi Holdings to Sasbadi.

The purchase consideration of RM1.00 was arrived at on a willing buyer-willing seller basis and after taking into account the audited net liabilities position of Orbit Buku as at 31 August 2012 of RM511,294 and the increase in its paid-up share capital of RM9,998 comprising 9,998 ordinary shares of RM1.00 each on 5 March 2013.

The Acquisition of Orbit Buku was completed on 19 May 2014.

**(v) Sasbadi Online**

Pursuant to the conditional sale and purchase agreement dated 3 May 2013, Sasbadi Holdings acquired the entire issued and paid-up share capital in Sasbadi Online of RM10,000 eomprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM277,919 which was reflected as amount owing by Sasbadi Holdings to Sasbadi.

The purchase consideration of RM277,919 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA position of Sasbadi Online as at 31 August 2012 of RM267,921 and the increase in its paid-up share capital of RM9,998 comprising 9,998 ordinary shares of RM1.00 each on 5 March 2013.

The Acquisition of Sasbadi Online was completed on 19 May 2014.

### 5.4.3 Public Issue

In conjunction with our Listing, we will undertake a public issue of 21,200,000 new Shares, representing approximately 16.7% of our enlarged issued and paid-up share capital at the IPO Price to be allocated in the following manner:

**(i) Public Tranche**

6,350,000 Public Issue Shares, representing 5.0% of our enlarged issued and paid-up share capital, have been reserved for application by the Public, of which at least 50% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

**(ii) Pink Form Tranche**

5,700,000 Public Issue Shares, representing approximately 4.5% of our enlarged issued and paid-up share capital, have been reserved for application by our eligible Directors, employees and persons who have contributed to the success of our Group.

**(iii) Placement Tranche**

9,150,000 Public Issue Shares, representing approximately 7.2% of our enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

The Public Issue Shares shall rank *pari passu* in all respects with our existing issued and paid-up Shares, including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment thereof.

### 5.4.4 Offer for Sale

In conjunction with our Listing, the Offerors will offer up to 35,950,000 Offer Shares representing approximately up to 28.3% of our enlarged issued and paid-up share capital at the IPO Price to be allocated in the following manner:

**(i) MITI Tranche**

Up to 12,700,000 Offer Shares, representing up to 10.0% of our enlarged issued and paid-up share capital to Bumiputera investors approved by the MITI; and

**(ii) Non-MITI Tranche**

Up to 23,250,000 Offer Shares, representing approximately up to 18.3% of our enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

### 5.4.5 Vendors' Shareholdings Reorganisation

During the prescription period, the Vendors will undertake a reorganisation exercise involving the transfer of 25,400,000 Sasbadi Holdings Shares which they received from the Acquisition of Sasbadi to Karya Kencana, an investment holding company substantially owned by the Vendors. In this regard, the Vendors have on 29 May 2013, entered into a conditional share sale agreement with Karya Kencana in respect of the Vendors' Shareholdings Reorganisation for a purchase consideration of RM30,226,000. The purchase consideration will be satisfied via issuance of 99,000 new Karya Kencana Shares and the balance will be reflected as amount owing by Karya Kencana to the Vendors. Please refer to Section 8.1.2 of this Prospectus for further details on Karya Kencana. Details of the Vendors' Shareholdings Reorganisation are as follows:

| | **No. of Shares to be transferred under the Vendors' Shareholdings Reorganisation** | **To be satisfied via** | |
|---|---|---|---|
| | | **New Karya Kencana Shares** | **Cash* RM** |
| Law King Hui | 12,700,000 | 49,500 | 15,063,500 |
| Lee Swee Hang | 6,350,000 | 24,750 | 7,531,750 |
| Lee Eng Sang | 6,350,000 | 24,750 | 7,531,750 |
| | **25,400,000** | **99,000** | **30,127,000** |

***Note:***

* *Reflected as amount owing by Karya Kencana to the respective vendors.*

### 5.4.6 Listing on Bursa Securities

Bursa Securities had on 10 April 2014, approved the admission of our Company to its Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM63,500,000 comprising 127,000,000 Shares on the Main Market of Bursa Securities.

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## 5.5 KEY ACHIEVEMENTS, MILESTONES AND AWARDS

(i) Our key achievements and milestones since inception are as follows:

| Year | Key Achievements And Milestones |
|---|---|
| 1985 | • Incorporation of Sasbadi and commenced operations as a publisher of educational materials. |
| | • Our first publication was a series of workbooks for primary six students, aimed at preparing these students for secondary levels of education. |
| 1987 | • Published our first textbook approved by the Ministry of Education, entitled 'Bahasa Malaysia KBSM Tingkatan 1'. |
| 1997 | • Began publishing Malay translated publications after securing the rights from Two-Can Publishing Limited, London and Dorling Kindersley Limited, London to publish their English science books namely 'Make It Work!' and 'Eyewitness Science' respectively. |
| 2002 | • Began our collaboration with MELTA in the publishing of ELT materials. |
| | • Incorporation of Maya Press as an imprint for general titles for Sasbadi. |
| 2003 | • The first general title 'Spirit of the Keris' was published under the imprint of Maya Press. |
| 2004 | • Moved into our own purpose-built building with an approximate built-up area of 76,945 sq. ft. in Kota Damansara, Selangor Darul Ehsan. |
| 2005 | • Broadened our range of educational products by securing the rights from LEGO Systems A/S to be the sole distributor of and exclusive partner in LEGO Education products for Brunei and Malaysia. |
| | • Organised our first Malaysia Robot Olympiad (now known as National Robotics Competition). |
| 2009 | • Organised our first book fair namely Bazar Baca in Malaysia and a total of 112 book fairs were organised throughout Malaysia. The Bazar Baca book fair has since been discontinued. |
| | • Appointed as the exclusive distributor of Pitsco Inc for the sale and distribution of Pitsco products to early childhood institutions and schools in Malaysia and granted non-exclusive right to market and sell Pitsco products to private users (home learning) in Malaysia. |
| 2010 | • Incorporation of Orbit Buku to expand our range of supplementary educational materials. |
| | • Sasbadi successfully won the rights from World Robot Olympiad Advisory Committee to co-organise the World Robot Olympiad 2012 in Malaysia. |

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

| Year | Key Achievements And Milestones |
|---|---|
| 2010 *(Cont'd)* | • Acquired Malaysian Book Promotions, a company involved in event management specialising in organising book fairs and conferences. After acquisition, this company ceased operations as event management company. |
| 2011 | • Orbit Buku commenced operations as a publisher of supplementary educational materials. |
| | • Incorporation of Sasbadi Online as part of our intention to expand into publishing of online educational resources targeting both teachers and students. |
| | • Launched our first online teaching product, Penjana Pentaksiran Instan, an instant assessment paper generator. |
| | • Appointed as the exclusive distributor of National Instruments Singapore (Pte) Ltd in Malaysia for the distribution of a range of applied learning products namely NI myDAQ and LabVIEW for Education to primary and secondary educational institutions for educational purposes. This was renewed in April 2014 under a non-exclusive arrangement which is valid until 31 December 2014. |
| 2012 | • Co-organised the World Robot Olympiad 2012 with the Government of Malaysia in Kuala Lumpur, the largest in the history of World Robot Olympiad (up to 21 February 2013) with a record participation of 403 teams from 30 countries. |
| | • Incorporation of Sasbadi Holdings. |
| 2013 | • Sasbadi Holdings converted into a public limited company to serve as an investment holding company and a vehicle for our proposed listing on the Main Market of Bursa Securities. |
| | • Sasbadi signed an MOU with YGMB to offer and support an online tutorial programme with self-assessment for 20,000 candidates of UPSR and SPM for 2013 in selected schools in Perak Darul Ridzuan under i-TR1M (Interaktif Tuisyen Rakyat 1Malaysia). |
| | • Sasbadi acquired the publishing rights and production files for a list of titles consisting mainly of National School Curriculum based educational materials from Pearson Malaysia. |
| | • Malaysian Book Promotions resumed operations to distribute printed educational materials. |
| 2014 | • Sasbadi Online was appointed by the Academy of Sciences Malaysia as the National Science Challenge ("**NSC**") preliminary level online system developer and smart partner for 2014 NSC. |
| | • Incorporation of MBP Publications as an imprint for printed educational materials for Malaysian Book Promotions. |
| | • Incorporation of Sasbadi Leaming Solutions. |

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

We are the recipients of the following awards and recognition in the course of our operations:

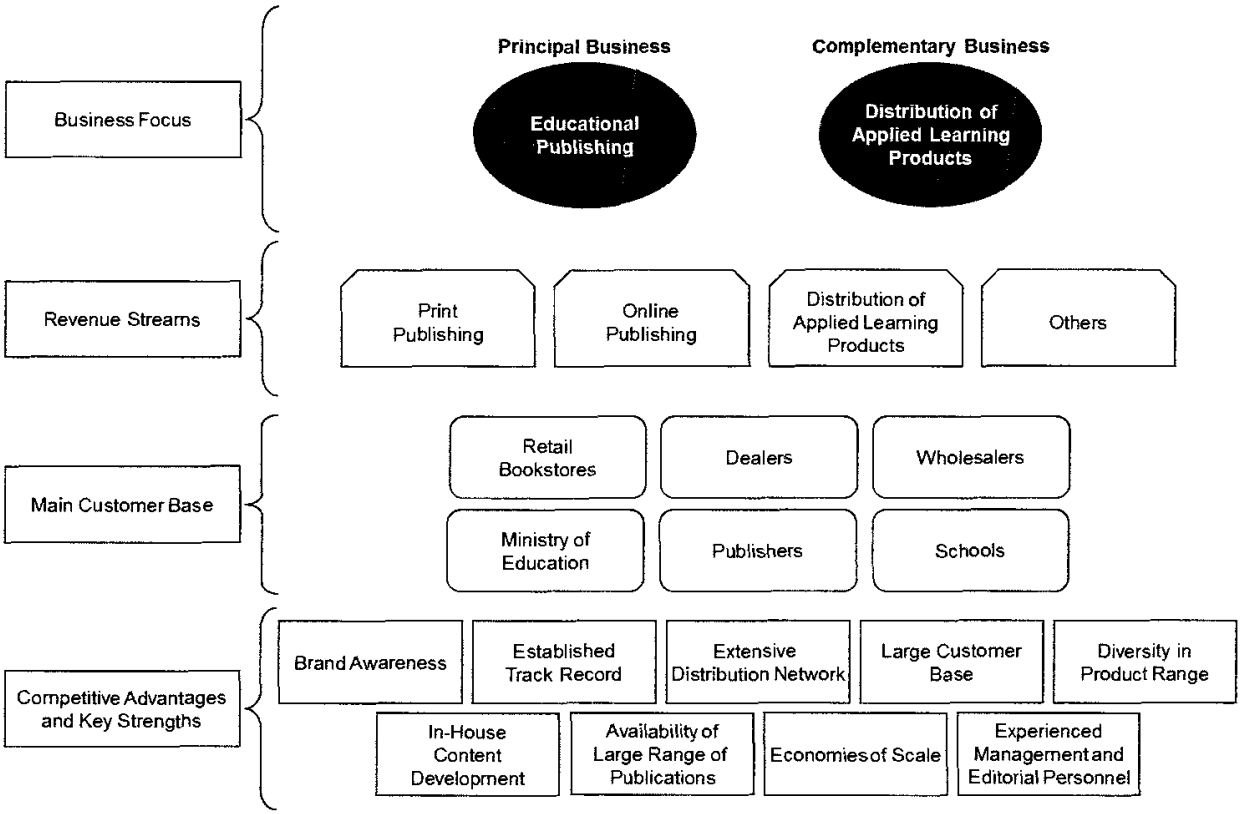
| Year | Types of Awards and Recognition |
|---|---|
| 2008 | • Certificate of appreciation from Chairman of World Olympiad Steering Committee in recognition of the extraordinary efforts of the World Robot Olympiad 2008 National Organiser, Mr Law King Hui of Sasbadi. |
| 2010 | • National Book Award 2010 - Anugerah Perdana Munsyi Abdullah, Private Publisher category by Yayasan Pembangunan Buku Negara. |
| | • Certificate of appreciation from the Division of Sports, Arts and Co-curriculum of the Ministry of Education for the contribution of Sasbadi in the World Robot Olympiad 2010 held between 5 and 7 November 2010. |
| 2011 | • Certificate of appreciation from the Ministry of Education for the contribution of Sasbadi in the World Robot Olympiad 2011 held between 18 and 20 November 2011. |
| 2012 | • Sasbadi Online's i-Learn - shortlist in the MSC Malaysia Asia Pacific ICT Awards (MSC Malaysia APICTA) 2012 under the Best of eLearning category. |
| | • Certificate of appreciation from the Ministry of Education for the contribution of Sasbadi in the World Robot Olympiad 2012 held between 9 and 11 November 2012. |
| | • Certificate of appreciation from YAB Tan Sri Dato' Haji Muhyiddin bin Haji Mohd. Yassin, the Deputy Prime Minister and Minister of Education Malaysia and Chairman of World Robot Olympiad Board of Trustees in recognition of Sasbadi's valuable contributions and support in the 9th World Robot Olympiad held between 9 and 11 November 2012. |
| 2013 | • Letter of recognition from the World Robot Olympiad Secretariat in respect of the World Robot Olympiad 2012 held in Kuala Lumpur, Malaysia, which was the largest in the history of the World Robot Olympiad (up to 21 February 2013) with a record participation of 403 teams from 30 countries. |

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## 6. BUSINESS OVERVIEW

### 6.1 OUR PRINCIPAL BUSINESS ACTIVITIES

Our Group's business model is summarised as below:




#### (a) Business Focus and Revenue Stream

We are principally a publisher of educational materials. We mainly undertake print publishing focusing on primary and secondary school education. While most of our educational materials are based on the Malaysian National School Curriculum, we also publish other non-curriculum based educational materials and undertake online publishing. For the FYE 31 August 2013 and FPE 28 February 2014, educational publishing accounted for 90.0% and 93.1% of our total revenue respectively of which online publishing accounted for 7.4% and 0.2% (after netting off sales returns of approximately RM0.6 million mainly due to sales returns for our iPBS online educational products) of our total revenue respectively.

Our business is complemented by distribution of applied learning products. These products comprise miniature building blocks and mechanical, electrical and electronic components, as well as devices for measuring and analysing live signals like electricity, sound and pressure, and software to create measurement and control systems. These products are designed to provide hands-on learning experience to students. Distribution of applied learning products accounted for 5.4% and 4.5% of our total revenue for the FYE 31 August 2013 and FPE 28 February 2014.

A small proportion of our business is in other activities such as, amongst others, supply of electronic dictionaries, publishing of general title books, distribution of third party publications and trading of paper. For the FYE 31 August 2013 and FPE 28 February 2014, other activities accounted for 4.6% and 2.5% of our total revenue respectively.

**(b) Main Customer Base**

As a publisher, one of our main functions is the distribution of our books and other materials to reach as many end-users or consumers as possible. As such, we rely on our customers who are primarily resellers that have their own network to sell to wide base of end-users and consumers.

Our customer base mainly comprises the following:

- Retail bookstores, which constitute independent or chain bookstores that primarily sell to end users and consumers;
- Dealers, which are individuals and companies that service schools and households directly. Some of these dealers that service schools also operate retail bookstores and school bookshops;
- Wholesalers, which mainly resell our products to dealers;
- Ministry of Education, whereby we publish and distribute textbooks to schools under the National Education System as well as for installation of applied learning products in schools;
- Publishers, who resell our products via their own networks and purchase paper from us; and
- Schools, who purchase our products including publications and applied learning products from us.

We also service other categories of customers including, amongst others, educational training and learning centres, and the general public who make direct purchases with us during book fairs and exhibitions or place orders directly via our websites as well as walk-in customers who make purchases from our office. However, these categories of customers only contributed 6.2% and 3.8% of our total revenue for the FYE 31 August 2013 and FPE 28 February 2014 respectively.

**(c) Competitive Advantages and Key Strengths**

**(i) Brand Awareness**

We enjoy brand awareness of our 'Sasbadi' brand among school students, teachers and parents alike. Our brand awareness spans two generations, comprising parents and their school going children. This is the result of our 29 years of operations as a publisher of educational materials in the Malaysian market. Over the years, our publications have been used by many of our target customer groups and have thus provided us with a continuous process of increasing our brand awareness. During the past four and a half ($4^1/_2$) financial years of 31 August 2010 up to FPE 28 February 2014, we sold approximately 56 million copies of our publications.

In addition, we have also been dealing with the Ministry of Education for approximately 27 years since 1987. This has helped us to develop brand awareness within the Ministry of Education where brand recognition is important when we tender for publication of textbooks. Our cloud-based learning educational resources, namely i-Learn was shortlisted as one of the finalists under the Best of eLearning category in the MSC Malaysia APICTA 2012.

The brand awareness that we have created provides us with a competitive advantage that enables us to sustain and grow our business. This is a key marketing advantage when compared to other publication companies with shorter operating history for brand building.

**(ii) Established Track Record**

We have a proven track record as a publisher of educational materials in Malaysia since 1985 where we grew from a small publishing house with revenue of RM0.7 million for the FPE 30 April 1986 to become one of the most established publishers in Malaysia with revenue of RM78.0 million for the FYE 31 August 2013. Our long established track record demonstrates our business resilience and sustainability compared to other publication businesses with much shorter operating history. This will form the basis for our continuing growth.

Our established track record has also enabled us to leverage from our core competency in print publishing to expand our business into the next phase of online publishing. Online publishing accounted for 7.4% and 0.2% (after netting off sales returns of approximately RM0.6 million mainly due to sales returns for our iPBS online educational products) of our total revenue for FYE 31 August 2013 and FPE 28 February 2014 respectively.

**(iii) Extensive Distribution Network**

An extensive distribution network is key in ensuring that our products reach as many students, teachers and parents as possible. Our extensive distribution network is mainly based on our customers who are intermediaries where each of them uses its own network to sell to the end-users and consumers.

For FYE 31 August 2013 and FPE 28 February 2014, our publications were directly distributed to approximately 130 and 90 retail bookstore customers operating approximately 200 and 190 retail bookstores in Malaysia respectively. For FYE 31 August 2013 and FPE 28 February 2014, our products were directly distributed to approximately 570 and 400 active dealers with their own network of distribution to schools and households in Malaysia respectively. The ease of availability of our products provides convenience and easy access for end-users who are mainly students and teachers.

**(iv) Large Customer Base**

For FYE 31 August 2013 and FPE 28 February 2014, our Group has built a base of approximately 1,380 and 620 active* customers respectively comprising mainly retail bookstores, dealers, wholesalers, the Ministry of Education, schools, educational training and learning centres and publishers.

***Note:***

* *Active customers refer to customers that have made at least one purchase from us during the FYE 31 August 2013 or FPE 28 February 2014, but exclude the general public who make direct purchases with us during book fairs and exhibitions or place orders directly via our websites as well as walk-in customers who make purchases from our office.*

Our large customer base is important because as a publisher, one of our main functions is to make our publications available to as many people as possible. As such, our large number of customers, each with their own retail outlets and sales points, will help us disseminate our products to reach a wide target market in Malaysia.

Our wide customer base will also provide us with the platform for business growth as we are able to introduce our new publications and products to them.

**(v) Diversity in Product Range**

We publish a diverse range of educational materials including printed and online educational resources, and general title books. This diversity enables us to meet a wide range of educational needs of our end-users namely students and teachers.

Within printed educational materials, we provide both National School Curriculum based and supplementary educational materials. Our National School Curriculum based educational materials for primary and secondary schools mainly include textbooks, revision guides, workbooks, assessment books, model test papers and readers covering various topics and subjects. Our supplementary educational materials mainly include a range of children's books, teaching guides, language guides, glossaries and logbooks. Children's books mainly include fiction and informational books such as educational comics, illustrated storybooks and illustrated reference books.

Our online educational resources include cloud-based teaching and learning content, tools and platforms.

Apart from educational materials, we also publish a range of general title books by Malaysian authors.

Our range of applied learning products from LEGO Education, Pitsco and National Instruments are part of the hands-on learning tools that we provide to students.

**(vi) In-House Content Development**

Our Group has an experienced in-house editorial team that is also capable of developing contents for publication. This enables us to develop and write our own publications without relying solely on external authors and third party manuscripts.

Our editorial team is able to develop National School Curriculum based and supplementary educational materials without relying on external authors. As at LPD, most of our members on the editorial team have experience as writers for publications. Approximately 53.1% of our editorial team members have between 7 and 26 years of experience as writers for publications.

With our in-house content development ability, we are able to react faster to changes in regulations, policies and practices from the Ministry of Education, as well as meeting changes in technological and market conditions as well as end-user preferences.

**(vii) Availability of Large Range of Publications**

Since the beginning of our operations in 1985 up to LPD, our Group has published approximately 11,460 titles. For FPE 28 February 2014, our Group has approximately 1,660 titles in circulation comprising approximately 790 existing titles and approximately 870 new titles (of which there were no new titles of past year examination papers) *(Note: We have ceased reprinting, distributing, marketing and selling the past year examination papers with effect from 15 September 2013)*. For FYE 31 August 2013, our Group has approximately 1,800 titles in circulation comprising approximately 1,000 existing titles and approximately 800 new titles (of which 37 were new titles of past year examination papers). Our Group has published approximately 450 new titles (of which 17 new titles of past year examination papers) for FYE 31 August 2010 and approximately 740 new titles (of which 36 were new titles of past year examination papers) for FYE 31 August 2011.

The increase in the number of new titles published was mainly due to the publishing of new series of workbooks and past year examination papers, expansion of existing series of revision guides as well as publishing of new translation works by Orbit Buku. Our Group published approximately 840 new titles (of which 38 were new titles of past year examination papers) for FYE 31 August 2012.

We are able to leverage on the contents in these large range of publications for our online educational resources as well as new printed publications. By leveraging on our large range of existing publications, we are able to reduce the cost of developing new publications as well as reduce development time enabling faster time-to-market. In addition, our printed publications also serve as major sources of reference materials for development of online educational content for teachers and students.

As it takes a long period of time to build a database of educational content, availability of large range of publications as resources provides us with a competitive advantage over new entrants and/or smaller players with minimal content ownership.

**(viii) Economies of Scale**

We publish a wide range of educational materials focusing on National School Curriculum amounting to approximately 11,460 titles since we commenced business. In Malaysia, our publications are relevant to approximately five (5) million primary and secondary school students as at 30 June 2013. As such, we enjoy economies of scale where we are able to sell a wide range of our products to a large potential target customer group. This enables us to defray our overhead costs across a wide range of products to service a large end-user base.

We utilise third party printing services, and we purchase paper for the printing of our own publications. As such, we enjoy economies of scale through large volume printing orders for our publications and bulk purchases of paper. This provides us with strong bargaining power to obtain favourable commercial terms from our suppliers such as bulk discounts, good credit terms and prompt logistics arrangements.

Economies of scale is one of our key strengths to enable us to remain cost competitive to date.

**(ix) Experienced Management and Editorial Personnel**

We have an experienced management team to lead and manage our business operations. Our Managing Director, Law King Hui, together with Lee Swee Hang and Lee Eng Sang, our Executive Directors, have been managing our Group since we began operations in 1985. Each of them has between 33 and 39 years of experience in the publishing industry.

In addition, as at LPD, we have 64 personnel on our editorial team including managerial personnel. Approximately 46.9% of our editorial team members have been with our Group for at least 7 years. Our editorial team is headed by Roslan bin Yahya, our Publishing Manager with approximately 26 years of experience in the publishing industry.

Our team of experienced editorial personnel is capable of creating our own publications in-house to ensure that we are not fully dependent on external authors.

The long years of service by our management and editorial teams indicate stable and continuing relationships with our Group, which are beneficial to our business operations, sustainability and growth.

## 6.2 OUR PRODUCTS AND SERVICES

Our business activities comprise:

- Educational publishing;
- Distribution of applied learning products; and
- Other activities.

We are principally a publisher of educational materials. We mainly undertake print publishing focusing on primary and secondary school education. While most of our educational materials are based on the Malaysian National School Curriculum, we also publish other non-curriculum based educational materials. We also undertake online publishing.

Our business is complemented by distribution of applied learning products. These products comprise miniature building blocks and mechanical, electrical and electronic components, as well as devices for measuring and analysing live signals like electricity, sound and pressure, and software to create measurement and control systems.

A small proportion of our business is in other activities such as supply of electronic dictionaries, publishing of general title books, distribution of third party publications and trading of paper.

### 6.2.1 Educational Publishing

**Overall Educational Publishing**

Our educational publishing activity is undertaken by our subsidiary companies, Sasbadi, Orbit Buku, Sasbadi Online and Malaysian Book Promotions. Each of our four (4) subsidiary companies focuses on the publishing of different types of materials. These are as follows:

| Subsidiary Company | Main Types of Publications |
|---|---|
| Sasbadi | National School Curriculum based educational materials and supplementary educational materials |
| Orbit Buku | Supplementary educational materials |
| Sasbadi Online | Online educational resources |
| Malaysian Book Promotions | National School Curriculum based educational materials |

The publishing of National School Curriculum based educational materials is undertaken by our subsidiary companies, Sasbadi and Malaysian Book Promotions. Our National School Curriculum based educational materials are mainly for primary and secondary levels of education. In addition, we also offer post-secondary educational materials as at LPD. Our National School Curriculum based educational materials include prescribed materials by the Ministry of Education as well as non-prescribed materials.

The publishing of supplementary educational materials is mainly undertaken by our subsidiary companies, Sasbadi and Orbit Buku. Our supplementary educational materials are mainly non-curriculum based materials for general teaching, learning as well as to facilitate the learning process.

The publishing of online educational resources is mainly undertaken by our subsidiary company, Sasbadi Online. Our online educational resources include a range of online contents.

Our educational publishing operations mainly involve the following activities:

**(i) Content Development**

We have an in-house editorial team that is responsible for content development for our educational materials. Through our in-house content development efforts, we have successfully developed and published a range of National School Curriculum based educational publications for primary and secondary levels of education and supplementary educational materials which were written and edited in-house. We are also involved in content development for various online software and databases for teaching and learning purposes through joint-effort with our technology partner. Please refer to Section 6.11 of this Prospectus for further details on the joint-effort with our technology partner.

As at LPD, we have an editorial team of 64 personnel (including managers) who are involved in content development on National School Curriculum based educational materials and online educational resources.

**(ii) Manuscript Sourcing**

As a publisher, we rely on contents developed in-house as well as external writers for our publications. It is common for us to acquire manuscripts from experienced lecturers, teachers and examiners as well as commissioning external writers for our National School Curriculum based and supplementary educational materials. Please refer to Section 4.1.22 of this Prospectus for further details on the utilisation of external writers in creating publications.

**(iii) Translation Rights and Territorial Rights Acquisition**

We also acquire translation rights and territorial rights for our supplementary educational materials. We may acquire translation rights from foreign publishers to translate foreign language publication into Bahasa Malaysia for reproduction and distribution in Malaysia. Similarly, we may also acquire territorial rights from foreign publishers to reproduce and distribute a selection of their publications in Malaysia.

**(iv) Editing**

We undertake in-house editing for almost all of our publications. Editing commonly involve various processes such as selection, syntax and content correction, condensation, expansion, organisation and modification of information in the manuscripts as well as alignment of writing styles to in-house styles to produce final texts that are complete and accurate for our publications.

As at LPD, we have an editorial team of 64 personnel (including managers), who work closely with external authors for the development of our educational materials.

**(v) Artwork and Design**

We undertake in-house artwork and design for our publications. Artwork and design commonly involve the following:

- Insertion of artworks and images such as pictures, photographs, symbols and illustrations;
- Layout and cover design of publications;
- Selection and determination of font styles and sizes, colours of texts and layout, paper specifications and quality as well as binding methods;
- Typesetting and typography; and
- Proof reading and pre-press proofing prior to production and printing.

As at LPD, we have a total of 42 personnel (includes managers, designers, illustrators and desktop publishing operators), who are involved in artwork and design.

**(vi) Printing and Production**

Printing and production of our publications is entirely sub-contracted to third party printers. However, majority of the materials required for the printing and production process including paper, packaging materials, printing plates and films are provided by us.

**(vii) Software Development**

We are actively involved in software development through collaboration with our technology partner for our online educational resources. These activities include system planning and specification, system and web design, programming and system testing.

**(viii) Content Database Development and Maintenance**

We are involved in developing and maintaining a content database of our publications. This database of our contents is used to develop our online resources. In addition, we also use our content database to develop new educational materials as a large proportion of the educational content are relatively static information comprising historical and geographical information, language syntax and vocabulary, and various scientific and mathematical information, rules, theorems and formulae.

The database serves as a useful resource for all our in-house writers and editors.

**(ix) Marketing and Distribution**

As a publisher, one of our key functions is the marketing and distribution of materials to reach the end-user or consumers. As such, we undertake marketing for all our publications, and we distribute our publications through various channels comprising retail bookstores, dealers, wholesalers, schools and publishers. We also supply to schools through the Ministry of Education.

In addition, other modes of distribution include, amongst others:

- Internet sales for our range of supplementary and online educational resources;
- Sales of our educational publications via book fairs and exhibitions in which we participate;
- Direct distribution of our applied learning products to educational training and learning centres; and
- Sales to walk-in customers who make purchases from our office.

Nevertheless, sales via internet, book fairs, exhibitions, educational training and learning centres, at our office and others are undertaken on a small scale basis.

As at LPD, we have 53 sales and marketing personnel (including managers and directors), who work closely with our customers.

#### 6.2.1.1 Print Publishing

Our print publishing activity includes publishing National School Curriculum based educational materials and supplementary educational materials.

Our Group published approximately 450 new titles for FYE 31 August 2010 (of which 17 were new titles of past year examination papers), approximately 740 new titles for FYE 31 August 2011 (of which 36 were new titles of past year examination papers), approximately 840 new titles for FYE 31 August 2012 (of which 38 were new titles of past year examination papers), approximately 800 new titles for FYE 31 August 2013 (of which 37 were new titles of past year examination papers) and approximately 870 new titles for FPE 28 February 2014 (of which there were no new titles of past year examination papers). The number of new titles that we publish yearly is primarily dependent on meeting market needs and consumer preference, our ability to source external materials, secure publishing rights from government authority and third parties, as well as output from our internal technical team. In that regard, we do not have a fixed capacity and when required we can increase our in-house technical team members as well as source more external materials to increase the number of new titles that we publish in any one year.

**(i) National School Curriculum Based Educational Materials**

Our range of National School Curriculum based educational materials mainly include:

- Textbooks;
- Revision guides;
- Workbooks;
- Assessment books;
- Model test papers;
- Readers; and
- Past year examination papers *(Note: We have ceased reprinting, distributing, marketing and selling the past year examination papers with effect from 15 September 2013).*

**(a) Textbooks**

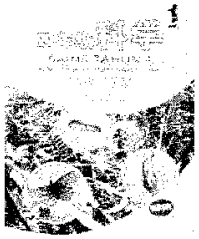
Textbooks are National School Curriculum based educational materials prescribed by the Ministry of Education as the main source of teaching and learning materials for use in classrooms. Texthooks normally cover the syllabuses outlined in the National School Curriculum. Some of our textbooks also come with CD-ROM which contains a variety of exercises, information and internet links to complement the contents in the textbooks.

As at LPD, we mainly publish textbooks of the following subjects for primary levels of education:

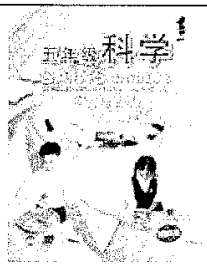
| Subject | Primary Levels of Education |
|---|---|
| Science | Year 4 to Year 6 |
| Mathematics | Primary |

Some examples of our textbooks for primary levels of education are shown below:

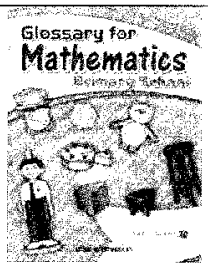
**Primary Levels of Education**



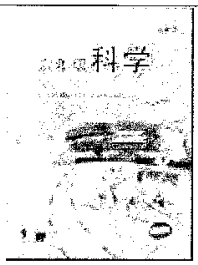
Year 4 Practical Science



Year 5 Practical Science




Glossary for Mathematics Primary School



Year 6 Practical Science

As at LPD, we mainly publish textbooks of the following subjects for secondary levels of education:

| Subject | Secondary Levels of Education |
|---|---|
| Science | Form 2 to Form 3 |
| Principles of Accounting | Form 4 to Form 5 |
| English | Form 1 |
| Geography | |
| Basic Economics | Form 4 |
| Mathematics | Form 5 |

Some examples of our textbooks for secondary levels of education are shown below:

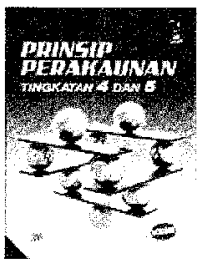
**Secondary Levels of Education**



Form 1 Geography




Form 3 Science




Form 4 & 5 Principles of Accounting



Form 5 Mathematics

**(b) Revision Guides**

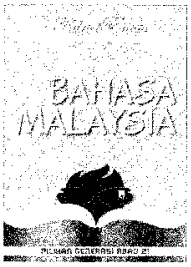
Our revision guides are developed based on the syllabuses in the National School Curriculum for revision purposes. We mainly publish revision guides for primary and secondary levels of education and a small proportion for post-secondary levels of education. Our revision guides are mainly used by students as study companions as well as teachers as teaching references. We have various collections of revision guides to cater for quick and comprehensive revisions.

For primary levels of education, we mainly publish revision guides of the following subjects for primary school achievement test (UPSR) preparations:

- English;
- Bahasa Malaysia;
- Mathematics; and
- Science.

Some examples of our collections of revision guides for primary levels of education are shown below:

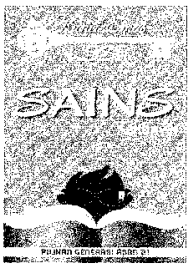
**Kunci Emas KSSR**



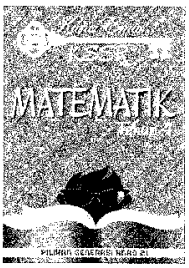

Year 4 Bahasa Malaysia




Year 4 History




Year 4 Science

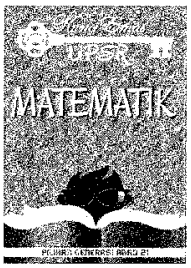



Year 4 Mathematics

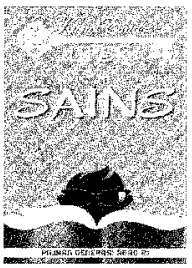
**Kunci Emas UPSR**



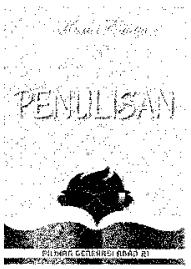

Bahasa Malaysia Language System and Comprehension




Mathematics




Science



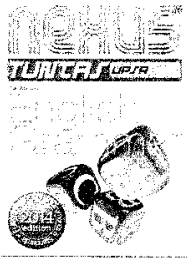

Bahasa Malaysia Writing

## 6. BUSINESS OVERVIEW *(Cont'd)*

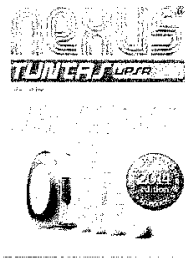
**Nexus Tuntas UPSR**



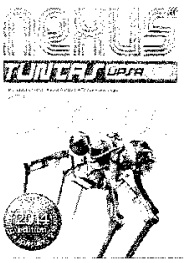

Bahasa Malaysia Writing




English Grammar




Mathematics




Science

**Target Tuntas UPSR**



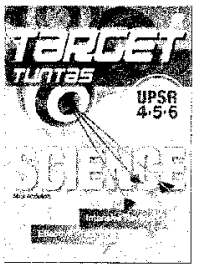

Bahasa Malaysia




English




Mathematics




Science

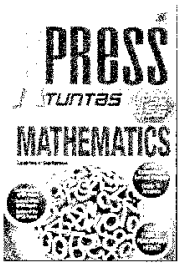
**Xpress Tuntas UPSR**



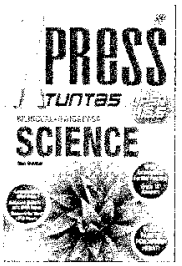

Bahasa Malaysia




English




Mathematics




Science

For secondary and post-secondary levels of education, we mainly publish revision guides for the following subjects:

| Subject | Secondary and Post-Secondary Levels of Education |
|---|---|
| English | Form 1 to Form 3; SPM |
| Mathematics | |
| Bahasa Malaysia | Form 1 to Form 3; SPM and STPM |
| Geography | |
| History | |
| Biology | Form 4 to Form 5; SPM and STPM |
| Chemistry | |
| Physics | |
| Islamic Studies | Form 1 to Form 5; SPM |
| Science | |
| Literature [(1)] | |
| Living Skills: Commerce and Entrepreneurship | Form 1 to Form 3 |
| Living Skills: Home Economics | |
| Living Skills: Technical Skills | |
| Moral Education | SPM |
| Additional Mathematics | Form 4 to Form 5; SPM |
| Basic Economics | |
| Commerce | |
| Islamic Concepts | |
| Principles of Accounting | |
| Business Studies | STPM |
| Economics | |
| General Studies | |
| Mathematics (Technology) | |
| Malaysian University English Test (MUET) | |

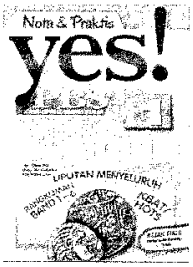
***Note:***

*(1)* *Literature is a component of the Bahasa Malaysia and English subjects. It is not a standalone subject within the National School Curriculum. This includes publication for Form 1 to Form 5 and SPM.*

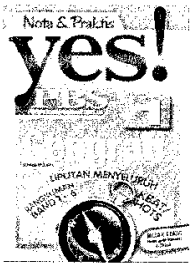
## 6. BUSINESS OVERVIEW *(Cont'd)*

Some examples of our collections of revision guides for secondary levels of education are shown below:

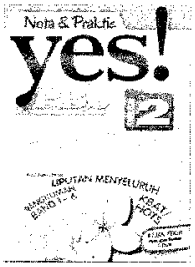
**Nota & Praktis Yes! PBS**



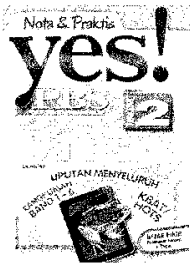

Form 1 History




Form 1 Geography




Form 2 Islamic Studies




Form 2 Science

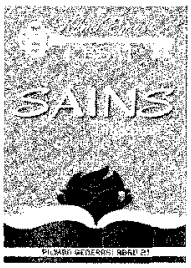
**Kunci Emas KBSM**




Form 1 Living Skills: Technical Skills




Form 1 Living Skills: Home Economics

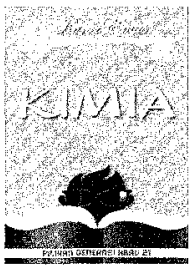



Form 2 Science




Form 3 History

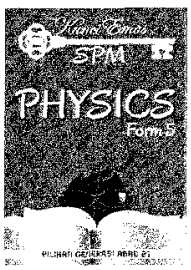
**Kunci Emas SPM**



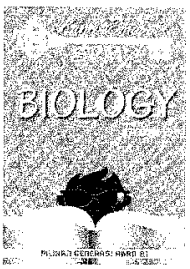

Form 4 Chemistry




Form 4 Principles of Accounting




Form 5 Physics




Form 5 Biology

**Nexus Tuntas SPM**



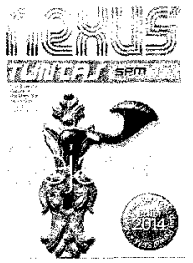
Bahasa Malaysia



English 1119



Chemistry

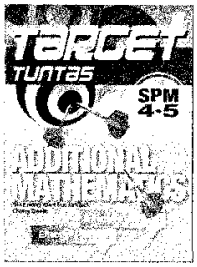


History

**Target Tuntas SPM**




Bahasa Malaysia Essay




Additional Mathematics

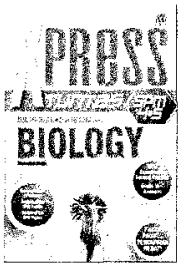



Islamic Studies

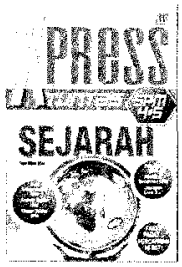



Principles of Accounting

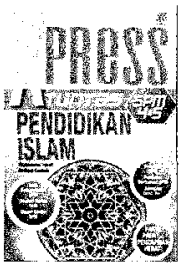
**Xpress Tuntas SPM**




Biology




History




Islamic Studies




Basic Economics

**Kupasan & Kajian Tuntas Komsas**




Form 1 Literature




Form 2 Literature

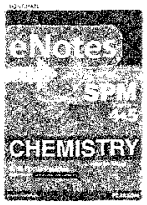



Form 3 Literature

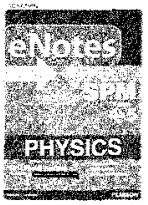



Form 5 Literature

**eNotes SPM**




Chemistry




Physics




Biology

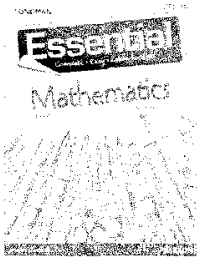
**Write It Right!**



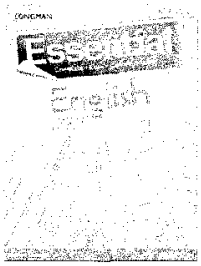

SPM English 1119

*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

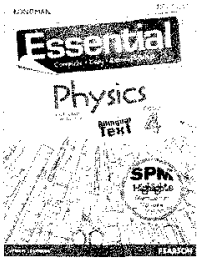
**Essential**




Form 1 Mathematics




Form 2 English




Form 4 Physics

**Esensi**

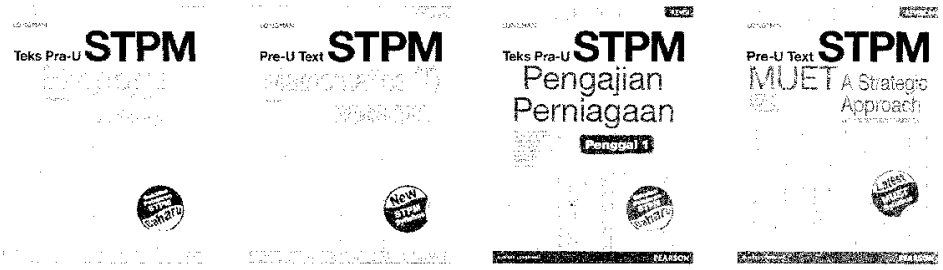



SPM Chemistry

*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

Some examples of our collections of revision guides for post secondary levels of education are shown below:

**Pre-U Text STPM**




| 2nd Term Economics (Macroeconomics) | 2nd Term Mathematics (Technology) | 1st Term Business Studies | MUET |
|---|---|---|---|

*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

**(c) Workbooks**

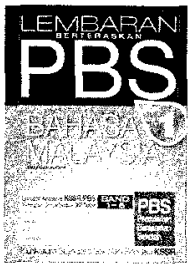
Our workbooks are developed based on the syllabuses in the National School Curriculum for use as homework or formative exercises in schools. We mainly publish workbooks for primary and secondary levels of education.

For primary levels of education, we mainly publish workbooks of the following subjects:

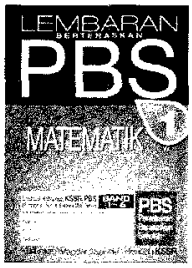
| Subject | Primary Levels of Education |
|---|---|
| Communicative Arab Language | Year 1 to Year 6 |
| English | |
| Islamic Studies | |
| Bahasa Malaysia | |
| Mathematics | |
| Science | |
| Civics and Citizenship Education | Year 4 to Year 6 |
| Living Skills | |
| Local Studies | |
| Moral Education | |
| Physical and Health Education | |

Some examples of our collections of workbooks for primary levels of education are shown below:

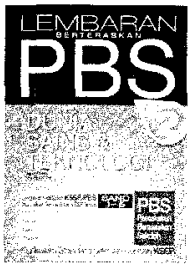
**Lembaran Berteraskan PBS KSSR**



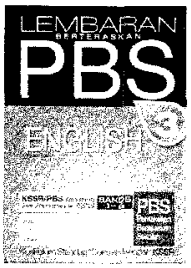

Year 1 Bahasa Malaysia




Year 1 Mathematics

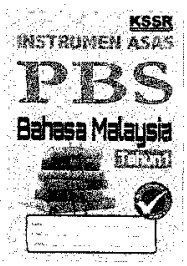



Year 2 World of Science and Technology

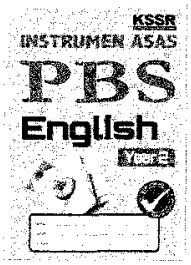



Year 3 English

**Instrumen Asas Berteraskan PBS KSSR**




Year 1 Bahasa Malaysia




Year 2 English

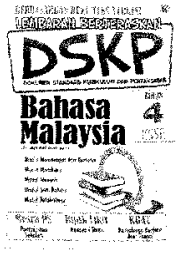



Year 3 Mathematics

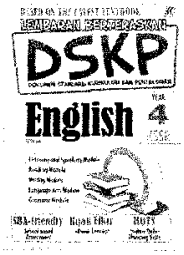



Year 3 World of Science and Technology

**Lembaran Berteraskan Dokumen Standard Kurikulum dan Pentaksiran (DSKP) KSSR**



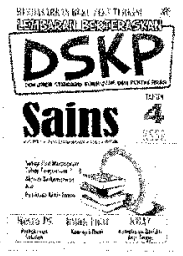

Year 4 Bahasa Malaysia




Year 4 English

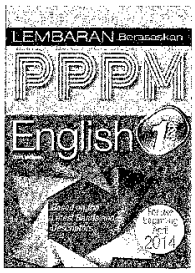



Year 4 Mathematics

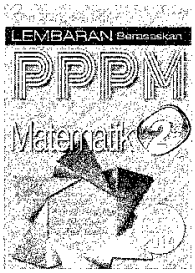



Year 4 Science

**Lembaran Berasaskan Panduan Perkembangan Pembelajaran Murid (PPPM) KSSR**




Year 1 English




Year 2 Mathematics




Year 2 World of Science and Technology




Year 3 Bahasa Malaysia

For secondary levels of education, we mainly publish workbooks of the following subjects:

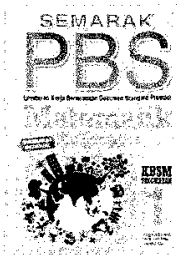
| Subject | Secondary Levels of Education |
|---|---|
| English | Form 1 to Form 5 |
| History | |
| Islamic Studies | |
| Literature [(1)] | |
| Bahasa Malaysia | |
| Mathematics | |
| Moral Education | |
| Science | |
| Civics and Citizenship Education | Form 1 to Form 3 |
| Geography | |
| Living Skills: Commerce and Entrepreneurship | |
| Living Skills: Home Economics | |
| Living Skills: Technical Skills | |
| Additional Mathematics | Form 4 to Form 5 |
| Basic Economics | |
| Biology | |
| Chemistry | |
| Commerce | |
| Physics | |
| Principles of Accounting | |

***Note:***

*(1)* *Literature is a component of Bahasa Malaysia and English subjects. It is not a standalone subject within the National School Curriculum.*

Some examples of our collections of workbooks for secondary levels of education are shown below:

**Semarak PBS Lembaran Kerja Berteraskan Dokumen Standard Prestasi KBSM**



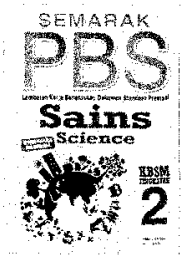

Form 1 Mathematics




Form 1 History




Form 2 Geography




Form 2 Science

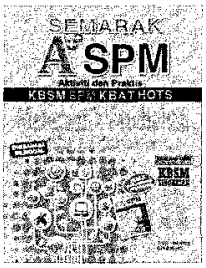
**Semarak A++ SPM Aktiviti dan Praktis KBSM**




Form 4 Bahasa Malaysia




Form 5 English 1119

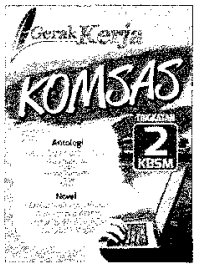



Form 5 Additional Mathematics

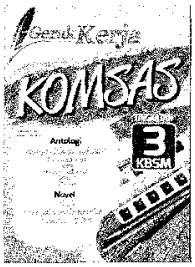



Form 5 History

**Gerak Kerja Komsas KBSM**

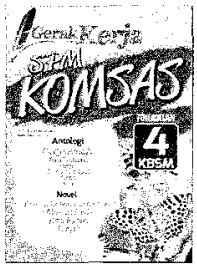



Form 2 Literature

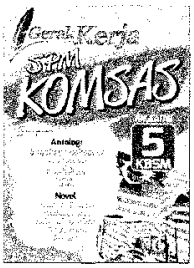



Form 3 Literature

**Gerak Kerja SPM Komsas KBSM**

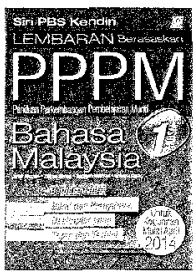



Form 4 Literature

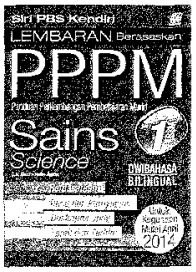



Form 5 Literature

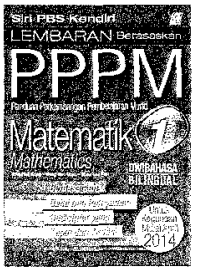
**Lembaran Berasaskan Panduan Perkembangan Pembelajaran Murid (PPPM) KBSM**



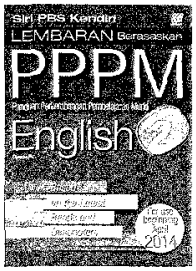

Form 1 Bahasa Malaysia




Form 1 Science

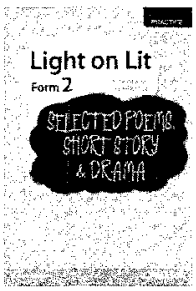



Form 1 Mathematics

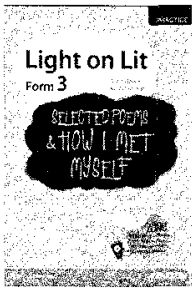



Form 2 English

**Light on Lit**

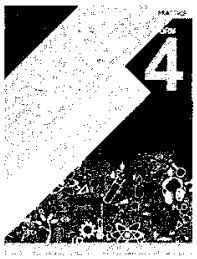



Form 2 Literature

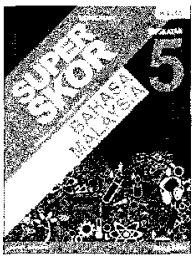



Form 3 Literature

**Super Skor**



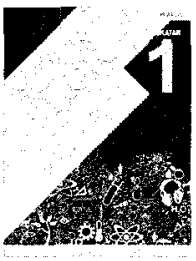

Form 4 English



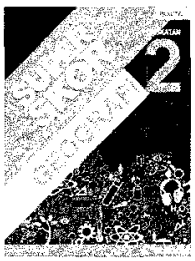

Form 5 Bahasa Malaysia

*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

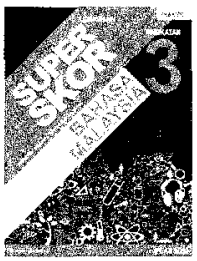
**Super Skor**



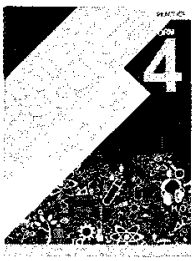

Form 1 History




Form 2 Geography




Form 3 Bahasa Malaysia




Form 4 English

*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

**(d) Assessment Books**

Our assessment books are used by students and teachers to test and evaluate students' understanding and knowledge of various specific topics and subjects. We mainly publish assessment books for primary and secondary levels of education.

For primary and secondary levels of education, we mainly publish assessment books for the following subjects:

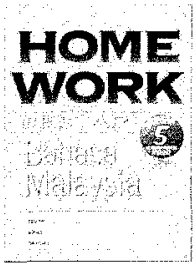
| Subject | Primary and Secondary Levels of Education |
|---|---|
| English | Year 1 to Year 2 and Year 4 to Year 6; Form 1 to Form 5; UPSR and SPM |
| Bahasa Malaysia | |
| Mathematics | Year 1 to Year 6; Form 1 to Form 5; UPSR and SPM |
| Science | |
| History | Form 1 to Form 5; SPM |
| Islamic Studies | |
| Geography | Form 1 to Form 3 |
| Living Skills: Commerce and Entrepreneurship | Form 1 to Form 2 |
| Living Skills: Home Economics | |
| Living Skills: Technical Skills | |
| Literature [(1)] | Form 4 to Form 5 |
| Additional Mathematics | Form 4 to Form 5; SPM |
| Basic Economics | Form 4 to Form 5 |
| Commerce | |
| Biology | SPM |
| Chemistry | |
| Islamic Concepts | |
| Moral Education | |
| Physics | |
| Principles of Accounting | |

***Note:***

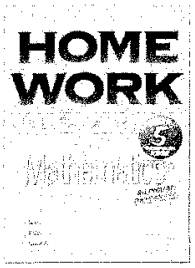
*(1) Literature is a component of Bahasa Malaysia and English subjects. It is not a standalone subject within the National School Curriculum.*

Some examples of our collections of assessment books for primary and secondary levels of education are shown below:

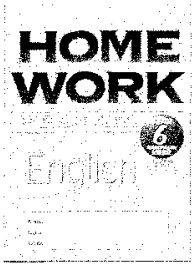
**Homework Bestari Rampaian KBSR**



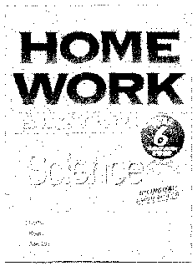

Year 5 Bahasa Malaysia




Year 5 Mathematics




Year 6 English

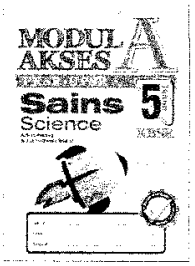



Year 6 Science

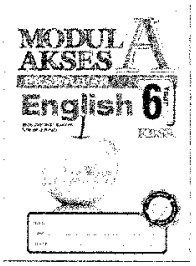
**Modul Akses A PKSR UPSR KBSR**




Year 5 Bahasa Malaysia




Year 5 Science




Year 6 English




Year 6 Mathematics

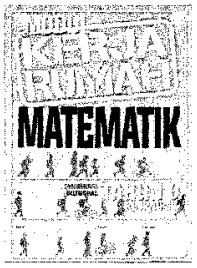
**Modul Kerja Rumah KBSR/UPSR**



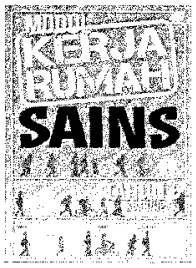

Year 5 English




Year 5 Bahasa Malaysia




Year 6 Mathematics




Year 6 Science

**Penilaian Topik Menguasai Soalan-Soalan Bertopik Standard UPSR**



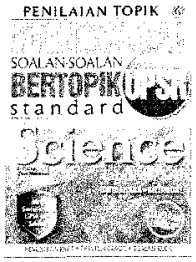

Bahasa Malaysia




English




Mathematics

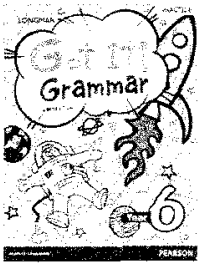



Science

**Got It!**




Year 5 English Grammar



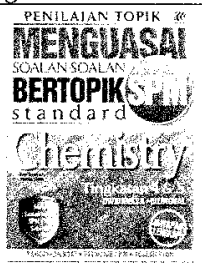

Year 6 English Grammar

*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

**Penilaian Topik Menguasai Soalan-Soalan Bertopik Standard SPM**




Additional Mathematics




Chemistry

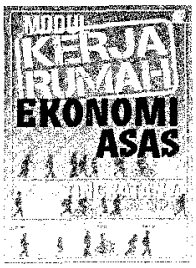



Principles of Accounting




Mathematics

**Modul Kerja Rumah KBSM/SPM**



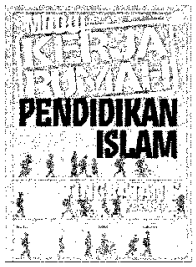

Form 4 Basic Economics



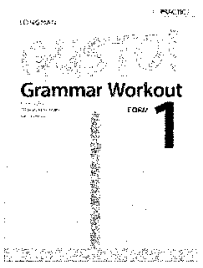
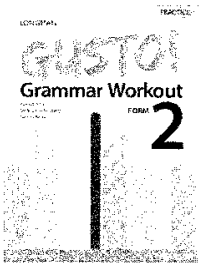
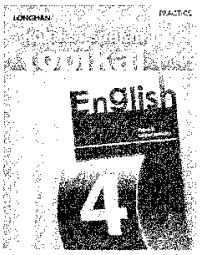
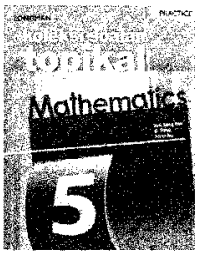

Form 4 History




Form 5 Bahasa Malaysia




Form 5 Islamic Studies

| Gusto! | | Koleksi Soalan Topikal | |
|---|---|---|---|
|   |   |   |   |
| Form 1 English Grammar Workout | Form 2 English Grammar Workout | Form 4 English | Form 5 Mathematics |

*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

**(e) Model Test Papers**

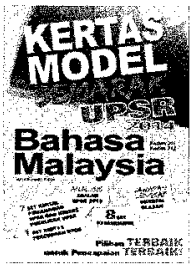
Model test papers are mock copies of examination papers. These are mostly used by students as practice materials to prepare for examinations. Teachers may use them to assess students' performance on a particular subject.

We mainly publish model test papers of the following subjects for UPSR and SPM preparations:

| Subject | Primary and Secondary Levels of Education |
|---|---|
| English | UPSR; Form 1 to Form 3 and SPM |
| Bahasa Malaysia | |
| Mathematics | |
| Science | |
| History | Form 1 to Form 3 and SPM |
| Islamic Studies | |
| Geography | Form 1 to Form 3 |
| Living Skills: Commerce and Entrepreneurship | |
| Living Skills: Home Economics | |
| Living Skills: Technical Skills | |
| Additional Mathematics | SPM |
| Basic Economics | |
| Biology | |
| Chemistry | |
| Commerce | |
| Moral Education | |
| Physics | |
| Principles of Accounting | |
| Visual Arts Education | |

Some examples of our collections of model test papers for primary and secondary levels of education are shown below:

**Kertas Model Semarak UPSR 2014**



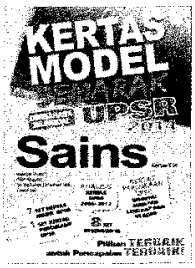

Bahasa Malaysia




English

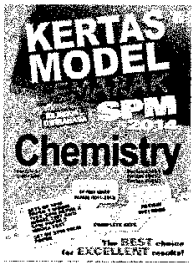



Mathematics




Science

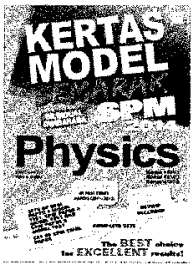
**Kertas Model Semarak SPM 2014**



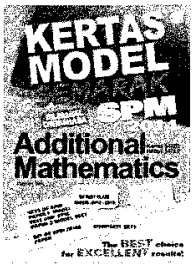

Chemistry




History




Physics




Additional Mathematics

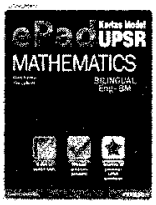
**ePad Kertas Model UPSR**



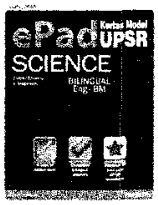

Bahasa Malaysia




English



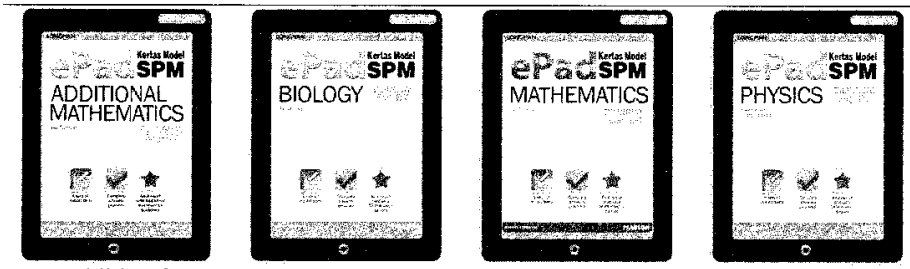

Mathematics




Science

*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

**ePad Kertas Model SPM**




Additional Mathematics | Biology | Mathematics | Physics

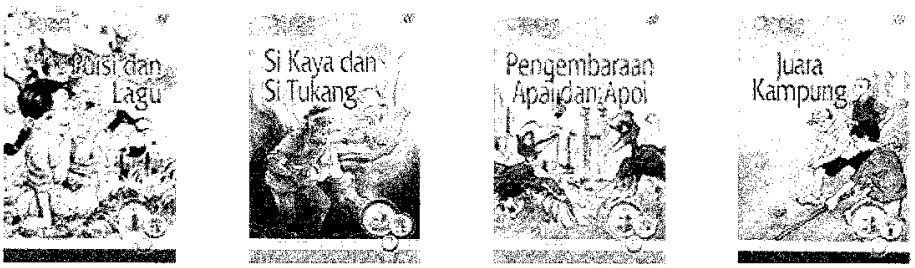
*Note: Titles acquired from Pearson Malaysia and distributed by Malaysian Book Promotions. For further information, please refer to Section 5.1 of this Prospectus.*

**(f) Readers**

We publish readers that are developed to improve the reading and comprehension skills of students. These collections of readers normally include short stories and poetries in Bahasa Malaysia and English for various primary levels of education.

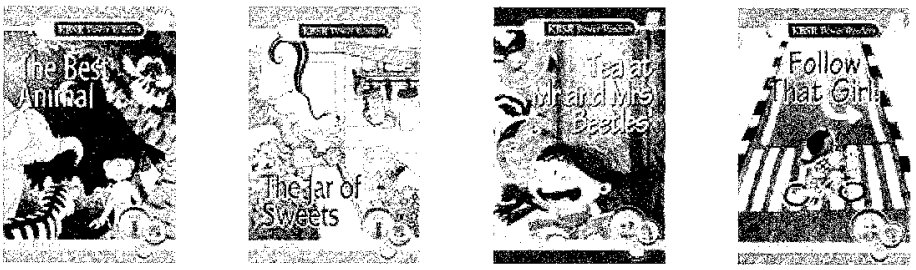
We mainly publish readers for primary levels of education from year 1 to year 6. Some examples of our collections of readers are shown below:

**Cahaya Nilam KBSR**




Year 1: Puisi dan Lagu | Year 2: Si Kaya dan Si Tukang | Year 3: Pengembaraan Apai dan Apoi | Year 3: Juara Kampung

**Power Readers KBSR**




Year 1: The Best Animal | Year 1: The Jar of Sweets | Year 2: Tea at Mr and Mrs Beetles' | Year 3: Follow That Girl

**Gema Nilam KBSR**




Grade 1: The Little Boy and The Giant




Grade 2: Nasib Didi dan Doli




Grade 4: Kembalikan Cahaya Nebula




Grade 5: The Dragon Boat Race

**Bacaan Luas KSSR**




Year 1: Extensive Reading




Year 2: Extensive Reading




Year 3: Extensive Reading




Year 4: Extensive Reading

**(g) Past Year Examination Papers**

In 2010, Sasbadi was appointed by YGMB to reprint, distribute, market and sell past year examination papers for SPM and STAM. Subsequently, over the years, Sasbadi was awarded the licence by YGMB to reprint, distribute, market and sell past year examination papers for UPSR, PMR, STAM and SPM. However, the licence was not renewed upon its expiry on 14 September 2013 and we have ceased reprinting, distributing, marketing and selling the past year examination papers with effect from 15 September 2013. YGMB is the licence holder for the reprinting, distribution, marketing and sales of Malaysia's past year examination papers including UPSR, PMR, STAM and SPM.

During the period when we were licensed by YGMB to publish the past year examination papers, we were mainly involved in publishing past year examination papers of the following subjects for UPSR, PMR and SPM preparations:

- Chinese, English, Bahasa Malaysia, Mathematics and Science for UPSR, PMR and SPM;
- Geography, History and Islamic Studies for PMR and SPM;
- Communicative Arabic Language, Living Skills: Commerce and Entrepreneurship, Living Skills: Home Economics and Living Skills: Technical Skills for PMR; and

- Additional Mathematics, Basic Economics, Biology, Chemistry, Commerce, Islamic Concepts, Islamic Law Education, Physics, Principles of Accounting, and Quran and Sunnah Education for SPM.

We only published past year examination papers for STAM on a small scale basis as STAM is only undertaken by a small group of students.

We have our own sales and marketing team to promote our non-prescribed National School Curriculum based educational materials including revision guides, assessment books, model test papers and readers to teachers in schools who will in turn recommend to their students.

As for workbooks, our sales and marketing team would promote them to school authorities for their evaluation and possible selection as classroom and study materials. Selected publications are then listed in the respective schools' booklists.

Our non-prescribed National School Curriculum based educational materials are compatible with the syllabuses outlined in the National School Curriculum. Our collections of non-prescribed National School Curriculum based educational materials are available via our dealers and outlets including retail bookstores and school bookshops. In addition, we also distribute these educational materials to wholesalers and third party publishers and schools on a small scale basis.

Our prescribed National School Curriculum based educational materials, namely textbooks are sold mainly to the Ministry of Education. The Ministry of Education provides free loan books to all students in government, government-assisted and Islamic schools under the Textbooks Loan Scheme (Skim Pinjaman Buku Teks). However, textbooks are also sold to any students who wish to purchase them and to students of independent and private schools who are not covered by the said scheme.

**(ii) Supplementary Educational Materials**

Our range of supplementary educational materials mainly includes children's books, teaching guides, language guides, glossaries and logbooks for general teaching, learning as well as to facilitate the learning process. These are mainly non-curriculum based materials.

Our range of children's books mainly includes fiction and informational books, such as educational comics, illustrated storybooks and illustrated reference books in English and Bahasa Malaysia.

Our teaching guides are developed and published through collaboration with MELTA. MELTA's role in the collaboration is focused on writing while our role is focused on editing, design and distribution.

Language guides are educational materials used for practicing and self-study to improve language skills. Glossaries are for mathematics and science. Logbooks are used for recording co-curricular and classroom activities undertaken in schools.

Our range of supplementary educational materials are mainly available via two channels:

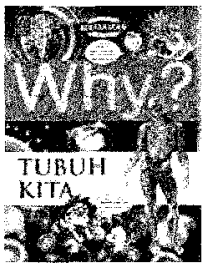
- Children's books such as educational comics and illustrated reference books are marketed via our dealers to schools and households; and

- Others such as children's illustrated storybooks, teaching guides, language guides, glossaries and logbooks are sold through our dealers and outlets including retail bookstores and school bookshops.

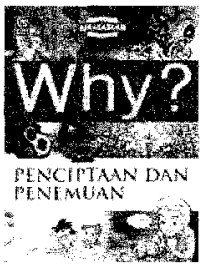
Some examples of our collections of supplementary educational materials are listed as follows:

**Educational Comics**

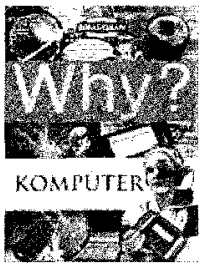
**Why?**



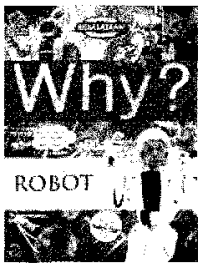

Our Body




Inventions and Discoveries



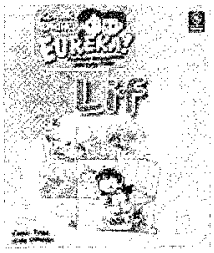

Computer




Robot

**Educational Comics**

**Eureka!**



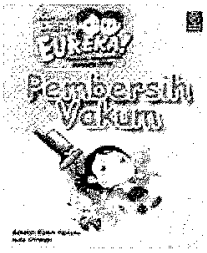

Lift




Rocket



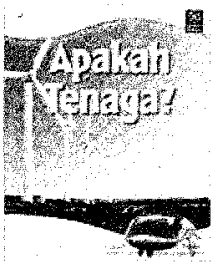

Helicopter



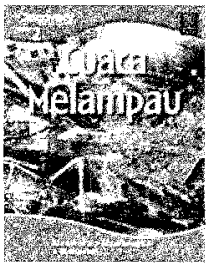

Vacuum cleaner

**Illustrated Reference Books**

**Discovery (Malay)**




Level 1: What is Energy?




Level 2: Angry Weather




Level 3: Industry and Invention



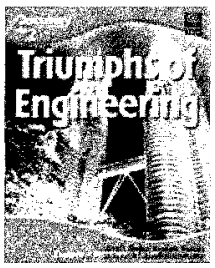

Level 4: Earth in Peril

## 6. BUSINESS OVERVIEW *(Cont'd)*

**Discovery (English)**




Level 1: Earth's Treasures




Level 2: Triumphs of Engineering




Level 3: Vanishing Ice



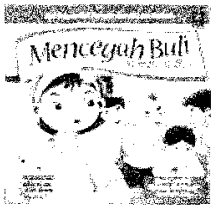

Level 4: A Frozen World

**Illustrated Reference Books**

**Siri Selamat**




When There is a Flood




Stop the Bullies



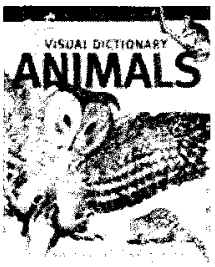

Watch Out for Landslides




Injured while Playing

**Illustrated Reference Books**

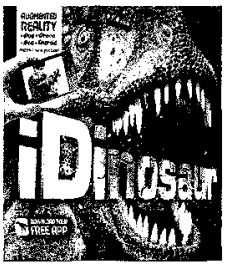
**Visual Dictionary** | **Animal Planet** | **Augmented Reality**



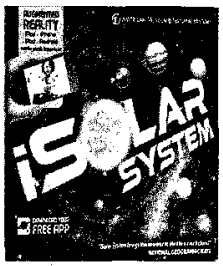

Animals



Incredible Journeys




iDinosaur




iSolar System

## Illustrated Storybooks

### Adapted Malay History Series




Tun Hassan Temenggung Putera yang Bijaksana



Srikandi Melaka




Padah Mengingkari Wasiat

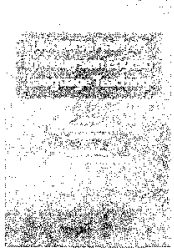



Fitnah Membawa Padah

## Teaching Guides



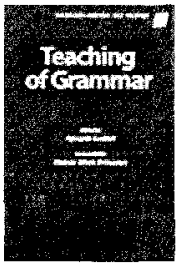
Pedagogies for Creative & Critical Thinking in ELT



Discourse Analysis in Malaysian English Language Teaching

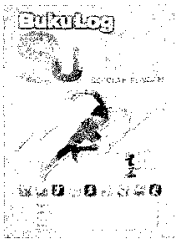


Practices and Issues in English Language Teacher Development




Teaching of Grammar

## Logbooks




Logbook: Sport (Primary School)




Logbook: Uniform Body (Secondary School)




School Planning and Communication Book (Primary School)




Record Book: NILAM Programme (Secondary School)

### 6.2.1.2 Online Publishing

Online publishing is undertaken by our subsidiary company, Sasbadi Online. Our online educational resources were developed for learning and teaching purposes. This is a subscription based service. Access is via the internet. Our online educational resources include the following:

**(i) Bank Soalan (Instant Assessment Generator)**

Bank Soalan (Instant Assessment Generator), a new edition of Penjana Pentaksiran Instan, was developed to facilitate quick and easy creation of assessment and test papers for teachers. The software is powered by a database of more than 100,000 questions that are developed based on the syllabuses and examination formats of the Ministry of Education. In addition, the software allows users to add and modify the questions.




Bahasa Malaysia Year 4,5,6

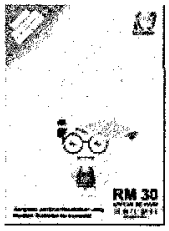



Biology Form 4,5

**(ii) i-Learn**

i-Learn is an interactive online learning platform for students to access our database of resources, covering various subjects for Year 4 to 6 under the primary levels of education and Form 1 to 3 under the lower secondary levels of education.

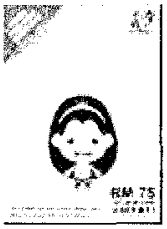
The software comprises five (5) modules including digital notes, mind-map builder, self-assessment module, progress tracker and reward, which work together to promote self-directed learning and collaborative learning by enabling users to share their learning with their network of classmates and friends.



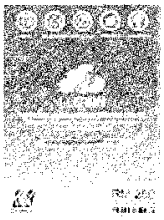

i-Learn (for 30 day subscription)




i-Learn (for 60 day subscription)




i-Learn (for 90 day subscription)



i-Learn (for 12-month subscription)

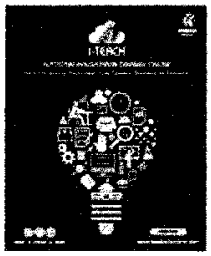
**(iii) i-Teach**

i-Teach is a teaching platform for teachers, equipped with teaching resources and tools. This is designed to assist teachers in their teaching and assessment process. The software includes the following features:

- Teaching resources including lesson planning design and resource database; and
- Assessment tools such as progress tracking, reporting and analysis.



i-Teach (Primary Schools)

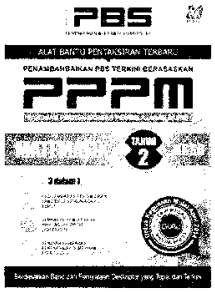


i-Teach (Secondary Schools)

**(iv) iPBS/iPS**

iPBS/iPS is a software tool developed for teachers to facilitate quick and easy creation of materials for lessons and assessment papers based on the new school based assessment format, which has replaced PMR in 2014 and will be incorporated with UPSR in 2016.

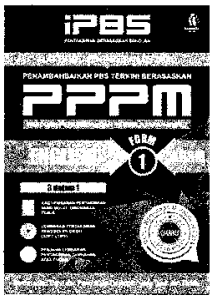
Previously known as iPBS, this series of product has been modified to iPBS (PPPM) and iPS (DSKP) due to the implementation of the newly modified school based assessment (PBS) policy in April 2014. iPBS (PPPM) is for Year 1 to 3 under the primary levels of education and Form 1 to 3 under the secondary levels of education whilst iPS (DSKP) is for Year 4 under the primary levels of education.




iPBS Mathematics Year 2



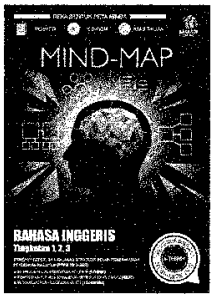

iPS Mathematics Year 4



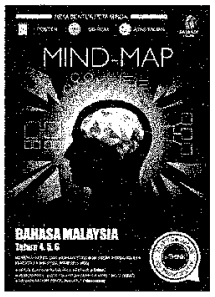

iPBS English Form 1

**(v) Mind-Map**

Mind-Map is an interactive system that allows users to build mind maps on computers, tablets or smart phones. Users can embed text, graphics, and videos from the web to build a multimedia mind map. In a classroom environment, teachers can assign mind maps to students, either as individual or collaborative work. Finished maps are stored in the gallery for public viewing and can be shared through Facebook.



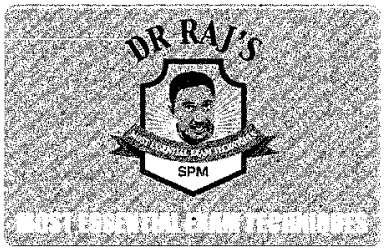

Mind-Map English Year 1,2,3




Mind-Map Bahasa Malaysia Year 4,5,6

**(vi) Most Essential Exam Techniques (MEET)**

MEET is a collection of videos that are aimed at tackling difficult questions in the Malaysian school exams whereby the questions and strategies for answering the questions are presented in person by a teacher.




Dr Raj's Most Essential Exam Techniques - SPM

Our i-Learn is intended for students and is available via retail bookstores and dealers who sell to schools and households as well as via our website, http://www.sasbadionline.com, and a third-party website, http://store.frogasia.com. Our Bank Soalan, i-Teach and iPBS/iPS online resources are intended for teachers only and are available to schools via our dealers. Our Mind-Map is intended for teachers and students, and is available to schools via our dealers. Our MEET is intended for students and is available via our website, http://www.sasbadionline.com.

In conjunction with a third party technological company, we have also conducted a pilot programme to use our online contents for the teaching and learning of Science and English for teachers and students. The pilot programme was conducted for a period of two (2) months from 9 September 2013 to 8 November 2013 in three (3) schools within Malaysia.

In May 2014, Sasbadi Online has agreed in principle to grant a publishing house in Jakarta, Indonesia the rights to use and sell i-Learn in Indonesia under licence. This is pending the signing of the license and services agreement which is exclusive for the territory of Indonesia.

As at LPD, we are also in talks with some local and overseas parties to expand our online publishing presence. Some of these initiatives include using our contents on the government's virtual learning platform for public schools in Malaysia, and development of applications and contents for mobile devices.

### 6.2.2 Distribution of applied learning products

Distribution of applied learning products is undertaken by our subsidiary company, Sasbadi. Applied learning products are a range of products that enable learners to experience practical and hands-on learning as well as to stimulate their creativity and higher order thinking skills.

Sasbadi is currently appointed by various product principals as the partner and distributor for the respective range of applied learning products in specified territories as follows:

| Product Principal | Range of Product | Territory |
|---|---|---|
| LEGO System A/S | Early learning, machines and mechanisms and robotics | Malaysia and Brunei |
| Pitsco Inc | Robotics | Malaysia |
| NI Southeast Asia Sdn Bhd | NI myDAQ, LabVIEW for Education and NI myRIO 1900 | Malaysia |

The range of LEGO Education products carried by us includes the following:

**(i) Early Learning Products**

Early learning products are intended for pre-school children to learn about basic things around the world as well as to develop their literacy skills.

**(ii) Machines and Mechanisms**

Machines and mechanisms are products intended for primary and secondary school students learning about science. These products provide students a fundamental understanding of simple machines, structures and mechanisms.

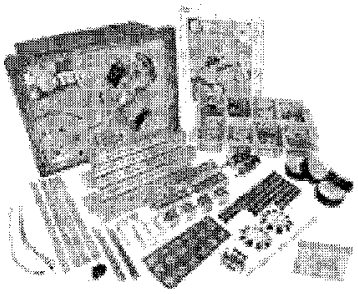
**(iii) Robotics**

Robotics consists of a range of programmable products and devices intended for students and users to learn and create robots and robotics applications. With rohotics, users are able to explore and apply their knowledge in science, mathematics and IT.

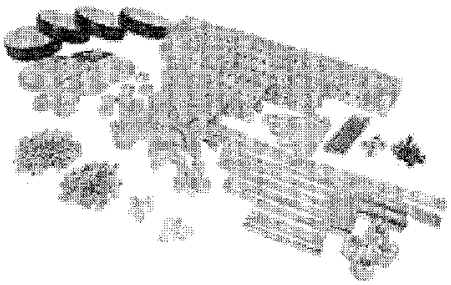
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We also carry a range of robotics products and devices of Pitsco. Apart from robotics kits and software programmes, Pitsco's range of robotics products and devices also comprise, amongst others, a range of hardware and electronic parts and components for building robots and robotics applications. Some examples of Pitsco's robotics products and devices are listed as follows:

**Robotics**



Tetrix® Base Set



Tetrix® Resource Set

The range of National Instruments' products carried by us includes the following:

**(a) NI myDAQ**

NI myDAQ is a portable data acquisition device that enables users to measure and analyse live signals. It is an educational hardware intended for students learning about engineering. The device is capable of measuring various electrical and physical phenomena such as voltage, current, temperature, pressure and sound with a computer.

**(b) LabVIEW for Education**

LabVIEW for Education is a system design software that uses graphical programming to enable the creation and deployment of measurement and control systems through hardware integration. It can be used in conjunction with NI myDAQ and other hardware for practical and hands-on learning experience.

**(c) NI myRIO 1900**

NI myRIO 1900 is a portable reconfigurable input-output device that students can use to design control, robotics and mechatronics systems. It also allows teachers to teach and implement multiple design concepts with this device.

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National Instruments products are targeted at primary and secondary educational institutions for educational purposes only. As at LPD, our Group has not commenced distribution of National Instruments products.

Our applied learning products are mainly sold to dealers who service schools. A small proportion of our applied learning products are sold to the Ministry of Education for installation in schools, educational training and learning centres and schools directly as materials for co-curricular activities as well as walk-in customers who make purchases from our office. In addition, LEGO Education products are also available via our website http://lego.sasbadi.com/.

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### 6.2.3 Other Activities

Our other activities mainly include the following:

- Publishing of general title books;
- Distribution of third party publications;
- Trading of paper; and
- Supply of electronic dictionaries.

We publish a small range of general titles in English written by Malaysian authors. These general titles are mainly published by Sasbadi under the imprint of Maya Press. Our range of general title books is commonly available in retail bookstores and school bookshops as well as via our dealers, wholesalers and publishers. Some examples of our collections of general titles are listed as follows:



Between Lives by K.S. Maniam



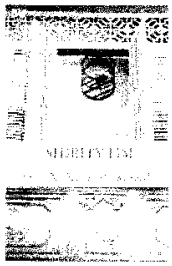

Twenty-two Malaysian Stories by Lloyd Fernando




London Does Not Belong to Me by Lee Kok Liang



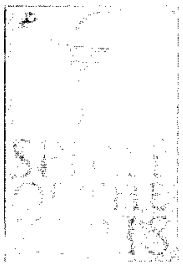
The Mutes in the Sun by Lee Kok Liang



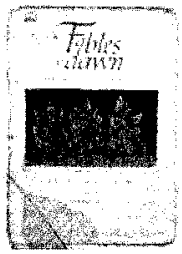
Listening to the Singer by Shirley Lim



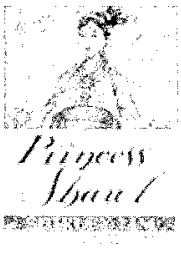
In-Sights by Malachi Edwin Vethamani



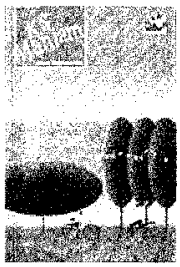
Spirit of the Keris: a selection of Malaysian short stories and poems[1]




Fables of Dawn by Latiff Mohidin



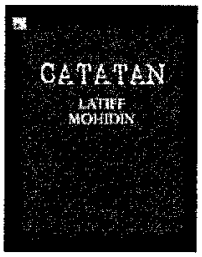

Princess Shawl by Shirley Lim



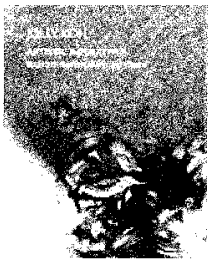
The Ride Home by K.S. Maniam



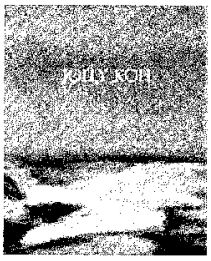

The Change by K.S. Maniam




Catatan by
Latiff Mohidin



Artistic Imperatives
by Jolly Koh




Jolly Koh
by Jolly Koh



Searching for Light
by Dato' Hon Choon
Kim

***Note:***

*(1) Written by K.S. Maniam, Salleh Ben Joned, Shirley Lim, Wong Phui Nam and Lee Kok Liang*

In addition, we are also involved in distribution of third party publications, where we purchase third party publications and resell them to our dealers that service schools directly.

As we purchase paper in bulk, we also undertake trading of paper to other publishers on a small scale basis only when there is a request.

Our electronic dictionaries are electronic devices comprising dictionaries, thesauruses, glossaries and various IT functions and applications to supplement the learning process of users. We have two (2) versions of electronic dictionaries of various models - Total e-dictionary launched in 2005 and eleksisPro in 2009. As at LPD, we have ceased the production of our electronic dictionaries as we shift our focus from supply of digital educational resources towards online educational resources. Nevertheless, we will continue to sell the remaining stocks which amount to a carrying cost of RM151,250.

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### 6.2.4 Revenue Segmentation by Business Activities

The breakdown of our Group's revenue by business activities for the FYE 31August 2013 and FPE 28 February 2014 are as follows:

| Revenue | FYE 31 August 2013 RM'000 | % | FPE 28 February 2014 RM'000 | % |
|---|---|---|---|---|
| **Educational Publishing** | | | | |
| **Print Publishing** | | | | |
| National School Curriculum based educational materials | 63,559 | 81.5 | 38,599^ | 87.7 |
| - *Secondary education* | *42,640* | *54.7* | *19,094* | *43.4* |
| *Non-PMR educational materials* [3] | *27,607* | *35.4* | *19,228* | *43.7* |
| *PMR educational materials* [4] | *4,441* | *5.7* | *(134)* | *(0.3)* |
| *Past year examination papers* | *10,592* | *13.6* | - | - |
| - *Primary education* [1] | *20,919* | *26.8* | *16,283* | *37.0* |
| *Educational materials* [3] | *17,695* | *22.7* | *16,283* | *37.0* |
| *Past year examination papers* | *3,224* | *4.1* | - | - |
| - *Pearson titles* | n.a. | n.a. | *3,221* | *7.3* |
| *Post-secondary educational materials* | n.a. | n.a. | *1,130* | *2.6* |
| *Secondary educational materials* | n.a. | n.a. | *2,031* | *4.6* |
| *Primary educational materials* | n.a. | n.a. | *60* | *0.1* |
| Supplementary educational materials | 814 | 1.0 | 2,273 | 5.2 |
| | **64,373** | **82.6^** | **40,871^** | **92.9** |
| **Online Publishing** | **5,762** | **7.4** | **83** | **0.2** |
| | **70,135** | **90.0** | **40,954** | **93.1** |
| **Distribution of Applied Learning Products** | **4,212** | **5.4** | **1,958** | **4.5** |
| **Others** [2] | **3,618** | **4.6** | **1,079** | **2.5** |
| **Total** | **77,964^** | **100.0** | **43,992^** | **100.0^** |

*Notes:*

^ *Total does not add-up due to rounding.*
*n.a.* *Not applicable.*
*(1)* *Include a small proportion of pre-school educational materials.*
*(2)* *Mainly include supply of electronic dictionaries, publishing of general title books as well as distribution of third party publications and trading of paper.*
*(3)* *Include amongst others textbooks, revision guides, workbooks, assessment books and model test papers.*
*(4)* *Include revision guides, assessment books and model test papers.*

For FYE 31 August 2013 and FPE 28 February 2014, our total revenue amounted to RM78.0 million and RM44.0 million respectively.

Educational publishing represented the largest proportion of our total revenue at 90.0% and 93.1% for the FYE 31 August 2013 and FPE 28 February 2014 respectively. Within educational publishing, print publishing accounted for 82.6% and 92.9% whilst online publishing accounted for 7.4% and 0.2% of our total revenue for FYE 31 August 2013 and FPE 28 February 2014 respectively.

The significantly lower contribution from online publishing for FPE 28 February 2014 as compared to FYE 31 August 2013 was due to the uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy. As such, we recorded lower sales for our online educational products, especially iPBS. In addition, we also recorded sales returns of approximately RM0.6 million, also mainly from our iPBS online educational products. Nevertheless, the modified version of the PBS policy was subsequently implemented in April 2014 and sales of our online educational products have started to pick up again.

Within print publishing, National School Curriculum based educational materials accounted for 81.5% and 87.7% of our total revenue for the FYE 31 August 2013 and FPE 28 February 2014 respectively. Of this, secondary and primary education as well as supplementary educational materials accounted for 54.7%, 26.8% and 1.0% of our total revenue respectively for the FYE 31 August 2013. For FPE 28 February 2014, secondary and primary education as well as supplementary educational materials accounted for 43.4%, 37.0%, and 5.2%, of our total revenue respectively.

Following the acquisition of the publishing rights and production files for a list of titles from Pearson Malaysia in September 2013, the sales from Pearson titles accounted for 7.3% of our total revenue for FPE 28 February 2014. Please refer to Section 5.1 of this Prospectus for further details on the acquisition of the publishing rights and production files for a list of titles from Pearson Malaysia.

The distribution of applied learning products accounted for 5.4% and 4.5%, of our total revenue for the FYE 31 August 2013 and FPE 28 February 2014 respectively.

The remaining 4.6% and 2.5% of our total revenue for the FYE 31 August 2013 and FPE 28 February 2014 respectively was contributed by other activities, including supply of electronic dictionaries, publishing of general title books as well as distribution of third party publications and trading of paper.

## 6.3 OUR PRINCIPAL MARKETS

### 6.3.1 Revenue Segmentation by Geographical Markets

The breakdown of our Group's revenue by geographical markets for the FYE 31 August 2013 and FPE 28 February 2014 are as follows:

| Revenue | FYE 31 August 2013 | | FPE 28 February 2014 | |
|---|---|---|---|---|
| | RM'000 | % | RM'000 | % |
| Malaysia | 77,561 | 99.5 | 44,033 | 100.1 |
| **Overseas markets** | **404^** | **0.5** | **(42)^** | **(0.1)** |
| Brunei | 86 | 0.1 | (52) | (0.1) |
| Denmark | 66 | 0.1 | - | - |
| Indonesia | 56 | 0.1 | 9 | # |
| Singapore | 26 | # | 2 | # |
| Philippines | 8 | # | - | - |
| United States | 3 | # | - | - |
| Others [(1)] | 160 | 0.2 | - | - |
| **Total** | **77,964^** | **100.0** | **43,992^** | **100.0** |

*Notes:*

^ *Total does not add-up due to rounding.*

\# *Insignificant proportion.*

*(1) Others include Abu Dhabi, Bahrain, China, Costa Rica, Egypt, Germany, Ghana, India, Iran, Japan, Mexico, Nigeria, Oman, Peru, Qatar, Russia, South Africa, Taiwan, Thailand and Ukraine.*

For FYE 31 August 2013, Malaysia was our principal market as it accounted for 99.5% of our total Group revenue. The remaining revenue was contributed by export sales to various overseas markets.

For the FPE 28 February 2014, Malaysia continued to be our principal market whilst overseas markets recorded minimal negative revenue as a result of the sales return from the Brunei market.

## 6.4 SEASONALITY

Our business operations experience seasonality patterns.

For the last four (4) financial years between FYE 31 August 2010 and 2013, we consistently recorded highest sales in our second financial quarter (December to February) with an average contribution of 49.9% of the total sales for each financial year.

For the last four (4) financial years between FYE 31 August 2010 and 2013, December and January consistently experienced the top two highest sales with the exception of FYE 31 August 2012, where our monthly sales were the highest in December and February. Our peak sales season coincides with the purchase of educational materials for the start of each new academic year for national schools.

For the last four (4) financial years between FYE 31 August 2010 and 2013, we had consistently been recording lowest quarterly sales for our fourth financial quarter (June to August), which contributed an average of 6.2% of our total sales for each financial year.

Our lowest sales season coincides with the beginning of the second half of the academic year for national schools where most students and teachers would already have purchased most of their required educational materials.

For FYE 31 August 2014, we expect some changes in our seasonality patterns due to the abolishment of PMR to be replaced by Form 3 Assessment (PT3 – Pentaksiran Tingkatan 3) as per the circular by the Ministry of Education on 31 March 2014. In this regard, in June 2014, our Group has launched new series of model test papers based on the PT3 format for lower secondary levels of education. In addition, our Group is also in the midst of publishing new series of assessment books and revision guides based on the PT3 format. As such, we expect to record sales from PT3 educational materials in our fourth financial quarter (June to August) of 2014.

Moving forward, we also expect to record sales of post-secondary educational materials in our fourth financial quarter (June to August), which coincides with the intake of post-secondary students in May for national schools.

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## 6. BUSINESS OVERVIEW *(Cont'd)*

### 6.5 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS/INPUT

The breakdown of major materials, services and products purchased by our Group for the FYE 31August 2013 and FPE 28 February 2014 are as follows:

| | <----FYE 31August 2013----> | | | | <----FPE 28 February 2014----> | | | |
|---|---|---|---|---|---|---|---|---|
| | Value of Purchases RM'000 | % of Total Group Purchases of Materials, Services and Products % | Sources of Supply Local % | Import % | Value of Purchases RM'000 | % of Total Group Purchases of Materials, Services and Products % | Sources of Supply Local % | Import % |
| **MATERIALS** | **15,086^** | **48.5** | **100.0** | **-** | **9,694** | **46.0** | **100.0** | **0.0** |
| Paper and paperboard | 13,638 | 43.9 | 100.0 (1) | - | 9,021 | 42.8 | 100.0(1) | 0.0 |
| Packaging materials | 912 | 2.9 | 100.0 | - | 273 | 1.3 | 100.0 | 0.0 |
| Printing plates and films | 535 | 1.7 | 100.0 | - | 400 | 1.9 | 100.0 | 0.0 |
| **SERVICES** | **14,278^** | **45.9^** | **99.8** | **0.2** | **7,622^** | **36.2** | **99.9** | **0.1** |
| Printing | 7,100 | 22.8 | 100.0 | - | 4,646 | 22.1 | 100.0 | 0.0 |
| Royalties (2) | 5,764 | 18.5 | 99.5 | 0.5 | 2,421 | 11.5 | 99.6 | 0.4 |
| Others (3) | 1,413 | 4.5 | 100.0 | - | 556 | 2.6 | 100.0 | 0.0 |
| **PRODUCTS** | **1,733** | **5.6^** | **2.9** | **97.1** | **3,751** | **17.8** | **48.0** | **52.0** |
| Applied learning products | 1,682 | 5.4 | - | 100.0 | 1,807 | 8.6 | 0.0 | 100.0 |
| Publications | 44 | 0.1 | 100.0 | - | 1,943 | 9.2 | 92.6 | 7.4 |
| Electronic dictionaries | 7 | # | 100.0 | - | 1 | # | 100.0 | 0.0 |
| **TOTAL** | **31,097** | **100.0** | **94.5** | **5.5** | **21,067** | **100.0** | **90.7** | **9.3** |

*Notes:*

^ *Total does not add-up due to rounding.*
\# *Insignificant proportion.*
*(1) Materials sourced from local stockists which may include a small proportion of imported materials.*
*(2) Include royalties based on contract as well as outright purchase of authors' works.*
*(3) Others include services such as cover finishing, typesetting, editing and illustration, copyright fees and service fees. During the peak period of production (from the month of May to August) which is mostly before the start of the new academic year, our Group does outsource some of the artwork and design activities due to the large quantities of books being published.*

For the FYE 31 August 2013 and FPE 28 February 2014, 94.5% and 90.7% of our purchases of materials, services and products were sourced from local suppliers respectively whilst the remaining 5.5% and 9.3% of our purchases of materials, services and products were sourced directly from overseas suppliers.

Please refer to Section 4.1.1 and Section 12.2.10(d) of this Prospectus for the impact of fluctuations in prices of materials.

**Purchases of Materials**

Materials purchased are mainly used in printing and production of our publications as well as printed access code cards for our online educational resources.

For our purchases of materials for the FYE 31 August 2013 and FPE 28 February 2014, paper and paperboard represented our largest proportion of purchases, which accounted for 43.9% and 42.8% of our total purchases of materials, services and products respectively. This was followed by packaging materials which accounted for 2.9% and 1.3% of our total purchases of materials, services and products for the FYE 31 August 2013 and FPE 28 February 2014 respectively. Printing plates and films accounted for 1.7% and 1.9% of our total purchases of materials, services and products for the FYE 31 August 2013 and FPE 28 February 2014 respectively.

**Purchases of Services**

Services generally include printing, royalties, cover finishing, typesetting, editing, illustration, copyright fees and service fees. These are mainly for:

- subcontracted services for printing and production;
- subcontracted services for third-party authors, editors and illustrators;
- fees paid for the rights to publish third parties' copyrighted materials;
- fees paid for the rights to translate and publish third parties' copyrighted materials; and
- fees paid to our technology partner for our online educational resources.

For the FYE 31 August 2013 and FPE 28 February 2014, printing services represented 22.8% and 22.1% of our total purchases of materials, services and products respectively. This was followed by royalties, which accounted for 18.5% and 11.5% of our total purchases of materials, services and products for the FYE 31 August 2013 and FPE 28 February 2014 respectively. Other services including cover finishing, typesetting, editing, illustration, copyright fees and service fees constitute 4.5% and 2.6% of our total purchases of materials, services and products for the FYE 31 August 2013 and FPE 28 February 2014 respectively.

**Purchases of Products**

Purchased products include applied learning products and publications for our distribution operations as well as electronic dictionaries. For the FYE 31 August 2013 and FPE 28 February 2014, applied learning products accounted for 5.4% and 8.6% of our total purchases of materials, services and products. This was followed by publications which accounted for 0.1% and 9.2% for the FYE 31 August 2013 and FPE 28 February 2014. Purchased of electronic dictionaries accounted for less than 0.1% of our total purchases of materials, services and products for the FYE 31 August 2013 and FPE 28 February 2014.

As at LPD, our Group has not experienced any shortage in the supply of raw materials as mentioned above.

## 6.6 TECHNOLOGY USED

The main technology that we use in our publishing business is focused on ICT in general and web-based technologies in particular. This is because we have a number of educational resources that are available online through our web portal.

Our web portal is designed, developed and maintained by us and our technology partner. In the process, our technology partner and us utilise general ICT and web-based technologies for the following:

**(a) System Development**

We use various software technological tools to develop our websites. These include using web-based programming languages, compilers, databases, graphical user interfaces and communications protocol. All these technologies are used to develop the software to store, manipulate and deliver data over communications networks to our customers.

**(b) Deployment of Data**

In the constantly evolving choices of electronic devices to access websites like ours, we have to utilise technologies that enable us to present data on various types of devices including desktop computers, notebooks, tablets and mobile devices. We will have to utilise various software technologies that will allow us to be compatible to various operating systems including Apple's Mac OS and Microsoft Windows for desktop computers and notebooks, and Google's Android, Apple's iOS and Microsoft Windows 8 operating system for mobile devices including smartphones and tablets.

**(c) Communications and Security**

Our primary access method to our websites is through the internet. As such, communications technologies like TCP/IP (Transmission Control Protocol/Internet Protocol) as well as hardware and software security technologies will need to be utilised. These security technologies include software based firewalls, anti-intrusion and monitoring systems, and hardware devices with embedded security software like firewalls, routers and hubs. They will have to be deployed and used prudently to provide seamless, fast and secured access to our websites.

**(d) Computing and Communications Hardware**

Our websites are hosted in our own processor hardware where server applications reside in them. As such, we utilise various hardware technologies for computer processing as well as communications. With our processor hardware, we have to optimise our investments in processors to provide a certain level of service, particularly in terms of speed of processing online requests, to ensure satisfactory customer experience. We also have to determine the optimum level of bandwidth to ensure satisfactory speed of communications between our websites and online customers.

**(e) Cloud Computing and Software-as-a-Service**

Cloud computing generally deals with the provision of ICT services through the internet where users do not need to own physical infrastructure or the software used for accessing our services. Cloud computing generally covers the use of one or more combination of processors, storage, software and platforms.

We use cloud computing technologies in our web based resources based on our SaaS model. SaaS refers to software for which a user pays a recurring fee for the continuing right to use the software, as opposed to making a single outright payment for the right to use the software on a permanent basis. The recurring fee may be charged based on usage or time periods for use of selected modules.

Our proprietary web-based educational resources including Bank Soalan, i-Learn, i-Teach and iPBS/iPS are delivered through the internet as a SaaS. They are developed for students or teachers and are developed based on the National School Curriculum.

## 6.7 PRODUCTION FACILITIES AND OPERATING CAPACITIES

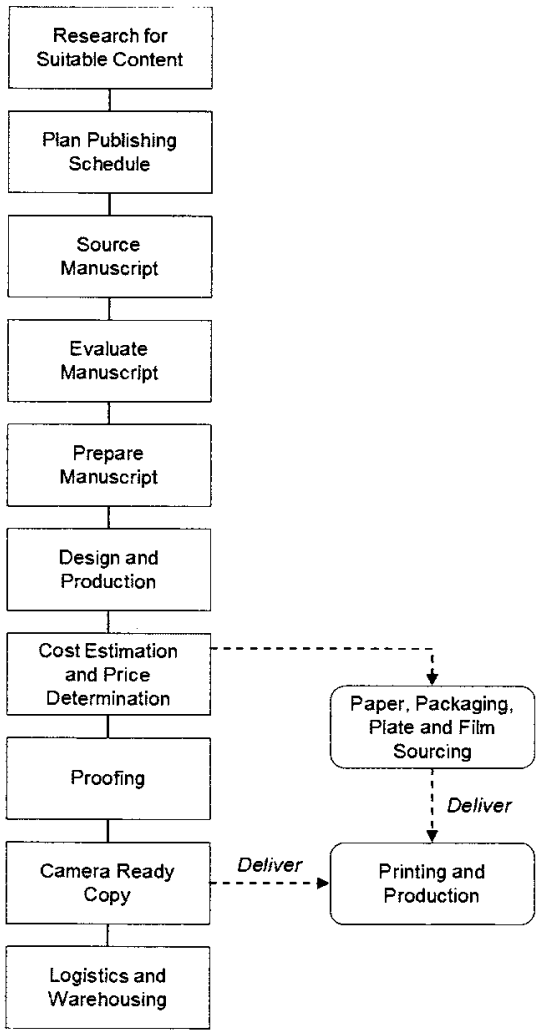
As our business is in the provision of services, for the FYE 31 August 2013 and FPE 28 February 2014, our Group did not utilise any major machinery and equipment for our operations.

However, we use computer hardware and software, particularly desktop publishing software, for our content development, editing, and artwork and design. As computer hardware and software are relatively low cost and easily available, they do not pose any capacity constraints to our business operations.

## 6.8 OUR BUSINESS AND OPERATION PROCESSES

### (a) Publishing of Printed Educational Materials

The process flow of our publishing of printed educational materials is illustrated as follows:



Our publishing process for printed educational materials begins with researching for suitable content for publication. It involves researching on the latest national curriculum requirements, obtaining market information and feedback from consumers.

After identifying and formulating the content, we commence planning of our publishing timeline as well as determining available resources and assigning jobs to the relevant departments and personnel.

Subsequent to the finalisation of our publishing schedule, we start with sourcing for manuscripts which either involves accepting non-commissioned manuscripts submitted by authors or commissioning external writers or allocate in-house staff for the drafting of manuscripts. If sourcing from external non-commission authors, we would discuss purchasing the publishing rights from them.

Once the draft manuscript has been submitted to us, we would evaluate the quality of the manuscripts. For external authors, we will negotiate with them on payment methods, either through royalties or outright purchase before entering into a contractual agreement.

We will then commence the preparation of the manuscripts starting with various editing works including, amongst others, mechanical and substantive editing, translations where required and modification of information to meet in-house requirements.

Once the editing work is completed, we will proceed to the design and production stage. Design involves, amongst others, book cover design, selection of font styles and sizes, paper and packaging specifications, insertions of illustrations, figures and diagrams. Manuscripts are then laid out into book form for cost estimation.

Cost estimation involves consideration of various elements, including the number of coloured and plain pages, types of packaging and paper to be used and number of copies to be produced during the print run. Following cost estimation, we would subsequently determine the selling price. We will then purchase the selected paper type, packaging materials, printing plates and films from our suppliers, which will be delivered to our printer for printing and production at a later stage.

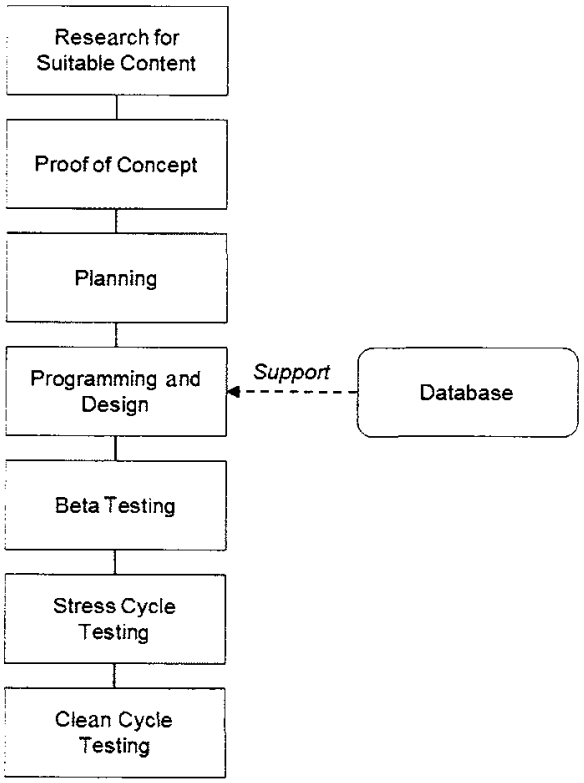
Prior to printing and production, we would undertake various stages of proof reading to vet through all the latest developments and amendments.

The final proof copy will be in portable document format (PDF), which is referred to as the camera ready copy. This will be delivered to our printer for printing.

Once the printing and production process is completed, our printers will then deliver the finished publications to our warehouse for storage. The publications will then be distributed from our warehouse to our customers' premises, either via our own trucks or a third party forwarder. Alternatively, some of our customers could also pick up the publications from our warehouse.

**(b) Publishing of Online Educational Materials**

The process flow of our publishing of online educational materials is illustrated as follows:




Our publishing process for online educational materials commences with research for suitable content, which involves researching on the latest national curriculum requirements, obtaining latest market information and feedback from consumers. We will also concurrently identify hardware requirements, system features and flow of system as well as determining functionality requirements.

This is followed by proof of concept, which involves writing a bare-bone programme to test the concept and undertake further modifications and improvements if required.

After proof of concept, we will start with the planning stage. This involves determining the resources required to develop the system and the scope of work as well as assigning the jobs to relevant departments and personnel.

Once the planning stage is completed, we will proceed to systems design and programming. Design incorporates designing the total system including user interfaces, data processing, database, access procedures, security and communications. Systems design also incorporates database design to optimise storage space and overall performance, and ensure data integrity. Programming includes writing, reusing or modifying existing codes to meet systems and functional specifications.

Once the system has been completed, the next step is to conduct beta testing. Beta testing involves selecting a group of users to use the system as much as possible and to record any problems. These problems are then fed back to the IT personnel for fixing and improvement. Beta testing is completed once the system is largely error free and our management is satisfied with the overall system.

This is followed by stress cycle testing where the testing involves simulation of high number of concurrent users and its effect on the overall performance of the system. Stress testing will enable IT personnel to determine at what stage of usage the systems will require additional resources, like processing power, storage devices and bandwidth, or to have mirror sites.

The final stage of testing involves clean cycle testing. This process is to ensure that all functions of the system are working as planned and intended prior to product launching and promotion.

## 6.9 QUALITY ASSURANCE

We place emphasis on our product quality. In general, our Group adopts the following approaches and measures in our operations:

- Source manuscripts from experienced teachers, lecturers and examiners for National School Curriculum based educational materials;
- Undertake research to ensure accuracy of the contents in the manuscripts acquired as well as contents developed in-house;
- Undertake proof reading prior to production and printing;
- Undertake pre-press proofing to verify accuracy of the press prior to the final press run and printing;
- Undertake various stages of testing on our software system to eliminate errors and bugs;
- Continuously keep abreast of any changes in the National School Curriculum to incorporate any revisions into our publications;
- Use syllabuses published by the Ministry of Education, prescribed textbooks and actual past year examination papers as reference materials for development of National School Curriculum based educational materials;
- Engage printers with proven track record; and
- Obtain feedback from schools and teachers pertaining to the quality of our publications.

## 6.10 MARKETING AND DISTRIBUTION

### (a) Marketing Strategies

Our marketing strategies are as follows:

- Position ourselves as an educational publishing house focusing on producing quality National School Curriculum based educational materials, online educational resources and supplementary educational materials;
- To complement our educational publishing business by providing applied learning products to encourage hands-on learning for students;
- Continue to provide excellence in product quality with the aim of developing a long-term business relationship with customers;
- Continue to improve on our product range in print and online publishing to meet the demands for educational resources;
- Continue to expand on our distribution network and ensure a wide market coverage through the use of intermediaries whilst cultivating long-term strategic partnerships including retail bookstores, dealers, wholesalers, the Ministry of Education, schools and publishers; and
- Market and promote our products directly to schools and teachers to create brand and product awareness whilst obtaining feedback for continuous product improvement.

To implement our marketing strategy, we have our own sales and marketing team comprising 53 personnel (including managers and directors) as at LPD.

As part of our marketing strategy, we also participate in book fairs and exhibitions as exhibitor to create product awareness. Some of these events that we have participated on an annual basis are listed as follows:

**Our Participation in Book Fairs and Exhibitions**

| Annually | Names Of Events | Location |
|---|---|---|
| Since 1990 | Kuala Lumpur International Bookfair | Kuala Lumpur |
| Since 2005 | Pesta Buku Kelantan | Kota Bahru |
| Since 2007 | BookFest @ Malaysia – Popular | Kuala Lumpur |
| Since 2008 | Pesta Buku Terengganu<br>Pesta Buku Melaka | Kuala Terengganu<br>Ayer Keroh |
| Since 2009 | Karnival Hari Guru Kebangsaan | Various locations in Malaysia |

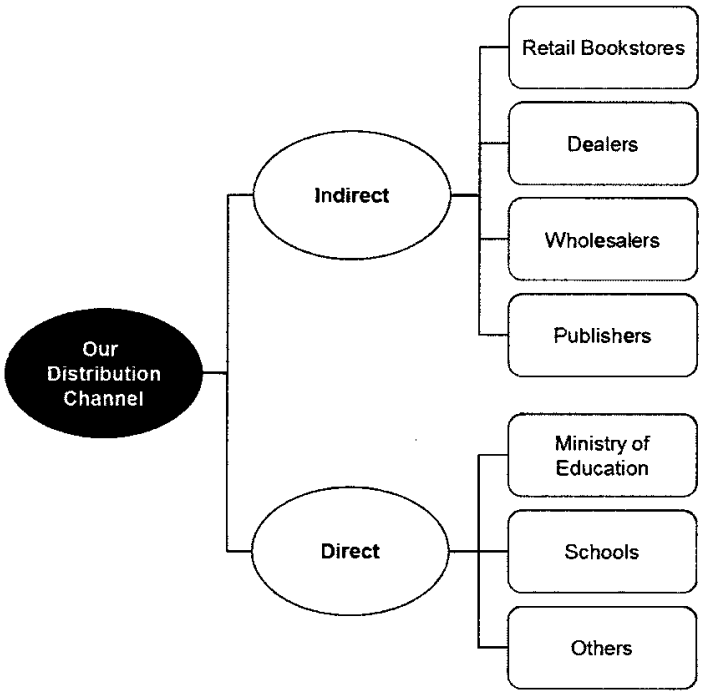
We have also been organising the National Robotics Competition and FIRST LEGO League Competition on an annual basis in Malaysia since 2005 and 2010 respectively.

In 2012, we also co-organised the World Robot Olympiad 2012 in Malaysia, together with the Government of Malaysia, and our Group incurred cost of approximately RM0.5 million for the event. The World Robot Olympiad is a worldwide robotics competition, and the competition held in Kuala Lumpur was the largest in the history of the World Robot Olympiad as at 21 February 2013.

These competitions also help us to raise our profile whilst creating market and product awareness.

**(b) Distribution Network**

We adopt a combination of indirect and direct distribution channel strategy:




Our Group's revenue contributions by distribution network for FYE 31 August 2013 and FPE 28 February 2014 are as follows:

| Revenue | <——FYE 31 August 2013——> | | | <——FPE 28 February 2014——> | | |
|---|---|---|---|---|---|---|
| | No. of customers | RM'000 | Proportion of Total Revenue % | No. of customers | RM'000 | Proportion of Total Revenue % |
| Retail bookstores | 133 | 13,299 | 17.1 | 87 | 6,291 | 14.3 |
| Dealers | 576 | 46,902 | 60.2 | 402 | 32,274 | 73.4 |
| Wholesalers | 3 | 1,831 | 2.3 | 3 | 1,276 | 2.9 |
| Publishers | 2 | 4,130 | 5.3 | 1 | 1,460 | 3.3 |
| Ministry of Education | 1 | 5,134 | 6.6 | 1 | 443 | 1.0 |
| Schools | 646 | 1,871 | 2.4 | 115 | 595 | 1.4 |
| Others* | 21 [(1)] | 4,797 | 6.2 | 15[(1)] | 1,651 | 3.8 |
| | **1,382** | **77,964** | **100.0^** | **624** | **43,992^** | **100.0^** |

*Notes:*

^ *Total does not add-up due to rounding.*
* *Others include, amongst others, educational training and learning centres and general public who make direct purchase from us during book fairs and exhibitions or place orders directly via our websites as well as walk-in customers who make purchases from our office.*
*(1)* *This only includes educational training and learning centres.*

**(i) Indirect Distribution Channel**

We mainly adopt an indirect distribution strategy to enable us to utilise the existing networks of intermediaries and ensure market coverage for our products. Using intermediaries minimise our resources in terms of finance and personnel in creating our own distribution network. The intermediaries include retail bookstores, dealers and wholesalers as well as third party publishers. For the FYE 31 August 2013 and FPE 28 February 2014, we had approximately 710 and 490 active customers who are intermediaries located mainly in Malaysia respectively.

**(ii) Direct Distribution Channel**

We also utilise direct distribution strategy, which is performed through our own sales and marketing team, focusing on selling our products directly to end-user customers. Our end-user customers are mainly the Ministry of Education, schools and others, include amongst others, educational training and learning centres and general consumers. General consumers are those who make purchase or place orders directly via our websites, and during book fairs and exhibitions, as well as for those walk-in customers who make purchases from our office.

**(c) Sales Return Policy**

Our Group has in place a sales return policy which generally includes, amongst others, the following:

- Stocks are returned with the Goods Return Notes (GRN) provided by us after approval from our management;
- Stocks to be returned must be within:
  (i) 12 months after the release of a new edition; or
  (ii) 12 months after becoming out of print,
  whichever is earlier;
- Stocks are returned in good condition and without price tags;
- Stocks are returned due to manufacturing defects;
- Stocks are returned due to damages during delivery; and
- The returning stocks must arrive at our Group's warehouse within the specified time frame agreed by our management.

Notwithstanding the above, all sales returns would need to obtain our management's approval. The approval is at the discretion of our management and our management will take into account the impact on the business relationship with the respective customer before granting the approval.

## 6.11 RESEARCH AND DEVELOPMENT

Our research and development ("**R&D**") activities are primarily related to the development of online educational resources. Our R&D is focused on the following areas:

- Development of new online educational resources including software, tools, database and online web-portal; and
- Enhancement of existing online educational resources such as i-Teach and i-Learn:
  - i-Teach will be further developed to include the following:
    - additional features for our learning management systems such as teacher and student interactivities as well as homework assignments; and
    - additional tools for our lesson plans creation module to further assist teachers in their creation of lesson plans.
  - i-Learn will be further developed to include the following:
    - additional subjects; and
    - additional educational games.

Through the R&D activities listed above, we aim to realise the following benefits:

- Increase revenue and profitability;
- Sustain and grow our business;
- Sustain competitive advantages and key strengths; and
- Increase our customers' satisfaction.

We undertake R&D together with our technology partner. In addition to relying on our technology partner, we also carry out product development activities at our office located at Kota Damansara, Selangor Darul Ehsan.

We are responsible for part of the programming and the development of concept (e.g. what the product usage is and who the target market is), function, educational content and marketing of the finished products. Our technology partner is prohibited from developing competitive products with third parties as we outsource certain sections of programming and designing works, product testing, technical support, product demonstrations and training support to the technology partner. As such, we are required to pay our technology partner an amount based on an agreed term (i.e. a predetermined amount based on the eventual selling price of the online product for a predetermined number of online products sold).

Upon completion of the development of these online educational products, we have full ownership of them, bearing our logo/trademark and sales of these online products are recognised fully by us.

The equipment used by our technology partner and us to carry out our product development activities consists of general ICT hardware and software. Thus would include, amongst others:

**(i) Hardware**

- Intel Xeon Processor;
- SATA Hard Disk Drives (4 units);
- PERC H700 RAID (redundant array of independent disks) Controller Card with RAID 5 configuration;
- 100Mbps Network Port;
- Firewall device; and
- NAS (Network-attached Storage) as data backup system.

**(ii) Software**

- Windows Server;
- Windows IIS (Internet Information Server);
- Apache Web Server with PHP (Hypertext Preprocessor) Language Support;
- Microsoft SQL (Structured Query Language) Express;
- Oracle MySQL Database;
- Windows Remote Desktop Administrator Access;
- FTP (File Transfer Protocol) Server Software;
- Adobe Dreamweaver;
- Adobe Illustrator;
- Adobe Photoshop;
- Microsoft Office (Word, Excel);
- Javascript;
- PHP (Hypertext Processor);
- XHTML (Extensible Hypertext Markup Language);
- XML (Extensible Markup Language);
- CodeIgniter;
- JQuery; and
- CSS (Cascading Style Sheets).

As at LPD, we have three (3) programmers and three (3) editors engaged in product development activities. Going forward, we intend to hire more manpower in product development activities.

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## 6. BUSINESS OVERVIEW *(Cont'd)*

Our expenditure on research and developmcnt ("**R&D**") activities for the FYE August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014 was as follows:

| | < FYE 31 August > | | | | | | | | FPE 28 February | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | |
| | RM '000 | % of Total Revenue | RM '000 | % of Total Revenue | RM '000 | % of Total Revenue | RM '000 | % of Total Revenue | RM '000 | % of Total Revenue |
| R&D expenditure | 110 | 0.2 | 93 | 0.2 | 63 | 0.1 | 4 | # | 1 | # |

*Note:*

\# *Insignificant proportion.*

## 6.12 MAJOR CUSTOMERS

Our major customer (i.e. who has contributed 10.0% or more of our total revenue) for the past four (4) FYE 31August 2010 to 2013 and FPE 28 February 2014:

| Customers | Approximate Length of relationship (years) | < FYE 31 August > | | | | | | | | FPE 28 February | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | |
| | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Total Revenue** | - | 47,012 | 100.0 | 59,961 | 100.0 | 64,821 | 100.0 | 77,964 | 100.0 | 43,992 | 100.0 |
| Popular Book Co. (Malaysia) Sdn Bhd | 28 | 4,367 | 9.3 | 5,610 | 9.4 | 6,672 | 10.3 | 8,057 | 10.3 | 3,550 | 8.1 |

We are dependcnt on Popular Book Co. (Malaysia) Sdn Bhd by virtue of its contribution of more than 10.0% to our total revenue for FYE 31 August 2013.

The following factors mitigatc against our Group's dependeney on Popular Book Co. (Malaysia) Sdn Bhd:

- Popular Book Co. (Malaysia) Sdn Bhd has been dealing with our Group for approximately 28 years, which indicates a stable and long term business relationship with them; and
- Our large customer base of approximately 1,380 and 620 active customers, for FYE 31 August 2013 and FPE 28 February 2014 respeetively, helps to reduce our dependency on Popular Book Co. (Malaysia) Sdn Bhd.

Please refer to Section 4.1.3 of this Prospectus for further details on risk on dependeney on our major customcrs.

## 6.13 MAJOR SUPPLIERS

Our major suppliers (i.e. those who have contributed 10.0% or more of our total purchases) over the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 are as follows:

| Supplier | Type of Materials Purchased | Approximate Length of Relationship years | <---------- FYE 31 August ----------> 2010 | | 2011 | | 2012 | | 2013 | | FPE 28 February 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Total Purchases of Materials, Services and Products** | - | - | 26,689 | 100.0 | 33,119 | 100.0 | 34,579 | 100.0 | 31,097 | 100.0 | 21,067 | 100.0 |
| Singa Trading (Malaysia) Sdn Bhd | Paper | 29 | 5,978 | 22.4 | 3,590 | 10.8 | 13,820 | 40.0 | 9,180 | 29.5 | 4,759 | 22.6 |
| Etamax Sdn Bhd | Paper | 23 | 1,558 | 5.8 | 2,409 | 7.3 | 869 | 2.5 | 1,268 | 4.1 | 2,750 | 13.1 |
| Modern Alpine Sdn Bhd | Paper | 11 | 2,690 | 10.1 | 4,195 | 12.7 | 39 | 0.1 | 4 | # | - | - |
| Pearson Malaysia Sdn Bhd | Paper and Stocks of educational materials | 1 | - | - | - | - | - | - | - | - | 2,198 | 10.4 |

***Note:***

*# Insignificant proportion.*

Our top supplier namely Singa Trading (Malaysia) Sdn Bhd contributed 22.4%, 10.8%, 40.0%, 29.5% and 22.6% of our total purchases of materials, services and products for the FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014 respectively. Etamax Sdn Bhd, which also supplies paper to our Group, contributed 13.1% of our total purchases of materials, services and products for FPE 28 February 2014, while its contributions to our total purchases of materials, services and products for FYE 31 August 2010, 2011, 2012 and 2013 were 5.8%, 7.3%, 2.5% and 4.1% respectively. In addition, Modern Alpine Sdn Bhd was also one of our major suppliers of paper as it contributed 10.1% and 12.7% of our total purchases of materials, services and products for the FYE 31 August 2010 and 2011 respectively. The contribution from Modern Alpine Sdn Bhd in FYE 31 August 2012 and 2013 had, however been reduced to 0.1% and 0.01% of our total purchases of materials, services and products respectively. We did not purchase any paper from Modern Alpine Sdn Bhd for FPE 28 February 2014.

## 6. BUSINESS OVERVIEW *(Cont'd)*

We have been dealing with Singa Trading (Malaysia) Sdn Bhd and Etamax Sdn Bhd for approximately 29 and 23 years respectively. This indicates a stable and continuing business relationship with Singa Trading (Malaysia) Sdn Bhd and Etamax Sdn Bhd. In addition, it is also our strategy to undertake bulk purchase of paper from these suppliers to obtain bulk discounts.

Our reliance on Singa Trading (Malaysia) Sdn Bhd and Etamax Sdn Bhd is also mitigated by the fact that we also purchase paper from other suppliers such as Kertas Krafik Sdn Bhd and Intrapac Trading (M) Sdn Bhd. This indicates that we have ready access to other suppliers of paper should there be a need to purchase from alternative suppliers.

The purchase from Pearson Malaysia amounting to RM2.2 million was a one (1) off transaction in relation to the acquisition of stocks of educational materials for approximately RM1.6 million and paper for approximately RM0.6 million in conjunction with the acquisition of the publishing rights and production files for a list of titles from Pearson Malaysia. Please refer to Section 5.1 of this Prospectus for further details on the acquisition of the publishing rights and production files for a list of titles from Pearson Malaysia.

Please refer to Section 4.1.2 of this Prospectus for further details on risk on dependency on our major suppliers.

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## 6.14 MAJOR LICENCES, PERMITS AND REGISTRATIONS

### 6.14.1 Material Licences for Business Operations

The major lieences issued to our Group to enable us to operate our business as at LPD are summarised below:-

| Company | Issuing Authority | Type of Licences | Issue Date/ Validity Period | Salient Conditions | Status of Compliance |
|---|---|---|---|---|---|
| Sasbadi | Ministry of Finance | Registration Certificate issued by the Ministry of Finance pursuant to the Financial Procedure Act 1957, Treasury Instructions 166.1, 166.2(i), 166.2(ix), 166.2(x), 184.2, 184.3 and Treasury Circular Letter Bil 6. Year 2010 in relation to the tender/procurement of government contract for the supply of services/products under the scope of the Business Category ("Kod Bidang"), listed below.<br><br>Registration No. 357-00053177<br><br>Certificate No. K1973825637925827<br><br>Business Category / Business Category Code/Kod Bidang<br>Reading Material / 010102<br>Education Kit / 010601<br>Education Material / 010602<br>Office Machine and Accessory / 020201 | 26.09. 2011/ From 26.09.2011 to 25.09.2014 | 1. Any changes to the information provided to MOF must be made online within 21 days from the date of change.<br><br>2. The company must ensure that the category in which it is registered does not coincide with the categories which have been approved for other companies which have the same owner or board of directors and management or which operate in the same premises.<br><br>3. A newly registered company is not allowed to make any changes to its owner/shareholder or directors within 6 months from the date of registration.<br><br>4. The registration may be suspended/revoked if it is discovered that: | Complied<br><br>Complied<br><br>Complied |

## 6. BUSINESS OVERVIEW *(Cont'd)*

| Company | Issuing Authority | Type of Licences | | Issue Date/ Validity Period | Salient Conditions | Status of Compliance |
|---|---|---|---|---|---|---|
| | | Stationery (does not include form and all kind of paper) | 020601 | | (a) The company/owner/ partner/director/any member of management team is involved in illegal/criminal activities and is charged and found guilty by the courts in Malaysia or abroad or is facing any civil liability. | Complied |
| | | Clothing | 020801 | | | |
| | | Clothing Equipment | 020802 | | | |
| | | Sports Clothing and Accessory | 030101 | | | |
| | | Souvenir and Gift | 030201 | | (b) The company withdraws an offer before a tender is considered or rejects after the offer has been made. | Complied |
| | | Musical Instruments and Accessory | 030301 | | | |
| | | Sports Equipment | 030501 | | | |
| | | Laboratory Equipment and Accessory | 060501 | | (c) The company fails to perform the contracts signed with the Government. | Complied |
| | | All Measuring Equipment | 100101 | | (d) The company is found to amend the Registration Certificate for fraud or other purposes. | Complied |
| | | Hardware (Low End Technology) | 210101 | | | |
| | | Computer Software, Operating System, Database, Off-The-Shelf Packages Including Maintenance | 210103 | | (e) The Registration Certificate is misused by another individual/company. | Complied |
| | | Multimedia Products, Services and Maintenance | 210108 | | | |
| | | Professional Staff – Does not include Consultancy Service | 221101 | | (f) The company is found to be involved in price fixing with other companies before bidding. | Complied |
| | | Semi-Professional Staff – Does not include Consultancy Service | 221102 | | 5. The company has to submit the renewal application 3 months before the expiry of the validity period. | Complied |

## 6. BUSINESS OVERVIEW *(Cont'd)*

| Company | Issuing Authority | Type of Licences | | Issue Date/ Validity Period | Salient Conditions | Status of Compliance |
|---|---|---|---|---|---|---|
| | | Training and Teaching Service and Moderator/Negotiator | 221110 | | | |
| | | Preparation of Stage/Exhibition, Show and Amusement Park | 221305 | | | |
| | | Hospital and Laboratory Equipment | 221508 | | | |
| | | Translation | 222006 | | | |
| | | Intellectual Property Right (Patent) | 222008 | | | |
| | | Certification and Recognition | 222704 | | | |

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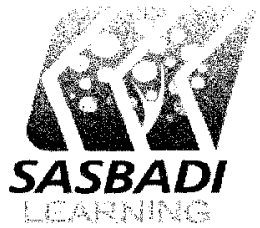
## 6. BUSINESS OVERVIEW *(Cont'd)*

### 6.15 INTELLECTUAL PROPERTY RIGHTS

As at the LPD, our Group has applied for the registration of the following trademarks at MyIPO:

| Trademark Logo | Registrant | Class No. | Application No. | Status of Application as at LPD |
|---|---|---|---|---|
| SASBADI | Sasbadi | 16 | 2013006449 | Approved. Pending the issuance of the certificate of registration. |
| | | 41 | 2013006446 | The trade mark is registered for a period of 10 years from 7 May 2013 to 7 May 2023. |
| MAYA PRESS | Maya Press | 16 | 2013006448 | The trade mark is registered for a period of 10 years from 7 May 2013 to 7 May 2023. |
| | | 41 | 2013006452 | Approved. Pending the issuance of the certificate of registration. |
| orbit buku | Orbit Buku | 16 | 2013006447 | Approved. Pending the issuance of the certificate of registration. |
| | | 41 | 2013006453 | The trade mark is registered for a period of 10 years from 7 May 2013 to 7 May 2023. |
| SASBADI ONLINE | Sasbadi Online | 16 | 2013006451 | Approved. Pending the issuance of the certificate of registration. |
| | | 41 | 2013006450 | The trade mark is registered for a period of 10 years from 7 May 2013 to 7 May 2023. |

## 6. BUSINESS OVERVIEW *(Cont'd)*

| Trademark Logo | Registrant | Class No. | Application No. | Status of Application as at LPD |
|---|---|---|---|---|
|  | Sasbadi Learning Solutions | 16<br>28<br>41 | 2014057557<br>2014057560<br>2014057563 | Filed on 23 May 2014. Pending reply from the registrar of trademarks at MyIPO. |
|  | MBP Publications | 16<br>41 | 2014057547<br>2014057553 | Filed on 23 May 2014. Pending reply from the registrar of trademarks at MyIPO. |

***Notes:***

*Class 16 of the Nice Classification for trademarks includes "Paper, cardboard and goods made from these materials, not included in other classes; posters, publications, namely, textbooks, study guides, revision guides, user manuals, instruction guides, reference guides and books computer systems and computer programs, bookbinding material, photographs, diaries, brochures, manuals, catalogues, calendars, charts, posters, stickers, printed matter; advertising and publicity materials, instructional, stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks, all included in class 16."*

*Class 28 of the Nice Classification for trademarks includes "Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees"*

*Class 41 of the Nice Classification for trademarks includes"Entertainment and education services; film production services; game services provided on-line from a computer network; microfilming; production of radio and television programmes; videotape film production; providing on-line electronic publications; not downloadable, production of shows; television entertainment; videotape editing; videotaping; production of audio-visual presentations; production of documentaries; production of graphical cine-film clips; computer assisted education services; education services relating to entertainment or education, provided on-line from a computer database on the internet; instruction in the design, development, installation, maintenance, repair and use of computers; organisation of computer related training courses; provision of games by means of a computer based system; providing digital music (not downloadable) from MP3 internet websites providing digital music (not downloadable) from the internet; electronic games services provided by means on the internet; production of animated cartoons, cine-film chips and programmes; advisory, information and consultancy services relating to all the aforesaid; all included in class 41."*

In addition, our Group possesses the copyright to the published versions of titles based on manuscripts written by our authors. This is so because our Group contributes value-add contents such as editing, artwork and design to our published titles. The individual authors retain the copyright to their respective original manuscripts from which contents of our titles are based. It is our Group's policy to require all the authors, who contribute to the contents of titles that we publish, to assign to us their entitlement to the copyright of the published versions of our Group's titles in whole, throughout the world, and for the whole legal term of copyright under the Copyright Act 1987 of Malaysia, which lasts for the entire lifetime of the author plus an additional 50 years thereon.

Typically, our Group pays royalty to our external authors within the range of 7.0% and 12.0% per title based on the published price of our Group's published titles that are sold. Our Group also pays a fixed amount of fee to external authors for commissioned works and no royalty is paid for such works. Where else, our in-house authors are paid a fixed amount of salary and no royalty is paid to them.

So long as the agreement between our Group and the authors are subsisting, the authors shall not make any assignments of the right to print and publish their work throughout the world or grant any licence to print and publish their work or any part thereof throughout the world without our Group's written consent.

The authors shall also not write or edit a competitive work for any other publishers and shall not publish such a work himself for so long as their work is still in current publication by our Group.

In September 2013, our Group has also acquired from Pearson Malaysia the publishing rights and production files for a list of titles consisting mainly of National School Curriculum based educational materials (i.e. revision guides, workbooks, assessment books and model test papers). Our Group is allowed until 31 March 2014 to reprint the titles acquired under the Pearson brand and to continue to sell the reprinted/acquired Pearson branded stocks until 31 December 2014. All stocks printed after 31 March 2014 are to be branded under our Group. Similarly, our Group possesses the copyright to (i) some of the published versions of titles based on manuscripts written by the authors as our Group contributes value-add contents such as editing, artwork and design to the published titles and pays royalties of between 4.0% and 12.0%; and (ii) some of the published versions of the titles which copyright was purchased outright from Pearson.

## 6.16 DEPENDENCY ON PATENTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS

### 6.16.1 Dependency on Intellectual Property Rights

As at LPD, save as disclosed in Section 6.15 of this Prospectus, our Group is not dependent on any patents or intellectual property rights for our business operations.

### 6.16.2 Dependency on Major Licences

As at LPD, save as disclosed in Section 6.14 of this Prospectus, our Group is not dependent on any major licences, for our business operations.

### 6.16.3 Dependency on Industrial, Commercial and Financial Contracts

As at LPD, our Group is not highly dependent on any material contracts or agreements including industrial, commercial and financial contracts, which are material to our business or profitability.

## 6. BUSINESS OVERVIEW *(Cont'd)*

### 6.17 LAND AND BUILDINGS

#### 6.17.1 Own Properties

As at LPD, our Group owns the following properties:

| Registered/ Beneficial Owner | Title/Address | Description/ Existing Use | Tenure | Encumbrances | Land/ Built –up Areas (sq. ft.) | Audited NBV as at 28 February 2014 (RM'000) | Market value (RM'000)# | Issuance Date of Certificate of Fitness for Occupation / Certificate of Completion and Compliance |
|---|---|---|---|---|---|---|---|---|
| Sasbadi | Registered lease over all that piece of leasehold industrial land held under Title No. HS(D) 241020, Lot PT 9909, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan, bearing postal address at Lot No.12, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan ("**Property 1**") | Industrial land erected upon with a single storey warehouse building with a three (3) storey office cum internal warehouse building annex/ Industrial warehouse and office | Registered lease 60 years (from 22.11.2001 to 21.11.2061) | First Part 1st Legal Charge in favour of Alliance Bank Malaysia Berhad | 105,562^/ 76,945 | 23,269 | 26,000 | 17.01.2007 |

## 6. BUSINESS OVERVIEW *(Cont'd)*

| Registered/ Beneficial Owner | Title/Address | Description/ Existing Use | Tenure | Encumbrances | Land/ Built-up Areas (sq. ft.) | Audited NBV as at 28 February 2014 (RM'000) | Market value (RM'000)# | Issuance Date of Certificate of Fitness for Occupation / Certificate of Completion and Compliance |
|---|---|---|---|---|---|---|---|---|
| Sasbadi | Developer's Parcel No. C3-10-5P-3F known as Unit No. 5P, Type No. 3F, Floor No. 10, Building No. C3, PD World Marina International Resort, Phase 3 (Bay View Villas) together with an accessory parcel car park bay erected on part of land held under Master Title No.Pajakan Negeri 11589, Lot 1311, Pekan Teluk Kemang, District of Port Dickson, State of Negeri Sembilan Darul Khusus, bearing postal address at Unit No. C-10-5, Block C, Bay View Villas, PD World Marina International Resort, 6th Mile Jalan Pantai, Teluk Kemang, 71050 Port Dickson, Negeri Sembilan Darul Khusus ("**Property 2**") | Three (3) bedroom apartment/ Apartment (currently unoccupied) | Leaschold (99 years expiring on 17.12.2101) | None | Not Applicable/ 1,278* | 84 | 85 | 14.05.1999 |

## 6. BUSINESS OVERVIEW *(Cont'd)*

| Registered/ Beneficial Owner | Title/Address | Description/ Existing Use | Tenure | Encumbrances | Land/ Built-up Areas (sq. ft.) | Audited NBV as at 28 February 2014 (RM'000) | Market value (RM'000)# | Issuance Date of Certificate of Fitness for Occupation / Certificate of Completion and Compliance |
|---|---|---|---|---|---|---|---|---|
| Sasbadi | Developer's Parcel No. B1-2, 1st Floor known as Unit No. B1-2, erected on part of land held under Master Title No. Pajakan Negeri 20121, Lot 5627, Mukim of Si Rusa, District of Port Dickson, State of Negeri Sembilan Darul Khusus, bearing postal address at Unit No. B1-2, Block B, The Regency Tanjung Tuan Beach Resort, 5th Mile, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus ("**Property 3**") | Two (2) bedroom apartment/ Holiday apartment | Leaschold (99 years expiring on 13.05.2081) | None | Not Applicable/ 969* | 208 | 215 | 27.10.1986 |

*Notes:*

\# *Based on the updated valuation on 25 April 2014 and 28 April 2014 prepared by our Independent Property Valuer.*
^ *Land area as stated on the title document to the relevant property.*
* *Conversion of original measurements for properties in square meters (sq. m.) to square feet (sq. ft.) at 1 sq. m. = 10.7639 sq. ft.*

The properties listed above have been valued by our Independent Property Valuer on 12 December 2012 and 18 December 2012, and an updated valuation was carried out on 25 April 2014 and 28 April 2014. Please refer to Section 14 of this Prospectus for the valuation certificates from the Independent Property Valuer in relation to the valuation of the above properties. The revaluation surplus based on the valuation carried out on 12 December 2012 and 18 December 2012 was incorporated in the financial statements for FYE 31 August 2012, whilst the revaluation surplus based on the updated valuation carried out on 25 April 2014 and 28 April 2014 was not incorporated in the financial statements of our Group for FPE 28 February 2014.

### 6.17.2 Regulatory Requirements and Environmental Issue

Our Directors wish to highlight that, as at the LPD, there is no non-compliance with all the regulatory requirements and environmental issues which may materially affect our Group's operations and utilisation of properties owned by our Group.

### 6.17.3 Interruptions to Business and Operations

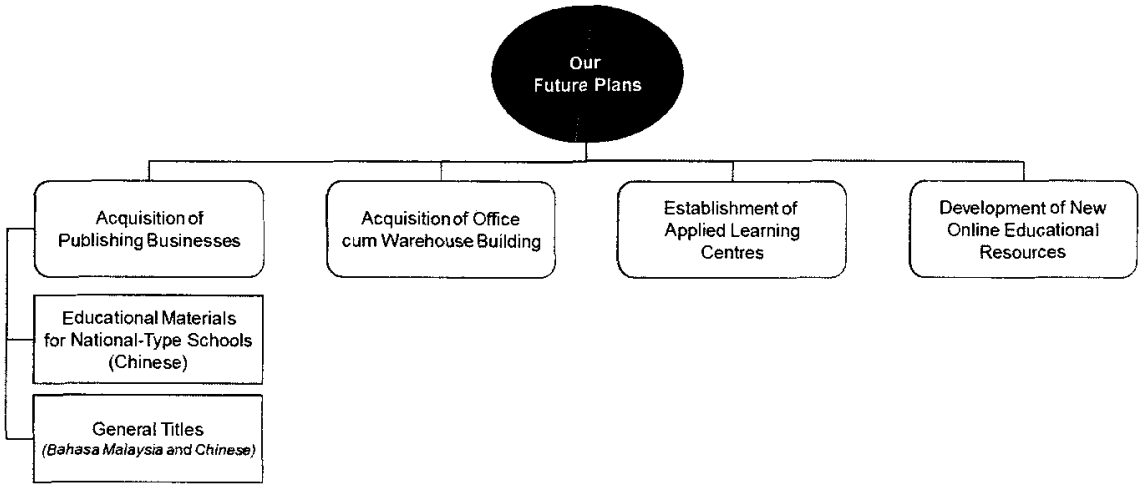
We have not experienced any material interruption in business which had a significant effect on our operations during the past twelve (12) months preceding the LPD.

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## 6.18 FUTURE PLANS, STRATEGIES AND PROSPECTS

### 6.18.1 Future Plans and Strategies

Our future plans are focused in four (4) key areas as depicted in the figure below:




**(i) Acquisition of Publishing Businesses**

**(a) Educational Materials for National-Type Schools (Chinese)**

We have been publishing National School Curriculum based educational materials mainly in Bahasa Malaysia and English to cater for national schools. One of our future plans is to acquire into a publishing business that focuses on educational materials for national-type schools (Chinese).

**(b) General Titles (in Bahasa Malaysia and Chinese)**

In addition, we also intend to acquire a publishing business focusing on general titles in Bahasa Malaysia and Chinese. Through the new publishing business, we intend to publish general titles focusing mainly on self-development, personal interests and hobbies as well as fiction and non-fiction materials in Bahasa Malaysia and Chinese. In 2013, the market size for general titles in Malaysia was approximately RM260.0 million based on apparent consumption *(Source: Department of Statistics and computed by Vital Factor)*.

As at LPD, our Group has not entered into any active discussion or negotiation to acquire any of the said publishing businesses. The final costs of the acquisition are dependent upon, amongst others, earnings potential, market reputation, brand names and future prospects of the businesses. The exact terms will only be finalised after negotiation and upon agreement with potential vendors.

We plan to utilise RM11.5 million from our IPO proceeds for part-financing of the acquisition of the above publishing businesses within 24 months from the date of listing. Any additional funding required will be met through internally generated funds and/or external funding.

**(ii) Acquisition of Office cum Warehouse Building**

As part of our business expansion plan, we intend to acquire another office cum warehouse building with a built-up area of approximately 10,000 sq. ft. in the Klang Valley to provide additional space to cater for our Group's business expansion, which, includes amongst others, expanding our editorial team as well as increasing the storage area to cater for additional publications as a result of our anticipated business growth as mentioned in Section 6.18.1(i) of this Prospectus, as our current office cum warehouse building located in Kota Damansara does not have sufficient space to cater for the business expansion plan. As at LPD, we have yet to identify a suitable property for this purpose.

We plan to utilise RM7.0 million from our IPO proceeds for the acquisition of the office cum warehouse building within 24 months from the date of listing. Should more funds be required, it will be met through internally generated funds and/or external funding.

**(iii) Establishment of Applied Learning Centres**

Our Group is currently engaged in the distribution of a range of applied learning products. This is mainly for third party brands. Part of our future plans is to establish applied learning centres in areas of high pedestrian traffic and easy accessibility, such as shopping malls, to provide training and education to young children primarily aged between four (4) and twelve (12) years old. The training and education is expected to focus on science, mathematics and technology by using robotics and children's educational development products which will be conducted or supervised by experienced teachers and trainers. The establishment of applied learning centres is expected to enhance market awareness of the "Sasbadi" brand name and to promote that our Group is also involved in innovative educational materials.

We plan to set-up two (2) applied learning centres within 24 months from the date of listing. However, as this is still in the preliminary stages, we have yet to identify any suitable location for the setting-up of the applied learning centres nor hire any teachers or trainers for the centres. We plan to utilise RM1.0 million from our IPO proceeds for the establishment of the two (2) applied learning centres, which involves renovation of the centres, purchase of furniture and fittings, and equipment as well as purchase of educational resources (e.g. robotics products). Should more funds be required, it will be met through internally generated funds and/ or external funding. Depending on the market response to the two (2) applied learning centres, we may establish more applied learning centres throughout Malaysia in the future.

**(iv) Development of New Online Educational Resources**

Our Group currently has six (6) types of online educational resources, namely Bank Soalan (Instant Assessment Generator), i-Learn, i-Teach, iPBS/iPS, Mind-Map and MEET as disclosed in Section 6.2.1.2 of this Prospectus.

In addition, our Group continually undertakes development of other new online educational resources to cater to teaching and learning of various skills such as listening, thinking and speaking.

We plan to utilise internally generated funds for the development of our new online educational resources.

### 6.18.2 Prospects

The prospects of our Group are dependent on the following factors:

- 29 years in the publishing business;
- Sustainable business performance;
- Competitive advantages and key strengths;
- Future plans to provide sustainable growth; and
- Industry prospects and outlook.

#### (i) 29 Years in the Publishing Business

Our Group has a proven track record as a publisher of educational materials in Malaysia since we began operations in 1985. We have grown from a small publishing house to become one of the most established publishers in Malaysia with revenue of RM78.0 million for FYE 31 August 2013. Our long established track record demonstrates our business resilience and sustainability, which will form the basis for our continuing growth.

In addition, our 'Sasbadi' brand has been in the market since our first publication in 1985. As such, we are able to enjoy brand awareness among students and teachers as well as parents who were once users of our educational materials.

Our business performance is further substantiated by the fact that, over our 29 years of operations, we have published approximately 11,460 titles. We sold approximately 56 million copies of publications for the past four and a half ($4^1/_2$) financial years between FYE 31 August 2010 and FPE 28 February 2014.

In addition, we have also built an extensive distribution network over the past 29 years. This is supported by the fact that in FYE 31 August 2013 and FPE 28 February 2014, our products were directly distributed to approximately 130 and 90 retail bookstore customers operating approximately 200 and 190 retail bookstores in Malaysia respectively. For FYE 31 August 2013 and FPE 28 February 2014, our products were directly distributed to approximately 570 and 400 active dealers with their own network of distribution to schools and households in Malaysia respectively. Overall, in FYE 31 August 2013 and FPE 28 February 2014, we had a base of approximately 1,380 and 620 active customers respectively.

Our established track record, brand awareness, proven business performance and extensive distribution network will provide us with the platform for business sustainability and future growth.

#### (ii) Sustainable Business Performance

Our sustainable business performance is supported by the following financial achievements between the financial years ended 31 August 2012 and 2013:

- Revenue grew by 20.4%;
- Gross profit grew by 19.3%;
- Profit before tax grew by 18.8%; and
- Profit after tax grew by 17.4%.

Between financial years ended 31 August 2010 and 2013, our financial performances were as follows:

- Revenue grew at an average annual rate of 18.4%;
- Gross profit grew at an average annual rate of 19.9%;
- Profit before tax grew at an average annual rate of 29.2%; and
- Profit after tax grew at an average annual rate of 28.0%.

Our sustainable financial performance over the last four (4) financial years would provide us with the platform for continuing business success and growth.

**(iii) Competitive Advantages and Key Strengths**

Our competitive advantages and key strengths will provide a platform for continuing growth and success. This includes the following:

- Brand awareness;
- Established track record;
- Extensive distribution network;
- Large customer base;
- Diversity in product range;
- In-house content development;
- Availability of large range of publications;
- Economies of scale; and
- Experienced management and editorial personnel.

Please refer to Section 6.1(c) of this Prospectus for further details on our Group's competitive advantages and key strengths.

**(iv) Future Plans to Provide Sustainable Growth**

We have in place a sound business and expansion plan for moving forward. Our future plans are as follows:

- Acquisition of publishing businesses focusing on the following:
  - National School Curriculum based educational materials intended for national-type schools (Chinese); and
  - General titles in Bahasa Malaysia and Chinese;
- Acquisition of an office cum warehouse building to cater to our expanding business operations;
- Establishment of applied learning centres; and
- Development of new online educational resources.

Our future plans would provide us with the platform to grow our business.

**(v) Industry Prospects and Outlook**

The outlook of the Educational Publishing Industry is dependent on the following factors:

- Performance of the education sector focusing on primary and secondary schools;
- Government initiatives;
- Population, income and expenditure; and
- Economic conditions.

While generally enrolments in public schools have not been growing, they are partly compensated by growth from the private education sector. Nevertheless, student enrolment in public schools is expected to grow by an AAGR of 0.6% in the five (5) year period between 2011 and 2015.

The Government, recognising the importance of education has put in place various initiatives to boost developments in the education sector, which will provide flow-on benefits to the Educational Publishing Industry. Some of these initiatives include the following:

- Malaysia Education Blueprint 2013-2025;
- 1BestariNet and i-TR1M;
- Government Transformation Programme (GTP) Roadmap;
- Economic Transformation Programme (ETP);
- 10th Malaysia Plan (10MP); and
- Federal government expenditure on education and training.

Malaysia has also shown growth in population, per capita incomes as well as average household expenditure. All these will augur well for operators like us in the educational publishing industry.

Economically, Malaysia's real GDP grew 4.7% in 2013 and at an AAGR of 5.7% between 2009 and 2013, while real GDP growth for 2014 is forecasted to grow between 4.5% and 5.5%. For the first quarter of 2014, the Malaysian economy grew by 6.2% due to stronger growth in domestic demand, as well as a turnaround in net exports.

*(Please refer to Section 12 in the Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor)*

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23 June 2014

The Board of Directors
Sasbadi Holdings Berhad
Lot 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs and Madam

**Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia**

The following is an Independent Assessment of the Educational Publishing Industry focusing on National School Curriculum in Malaysia prepared by Vital Factor Consulting Sdn Bhd for inclusion in the prospectus of Sasbadi Holdings Berhad (herein together with all or any one or more of its subsidiaries will be referred to as Sasbadi Holdings Group or the Group) in relation to its proposed listing on the Main Market of Bursa Malaysia Securities Berhad.

## 1. BACKGROUND AND INTRODUCTION

- Sasbadi Holdings Group is primarily a publisher of educational materials based on the Malaysian National School Curriculum focusing on primary and secondary education, which is the focus of this industry assessment.

- The National School Curriculum applies to all national and private educational institutions, but excluding international, expatriate, correspondence and some special education and religious schools.

## 2. ENVIRONMENTAL ANALYSIS

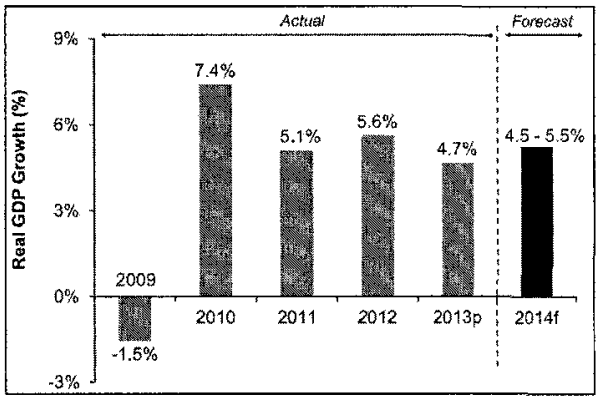
- Businesses, including Sasbadi Holdings Group, whose main market is in Malaysia are affected by the economic well-being of the nation. This is commonly reflected in the country's gross domestic product (GDP) performance.

- Overall, Malaysia's key economic indicators in terms of real GDP grew at an average annual growth rate (AAGR) of 5.7% between 2009 and 2013 with the exception of 2009, when the economy contracted by 1.5% amidst the slowdown in the global economy.

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- In 2013, the Malaysian economy grew at 4.7% driven by continued strong growth in domestic demand, underpinned by robust private sector activity. Private consumption was mainly supported by favourable employment conditions and increase in wages while private investment was supported by capital expenditure in mining, services and manufacturing sectors.

**Malaysia's Real GDP Growth**




*Notes: p = Preliminary; f = Forecast.*
*(Source: Bank Negara Malaysia)*

- In 2014, the Malaysian economy is expected to remain on a steady path growing between 4.5% and 5.5%. The growth will be underpinned by domestic demand, although at a moderate pace, as well as improvements in external demand. Domestic demand will remain the key driver of growth supported by robust private investment and private consumption. In tandem with the improvement in external demand, Malaysia's export performance is expected to pick up during 2014. This is supported by the fact that for the first quarter of 2014, the Malaysian economy grew by 6.2% due to stronger growth in domestic demand, as well as a turnaround in net exports.

## 3. INDUSTRY OVERVIEW AND STRUCTURE

### 3.1 Overview of the Publishing Industry

- Generally, the Publishing Industry covers diverse areas as depicted in the figure below:

**Structure of the Publishing Industry**




**Content primarily includes written information, still images and graphics*
*Sasbadi Holdings Group operates within this segment, and is the focus of the IMR report*

- While publishing is commonly associated with printed content or their digital equivalent, it covers other areas because the term publishing involves the process of making materials available to the masses or some special interest groups.

- While publishing commonly includes mass production and distribution of materials, in cases of online publications, materials may be placed in electronic depositories and access made available to the masses, subscribers or to authorised people or devices through some form of communications networks, for example, the internet. In this manner, online publishing may bypass the physical mass production and distribution.

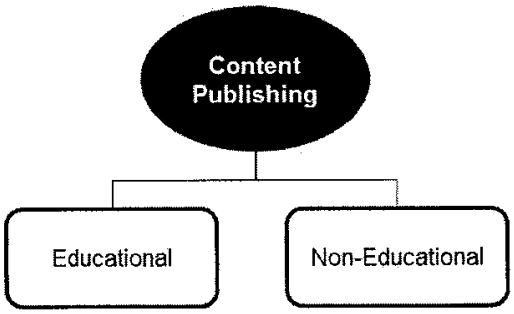
- A publisher serves a vital role in transforming creative works by authors into appealing finished products, and making them easily available to end-users or consumers. Publishing involves various steps including the following:
  - acquiring manuscripts from authors, either sourced from in-house or via third party authors;
  - editing in terms of content, syntax, style and format;
  - designing in terms of layout and artwork;
  - mass production in printed, digital or online format;
  - marketing and distribution of publishing materials.

- In some cases, publishers may outsource some of these functions such as printing of books and other materials to external parties.

- The focus of this report is on content publishing. In Malaysia, the content publishing industry is mainly focused on print publications in terms of monetary values. As such, statistics for the publications of books and other materials mentioned in this report are mainly for print publishing, unless mentioned otherwise. Similarly, the term publisher is primarily used to refer to print publishing, unless mentioned otherwise.

### 3.2 Structure of the Content Publishing Industry

- The Content Publishing Industry in Malaysia is generally segmented as follows:



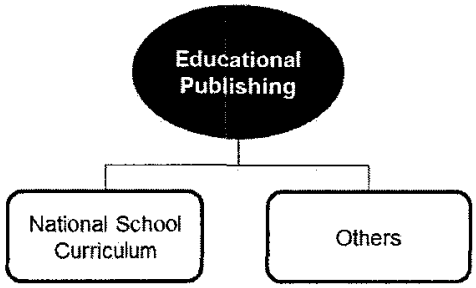

*Sasbadi Holdings Group operates within both segments, but the focus is on educational content*

- **Educational Publishing** refers to the publication of materials designed to teach or to enable the users or consumers to learn and acquire knowledge and skills through these materials. Educational publishing may focus on specific syllabus, curriculum or course work to obtain some specific learning outcome. It also includes supporting materials to facilitate the learning process or add to the users' knowledge and skill base. Some examples of educational publishing materials include textbooks, revision guides, workbooks, reference books, sample examinations questions and other prescribed learning materials.

- **Non-Educational Publishing** refers to publishing of general materials not including educational materials. Some examples include newspapers, periodicals, fiction, biographies, religion, hobbies, comic and other general books and materials.

### 3.3 Structure of Educational Publishing Industry

- In Malaysia, the Educational Publishing Industry is segmented as follows:




*Sasbadi Holdings Group operates within both segments, but the focus is in National School Curriculum*

- **Educational Publishing of National School Curriculum** materials refer to the publishing of materials based on the national school curriculum as prescribed by the Ministry of Education in Malaysia. These materials include textbooks, workbooks, revision guides and other reference and related materials that follow or are related to the National School Curriculum. With the exception of international, expatriate, correspondence and some special education and religious schools, the national curriculum shall be used by all schools including kindergartens, primary and secondary schools in Malaysia.

  The most common National School Curriculum educational materials are textbooks, workbooks, sample examination packs and other reference materials. The National School Curriculum mainly comprises:
  - national pre-school standard curriculum (KSPK – Kurikulum Standard Prasekolah Kebangsaan) ;
  - standard primary school curriculum (KSSR – Kurikulum Standard Sekolah Rendah);
  - integrated curriculum for secondary schools (KBSM – Kurikulum Bersepadu Sekolah Menengah).

  National School Curriculum materials typically encompass many subjects covering science, mathematics, geography, history, art, music and languages such as Bahasa Malaysia, English, Chinese Language and others.

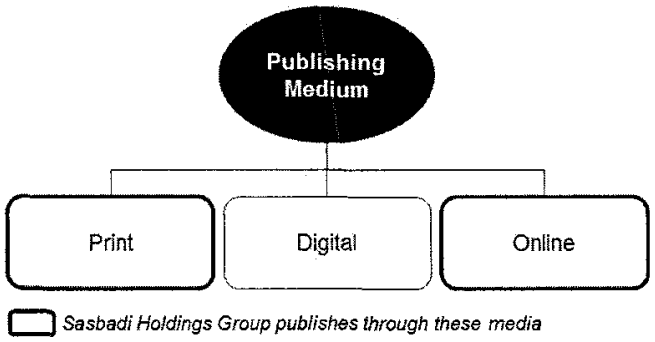
  Sasbadi Holdings Group is primarily involved in the business of educational publishing focusing on Malaysian National School Curriculum based materials.

- **Other educational publishing** include, among others, materials for international schools, expatriate schools, pre-university, tertiary, and vocational education, and vocational and professional learning, certification and accreditation courses. This also includes supplementary educational materials which are mainly non-curriculum based materials for general teaching, learning as well as to facilitate the learning process.

- This report focuses on educational publishing for the National School Curriculum.

### 3.4 Publishing Medium

- Generally, publications are stored and distributed through three main media, as follows:




- **Print Publishing** refers to publication materials where the contents are printed on paper and physically distributed to end-users or consumers. The print medium may include books, broadsheets, tabloids, magazines, brochures and leaflets.

- **Digital Publishing** refers to publication materials where the contents are stored in digital format and may be downloaded from an electronic storage site onto another device or made available through optical discs. Digital publishing may also incorporate limited form of interactivity based on predetermined choice selections.

- **Online Publishing** refers to publication materials where the contents are accessible through a website. Online publishing may also incorporate interactivity based on predetermined choice selections, as well as live interactions among users and publishers.

- While there may be differences in appearance and presentation of content in print, digital or online publications, any particular set of content could appear in print, digital or online format.

- In addition, with the exception of optical discs, digital and online publications have some cost advantages as publishers do not require print production, inventory of products and physical delivery of products to reach customers.

- Sasbadi Holdings Group mainly uses print medium, but has a small proportion of its contents available online.

### 3.5 National Education System in Malaysia

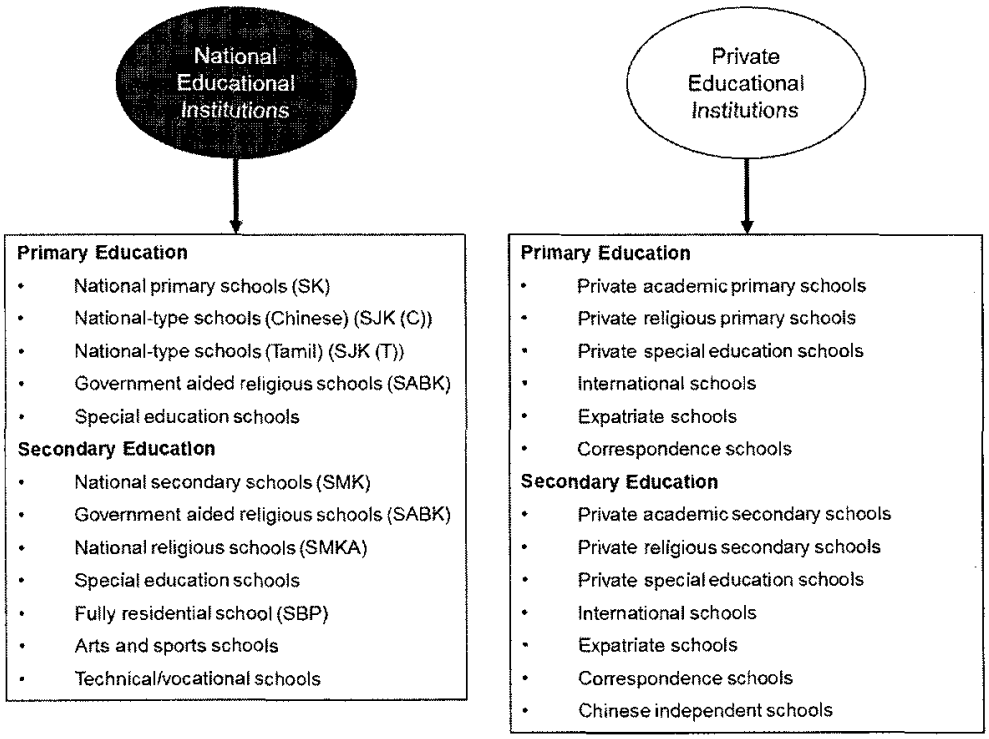
- The National Education System in Malaysia comprises the following:
  - pre-school education;
  - **primary education;**
  - **secondary education;**
  - post-secondary education;
  - higher education.

  *Note: The focus of this report is on primary and secondary education.*

### 3.6 Educational Institutions in Malaysia

- In Malaysia, there are three categories of educational institutions:
  - government educational institutions;
  - government-aided educational institutions;
  - private educational institutions.

- The types of primary and secondary educational institutions in Malaysia are categorised into two major types as follows:




*Notes: SK = Sekolah Kebangsaan; SJK (C) = Sekolah Jenis Kebangsaan (Cina);*
*SJK (T) = Sekolah Jenis Kebangsaan (Tamil); SABK = Sekolah Agama Bantuan Kerajaan;*
*SMK = Sekolah Menengah Kebangsaan; SMKA = Sekolah Menengah Kebangsaan Agama;*
*SBP = Sekolah Berasrama Penuh.*

- Primary and secondary education in national educational institutions are free or based on minimal fees. These schools are either fully government funded or government aided.

- All private educational institutions are privately funded through the charging of student fees and/or philanthropic contribution. Most of the private religious schools are run by non-profit companies or Islamic organisations.

- Currently, only primary education is compulsory for all Malaysians.

### 3.6.1 Usage of Curriculum

- All primary and secondary schools in Malaysia uses the National School Curriculum with the following exceptions within private educational institutions:
  - International schools;
  - Expatriate schools;
  - Correspondence schools;
  - Some special education schools;
  - Some religious schools.

- Within private educational institutions, the types of school that utilise the National School Curriculum are as follows:
  - Chinese independent schools follow the National School Curriculum supplemented with additional curriculum, which represented 60 schools or 15% of total private schools in Malaysia as at 30 June 2013;
  - A certain proportion of the 72 private religious primary and secondary schools follow the National School Curriculum supplemented with additional curriculum;
  - Private academic primary and secondary schools follow the National Curriculum, which represented 136 schools or 35% of total private schools in Malaysia as at 30 June 2013.

- The curricula adopted by other private educational institutions are as follows:
  - An estimated 86% of international schools follow the British curriculum, while the remaining 14% follows the American, Arabic, Australian, Canadian, Indian, International Baccalaureate (IB), Islamic and Singaporean curricula. As at 30 June 2013, international schools accounted for 24% of all private schools in Malaysia.
  - Other private schools such as expatriate schools, which include among others, Japanese, Indonesian and German schools follow their respective national curriculum while correspondence schools are dependent on the respective countries where the institutions are based. Special education schools that cater to children with special needs largely follow their own specially designed programmes and curriculum. As at 30 June 2013, other private schools including expatriate, special education and correspondence schools represented a total of 27 schools or 7% of total private schools in Malaysia.

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## 4. SUPPLY AND DEMAND CONDITIONS

### 4.1 Number of Book Titles Published in Malaysia

- The supply conditions of the industry can be represented by the number of book titles published in Malaysia, which is registered under the Deposit of Library Material Act 1986.

**Number of Book Titles Published in Malaysia**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| Adult[1] | 7,609 | 7,787 | 9,448 | 9,554 | 9,064 | 4.5 |
| Textbook[2] | 3,969 | 4,218 | 4,638 | 5,550 | 6,241 | 12.0 |
| Children[1] | 4,189 | 3,751 | 3,837 | 4,095 | 4,682 | 2.8 |
| **TOTAL** | **15,767** | **15,756** | **17,923** | **19,199** | **19,987** | **6.1** |

*Notes: AAGR = Average annual growth rate; (1) Includes educational and non-educational books; (2) In addition to textbooks, this category also includes other student materials including workbooks, revision guides and reference books. (Source: National Library of Malaysia)*

- Between 2009 and 2013, the total number of book titles published in Malaysia increased from 15,767 to 19,987. This represented an AAGR of 6.1%.

- The growth was mainly due to the increase in the number of adult and textbook titles, which grew at AAGR of 4.5% and 12.0% respectively, between 2009 and 2013. In 2013, adult and textbook titles represented 76.6% of total book titles published in Malaysia.

### 4.2 Gross Output Value of Publishing Services

- The supply and demand conditions of the publishing industry (including educational and non-educational materials) can be assessed by the gross output value of publishing activities, as follows:

**Gross Output Value of Publishing Services in Malaysia**

| | 2009 | 2010 | 2011 | AAGR 2009-2011 (%) |
|---|---|---|---|---|
| Publishing Services | 741.7 | 1,018.0 | 1184.9 | 26.4 |

*Note: Includes educational and non-educational publishing. All units in RM million except percentages. (Source: Department of Statistics)*

- Between 2009 and 2011, the gross output value of publishing services in Malaysia registered an AAGR of 26.4% to reach RM1.2 billion.



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- In 2011, gross output value by types of publishing services is as follows:

| Types of Publishing Services | 2011 |
|---|---|
| Publishing of books, brochures and other publications | 933.4 |
| Publishing of newspapers, journals, magazines and periodicals in print or electronic form | 206.3 |
| Other publishing | 45.2 |
| **TOTAL** | **1,184.9** |

*Notes: Includes educational and non-educational publishing. All units in RM million except percentages. (Source: Department of Statistics)*

- In 2011, the publishing of all types of books, brochures and other publications was the largest subsector, with a gross output value of RM933.4 million, which represented 78.8% of total publishing services in Malaysia.

## 4.3 Import and Export Value of Printed Matter

- The import and export values of printed matter can also be used as a proxy to assess the supply and demand conditions for the Educational Publishing Industry.

**Import and Export Value of Selected Printed Matter (Malaysia)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 *(%)* |
|---|---|---|---|---|---|---|
| **Printed Books, Brochures, Leaflets and Similar Printed Matter[1]** | | | | | | |
| Import Value | 524 | 483 | 493 | 536 | 487 | -1.8 |
| Export Value | 559 | 528 | 511 | 502 | 523 | -1.7 |
| **Children's Picture, Drawing or Colouring Books** | | | | | | |
| Import Value | 11 | 16 | 11 | 14 | 23 | 21.9 |
| Export Value | 2 | 3 | 6 | 3 | 5 | 26.1 |

*Notes: Includes educational and non-educational publishing. All units in RM million except percentages. (1) Whether or not in single sheets. (Source: Department of Statistics)*

- Between 2009 and 2013, import and export values of printed books, brochures, leaflets and similar printed matter fell at average annual rates of 1.8% and 1.7% respectively.

- In 2013, the import and export values of printed books, brochures, leaflets and similar printed matter amounted to RM487 million and RM523 million respectively.

- Between 2009 and 2013, import value of children's picture, drawing or colouring books grew at an AAGR of 21.9% while export value also grew at an AAGR of 26.1%. However in 2013, the import and export values of children's pictures, drawing or colouring books represented a small proportion at RM23 million and RM5 million respectively.

## 4.4 Household Expenditure

- The average monthly household expenditure on various publication materials will provide some indication of their respective demand.

**Average Monthly Household Expenditure (Malaysia)**

| | 2004/05 | 2009/10 | AAGR 2004/05 - 2009/10 (%) |
|---|---|---|---|
| Newspapers[1] | 8.55 | 9.14 | 1.3 |
| Books[2] | 2.78 | 1.71 | -9.3 |
| Magazines and Periodicals[3] | *2.02* | *1.53* | *-5.4* |

*Notes: Includes educational and non-educational materials. All units in RM except percentages; (1) Includes daily and weekly newspapers in any language; (2) Includes text books, examination reference books, other school books, story books / novels and others such as dictionaries, self-development books and computer books; (3) Includes local and imported magazines and periodicals and others such as comics and school magazines. (Source: Department of Statistics)*

- Among the selected items above, the average Malaysian household spent the most on newspapers, which amounted to RM9.14 per month in year 2009/10. Compared to year 2004/05, this represented an AAGR of 1.3%.

- Between the years of 2004/05 and 2009/10, the average household expenditure of books, and magazines and periodicals fell at an average annual rate of 9.3% and 5.4% respectively.

- The 9.3% decline of household expenditure on books during the period under review may be partly attributed to the Textbook Loan Scheme whereby all students in National Schools are eligible for free loan of textbooks. This has been implemented by the Ministry of Education since 2008.

- In the year 2009/10, the average Malaysian household spent RM1.71 on books and RM1.53 on magazines and periodicals per month.



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### 4.5 Household Use of Internet on Education

- Based on the Household Use of Internet surveys conducted by the Malaysian Communications and Multimedia Commission (MCMC):

**Household Use of Internet**

| | 2008 | 2009 | 2011 |
|---|---|---|---|
| Education (%) ..... | 64.5 | 46.0 | 63.5 |

*(Source: Malaysian Communications and Multimedia Commission)*

- A significant proportion of households with internet access uses it for educational purposes. Greater use of the internet for education would indicate higher demand for online publication materials.

## 5. SUPPLY DEPENDENCIES

- The supply of paper is one of the main raw materials for the print publishing industry in general. As such, the supply dependencies of print publications, including those for educational materials, can be assessed by the following statistics:
  - Production quantity of paper;
  - Import quantity of paper;
  - Sales value of printing.

### 5.1 Production Quantity of Paper

- In 2010, there were 175 establishments involved in the manufacture of pulp, papers and paperboard in Malaysia.

- The production quantity of paper used in print publications is as follows:

**Production Quantity of Paper in Malaysia**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| Uncoated Woodfree Paper..... | 154 | 161 | 135 | 157 | 184 | 4.5 |

*Notes: All units in thousand tonnes except percentages. (Source: Department of Statistics)*

- Uncoated woodfree paper is a type of paper commonly used for printing of books and other similar materials. Between 2009 and 2013, the local production of uncoated woodfree paper grew at an AAGR of 4.5%

- In 2013, approximately 184,000 tonnes of uncoated woodfree paper were produced in Malaysia.



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## 5.2 Import Quantity of Paper

- Apart from local sources, publishers may also purchase paper through overseas sources.
- The import quantity of paper used in print publications is as follows:

**Import Quantity of Paper (Malaysia)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 *(%)* |
|---|---|---|---|---|---|---|
| Newsprint | 143 | 184 | 92 | 161 | 187 | 6.9 |
| Uncoated Printing and Writing Paper | 88 | 102 | 75 | 127 | 111 | 5.9 |

*Notes: All units in thousand tonnes except percentages. (Source: Department of Statistics)*

- In 2013, the import of newsprint, and uncoated printing and writing paper, amounted to approximately 187,000 tonnes and 111,000 tonnes respectively
- Between 2009 and 2013, the import quantity of uncoated printing and writing paper grew at an AAGR of 5.9% while import quantity of newsprint grew at an AAGR of 6.9%.
- Uncoated printing and writing paper are used for print publishing as well as many other applications like wrapping paper, office document printing paper, photocopying paper, bills, invoices, forms, and computer paper.

## 5.3 Sales Value of Printing

- The sales value of printing in Malaysia is shown as follows:

**Sales value of Printing in Malaysia**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 *(%)* |
|---|---|---|---|---|---|---|
| Printing | 522 | 638 | 809 | 1,009 | 1,097 | 20.4 |

*Notes: All units in RM million except percentages. (Source: Department of Statistics)*

- Between 2009 and 2013, sales value of printing in Malaysia increased at an AAGR of 20.4%.
- In 2013, the sales value of printing in Malaysia amounted to approximately RM1.1 billion.



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## 6. DEMAND DEPENDENCIES

- As the demand for educational materials depend on end-users and consumers, the following factors will have an impact on the overall Educational Publishing Industry:
  - Per capita income;
  - Population growth;
  - Enrolment in schools;
  - Number of schools;
  - Number of teachers;
  - Educational indicators.

- In addition, the demand for online educational materials is dependent on the number of online users. As such, the demand dependencies can be assessed by the following statistics:
  - Number of broadband subscriptions;
  - Broadband penetration rate.

### 6.1 Per Capita Income

- The increase in the affluence of Malaysia, which can be represented by per capita income, will generally mean greater affordability and higher consumer spending on print materials in general as well as educational materials.

**Malaysia's Per Capita Income (Based on Current Prices)**

| | 2009 | 2010 | 2011 | 2012 | 2013p | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| Per Capita Income..... | 23,850 | 26,882 | 29,683 | 30,667 | 31,698 | 7.4 |

*Notes: All units in RM except percentages; p = preliminary. (Source: Bank Negara Malaysia)*

- Malaysia's per capita income grew from RM30,667 in 2012 to RM31,698 in 2013, representing an increase of 3.4%.

- Between 2009 and 2013, Malaysia's per capita income grew at an AAGR of 7.4%.

### 6.2 Population Growth

- Growth in Malaysia's population will provide the impetus for demand for general publications as well as educational publications.

**Malaysia's Mid-Year Population Estimate by Age Groups**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| 0 – 4 | 2,426 | 2,509 | 2,501 | 2,507 | 2,524 | 1.0 |
| 5 – 24 | 10,460 | 11,063 | 11,014 | 10,961 | 10,910 | 1.1 |
| 25 - 39 | 6,745 | 6,926 | 7,111 | 7,285 | 7,448 | 2.5 |
| 40 - 59 | 6,219 | 5,843 | 6,000 | 6,146 | 6,290 | 0.3 |
| 60 - 74 | 1,631 | 1,771 | 1,850 | 1,921 | 1,992 | 5.1 |
| 75 and above | 415 | 478 | 488 | 518 | 550 | 7.3 |
| **TOTAL** | **27,895** | **28,589** | **28,964** | **29,337** | **29,715** | **1.6** |

*Notes: All units in thousands except percentages; Total does not add-up due to rounding.*
*(Source: Department of Statistics)*

- The mid-year population of Malaysia in 2013 was estimated to be 29.7 million. This reflected an AAGR of 1.6% since 2009.
- Between 2009 and 2013, the 75 years and above age group was the fastest growing age group from the above table, with an AAGR of 7.3%.
- The 5 to 24 years age group category represented the main age group that dominates the education market in Malaysia. In 2013, an estimated 10.9 million people falls under this age group in Malaysia. Between 2009 and 2013, the population of this age group category grew at an AAGR of 1.1%.
- In 2013, the 5 to 24 years age group category represented 36.7% of the total population in Malaysia.

## 6.3 Enrolment in Schools

- Performance in student enrolment in schools will directly affect the demand for educational materials as students are the main end-users of these materials.

### National Schools

**Enrolment in Schools in Malaysia (as at 30th June)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| Pre-School[1] | 155 | 164 | 179 | 188 | 192 | 5.5 |
| Primary School[1] | 2,959 | 2,899 | 2,860 | 2,811 | 2,743 | -1.9 |
| Secondary School[1] | 2,229 | 2,242 | 2,223 | 2,213 | 2,209 | -0.2 |
| **TOTAL** | **5,343** | **5,305** | **5,262** | **5,212** | **5,144** | **-0.9** |

*Notes: All units in thousands except percentages; (1) Schools under the Ministry of Education only.*
*(Source: Ministry of Education)*



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- Between 2009 and 2013, enrolment in primary and secondary schools fell at an average annual rate of 1.9% and 0.2% while enrolment in pre-school increased at an AAGR of 5.5%. Any decline in the enrolment in national primary and secondary schools will reduce the overall demand for educational materials based on the National School Curriculum. However, in this case, the impact is minimal due to the small decline.

- As at 30 June 2013, there were approximately 2.7 million and 2.2 million students enrolled in national primary and secondary schools respectively while approximately 0.2 million students enrolled in national pre-schools.

**Private Schools**

- The four major categories of private schools in Malaysia consist of private academic schools, international schools, religious schools and independent Chinese schools. With the exception of international schools, most of the private schools adopt dual curriculums including the national curriculum.

**Enrolment in Private Schools in Malaysia (as at 30th June)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| Academic Primary[1] | 14,566 | 13,983 | 14,793 | 15,048 | 12,890 | -3.0 |
| Academic Secondary[1] | 14,673 | 16,422 | 15,532 | 15,965 | 16,652 | 3.2 |
| Chinese Private Secondary[2] | 57,041 | 69,842 | 66,218 | 69,833 | 75,518 | 7.3 |
| Religious Primary[3] | 13,282 | 14,092 | 15,357 | 16,713 | 17,888 | 7.7 |
| Religious Secondary[3] | 6,517 | 6,479 | 5,253 | 7,604 | 8,659 | 7.4 |
| International[4] | 16,766 | 19,929 | 23,159 | 32,006 | 38,476 | 23.1 |
| Others[5] | 4,301 | 3,914 | 3,989 | 5,383 | 5,630 | 7.0 |
| **TOTAL** | **127,146** | **144,661** | **144,301** | **162,552** | **175,713** | **8.4** |

*Notes:*

*(1) Private academic schools refer to schools that teach the national curriculum for at least six core subjects identified in the Education Act 1996;*

*(2) This is also known as independent Chinese schools that adopt dual curriculums. This type of schools use curriculum developed by Dong Jiao Zong, which prepares students for private examinations, as well as for the standard Malaysian examinations based on the national school curriculum;*

*(3) These schools focus intensely on Islamic education, and may or may not teach the national school curriculum;*

*(4) These schools use international curriculum, such as British, American, Australian, Canadian or other programmes;*

*(5) Include expatriate, special education and correspondence schools.*

*(Source: Ministry of Education)*



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- Between 2009 and 2013, enrolment in private schools registered an AAGR of 8.4%. All types of private schools with the exception of private academic primary schools have registered positive AAGR between 2009 and 2013. International schools in particularly, grew at an AAGR of 23.1%.

- As at 30 June 2013, Chinese private secondary schools had the highest student enrolment with 75,518 students representing 43% of the total enrolment in private schools.

- With the exception of international, expatriate, correspondence and some special education and religious schools, all the other private schools use the national school curriculum.

### 6.4 Number of Schools

- An increasing number of schools may generally represent a better access to formal education, which would in turn improve the enrolment rate of schools in Malaysia.

**National Schools**

**Number of National Schools in Malaysia (as at 30th June)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| Primary School[1] ..... | 7,664 | 7,695 | 7,714 | 7,722 | 7,744 | 0.3 |
| Secondary School[1] ..... | 2,219 | 2,248 | 2,282 | 2,307 | 2,347 | 1.4 |
| **TOTAL** | **9,883** | **9,943** | **9,996** | **10,029** | **10,091** | **0.5** |
| Pre-School[1] ..... | 5,497 | 5,525 | 5,781 | 5,899 | 5,961 | 2.0 |

*Notes: (1) Schools under the Ministry of Education only; * Pre-School is conducted as part of Primary School. (Source: Ministry of Education)*

- As at 30 June 2013, there were 5,961 national pre-schools, 7,744 national primary schools and 2,347 national secondary schools in Malaysia.

- Between 2009 and 2013, the number of national primary and secondary schools increased at an AAGR of 0.3% and 1.4% respectively while the number of national pre-schools increased at an AAGR of 2.0%.



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**Private Schools**

**Number of Private Schools in Malaysia (as at 30th June)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| Academic Primary | 56 | 59 | 60 | 61 | 64 | 3.4 |
| Academic Secondary | 73 | 73 | 66 | 68 | 72 | -0.3 |
| Chinese Private Secondary | 60 | 60 | 60 | 60 | 60 | 0.0 |
| Religious Primary | 34 | 34 | 35 | 38 | 43 | 6.0 |
| Religious Secondary | 17 | 17 | 19 | 23 | 29 | 14.3 |
| International | 50 | 57 | 66 | 79 | 94 | 17.1 |
| Others(1) | 25 | 25 | 27 | 26 | 27 | 1.9 |
| **TOTAL** | **315** | **325** | **333** | **355** | **389** | **5.4** |

*Notes: (1) Include expatriate, special education and correspondence schools.*
*(Source: Ministry of Education)*

- As at 30 June 2013, there were 389 private schools in Malaysia. Of this, private academic schools represented the largest proportion with 136 schools. This is followed by international schools which represented 94 schools as at 30 June 2013.

- The number of private schools increased from 315 in 2009 to 389 in 2013, representing an AAGR of 5.4%.

## 6.5 Number of Teachers

- As educational materials are used as part of teaching materials in schools, growth in the number of teachers may also create demand for teaching and learning materials.

**National Schools**

**Number of Teachers in Malaysia (as at 30th June)**

| | 2010 | 2011 | 2012 | 2013 | AAGR 2009 - 2013 (%) |
|---|---|---|---|---|---|
| Pre-School[1] | 6,911 | 7,562 | 7,516 | 8,448 | 6.9 |
| Primary School[1] | 223,537 | 227,098 | 228,818 | 229,050 | 0.8 |
| Secondary School[1] | 175,241 | 177,382 | 177,462 | 177,806 | 0.5 |
| **TOTAL** | **405,689** | **412,042** | **413,796** | **415,304** | **0.8** |

*Notes: (1) Schools under the Ministry of Education only. (Source: Ministry of Education)*

- Between 2010 and 2013, the number of teachers in national schools generally had been growing in terms of AAGR. The number of national pre-school teachers experienced a higher growth at an AAGR of 6.9%, followed by the number of national primary and secondary school teachers at AAGR of 0.8% and 0.5% respectively.

- As at 30 June 2013, there were approximately 229,000 national primary school teachers, 178,000 national secondary school teachers and 8,000 national pre-school teachers in Malaysia.

**Private Schools**

**Number of Teachers in Private Schools**

| | 2010 | 2012* | 2013* | AAGR 2010-2013 (%) |
|---|---|---|---|---|
| Academic Primary | 1,365 | 1,374 | 1,402 | 0.9 |
| Academic Secondary | 2,111 | 1,668 | 1,683 | -7.3 |
| Chinese Private Secondary | 3,594 | 4,074 | 3,947 | 3.2 |
| Religious Primary | 1,036 | 1,146 | 1,298 | 7.8 |
| Religious Secondary | 536 | 537 | 700 | 9.3 |
| International | 2,185 | 2,951 | 3,754 | 19.8 |
| Others[(1)] | 404 | 503 | 510 | 8.1 |
| **TOTAL** | **11,231** | **12,253** | **13,294** | **5.8** |

*Notes: * As at 31 January;*

*(1) Include expatriate, special education and correspondence schools.*

*(Source: Ministry of Education)*

- Between 2010 and 2013, the total number of teachers in private schools registered an AAGR of 5.8%.

- As at 31 January 2013, there were 13,294 teachers in private schools in Malaysia. Of this, there were 3,947 teachers in Chinese private secondary schools, and 3,085 teachers in private academic schools, and 3,754 teachers in international schools.

## 6.6 Education Indicators

- Literacy and student enrolment rates are some of the indicators of demand for educational materials, which will ultimately affect the Educational Publishing Industry.

**Selected Education Indicators in Malaysia**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Literacy Rate[1] | | | | | |
| Age 10 and above | n.a. | 93.7 | 94.5 | 94.6 | n.a. |
| Age 15 and above | n.a. | 93.1 | 93.9 | 94.1 | n.a. |

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Enrolment Rate | | | | | |
| Primary[2] | 94.3 | 94.2 | 94.4 | 94.5 | 94.4 |
| Lower Secondary | 86.5 | 86.8 | 86.1 | 86.2 | 85.4 |
| Upper Secondary | 77.3 | 77.2 | 77.8 | 78.0 | 78.0 |
| Post Secondary[3] | 15.9 | 15.0 | 15.8 | 17.5 | 16.8 |

*Notes: All units in percentages; n.a.=not available; (1) Literacy is defined as having formal education; (2) Excluding pre-school enrolment in primary schools; (3) Including enrolment in Form 6, Matriculation Centres and Institute of Teacher Education (ITE) under Ministry of Education only. (Source: Ministry of Education)*

- The literacy rate in Malaysia is relatively high at approximately 94% in general. Despite the high literacy rate, growth continues to be recorded, albeit at a slower rate as it edges towards the 100% rate.

- In 2013, enrolment rate for national primary education was high at 94.4%. In 2013, there were 2.7 million national primary school students.

- Enrolment rates for national school started to decline after primary education with the lowest enrolment rate of 16.8% for post-secondary in 2013. In 2013, there were 2.2 million national secondary school students in Malaysia.

## 6.7 Number of Broadband Subscriptions

- Growth in number of broadband subscriptions would provide a bigger pool of potential users of online educational materials.

**Number of Broadband Subscriptions in Malaysia**

| | 2009 | 2010 | 2011 | 2012 | 2013 | AAGR 2009-2013 (%) |
|---|---|---|---|---|---|---|
| Household | 1,972 | 3,672 | 4,270 | 4,338 | 4,558 | 23.3 |
| Non-Household | 649 | 1,051 | 1,417 | 1,777 | 1,815 | 29.3 |
| **TOTAL** | **2,620** | **4,722** | **5,687** | **6,115** | **6,373** | **24.9** |

*Notes: All units in thousands except percentages; Total does not add-up due to rounding.*
*(Source: Malaysian Communications and Multimedia Commission)*

- Between 2009 and 2013, the total number of broadband subscriptions in Malaysia increased at an AAGR of 24.9%, reaching 6.4 million subscriptions in 2013.

### 6.8 Broadband Penetration Rate

- A higher broadband penetration rate would provide increased opportunities for providers of online publishing services.

**Broadband Penetration Rate in Malaysia**

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Population (per 100 inhabitants) ..... | 9.2 | 16.6 | 19.4 | 21.7 | 22.6 |
| Household (per 100 households)..... | 31.7 | 55.6 | 62.3 | 66.0 | 67.1 |

*(Source: Malaysian Communications and Multimedia Commission)*

- Between 2009 and 2013, the broadband penetration rate in Malaysia by population grew from 9.2 per 100 inhabitants in 2009 to 22.6 per 100 inhabitants in 2013, which represented an AAGR of 25.2%.

- Between 2009 and 2013, the broadband penetration rate in Malaysia by household grew from 31.7 per 100 households in 2009 to 67.1 per 100 households in 2013, which represented an AAGR of 20.6%.

## 7. COMPETITIVE ANALYSIS

### 7.1 Nature of Competition in the Industry

- Competition within the Education Publishing Industry focusing on National School Curriculum can be segmented into two levels, namely:
  - government authorised publishing of textbooks and supporting educational materials;
  - general educational materials to supplement government authorised textbooks and supporting educational materials.

- The nature of competition for government authorised publications of educational materials is based on open tender where selected authorised publishers would be given contracts to publish various types of educational materials and to distribute them to national schools in Malaysia for a stated period of time. As these are prescribed textbooks and supporting educational materials, both teachers and students would need to use them as part of the school curriculum.

- The advantage of winning such contracts is that the government would buy from the publishers for distribution to all national schools. As there were approximately 5.0 million national primary and secondary school students in 2013, a government contract to publish, for example a textbook for one grade would be a sizeable contract.

- For publishers that are not selected to be government authorised publishers, they can publish their own materials, commonly focusing on supporting educational materials like workbooks, revision guides, reference books, and sample examination papers and model answers.

- Despite the two segments of competition, the overall nature of competition within the industry is based on normal competition. This is because all publishers are able to take part in the tendering process to publish government authorised textbooks and educational materials. Like any normal competitive commercial situations, the government would then select the publisher best able to meet their criteria and objectives.

- Therefore, generally operators in the Educational Publishing Industry in Malaysia face normal competitive conditions, which is similar to a free enterprise environment characterised by the following:

  - There are no undue government regulations or licensing requirements imposed on operators in the Educational Publishing Industry. Apart from the normal business operating licences and requirements, which operators can easily obtain, there are no other material government regulations or licensing requirements that would prevent operators from entering or exiting the industry. However, as with operators in all industries in Malaysia, publishers will need to comply to various relevant government regulations including, but not limited to, Companies Act, Income Tax Act, Printing Presses and Publications Act and Industrial Coordination Act;

  - The industry is not dominated by a single or small number of operators as no one publisher had more than 10% share of the printed educational materials market in Malaysia based on available information as at July 2013;

  - Operators may enter or leave the industry freely;

  - No single or small group of operators is large enough to dictate pricing.

- In such an environment, the industry is subjected to normal supply and demand conditions moderated by the price mechanism. Operators in the industry, including Sasbadi Holdings Group, compete on product differentiation, and other factors of competition.



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## 7.2 Factors of Competition

- As with most free enterprise environment, competition within the Educational Publishing Industry focusing on the National Curriculum is based on a number of factors, including:
  - Brand name;
  - Track record and market reputation;
  - Distribution network;
  - Economies of scale.

- **Brand Name**

  Brand name is a key competitive factor in the Educational Publishing Industry, especially since there is a wide range of products available in the market. An established brand name would enable the publisher to garner higher customer loyalty from existing customers, attract new customers through strong brand equity as well as command a higher pricing compared to less prominent publishers in the industry.

  In particular, a long established brand name in the Educational Publishing Industry may create awareness among students, teachers and parents who may be aware of the brand when they were students themselves. A strong brand name will also entice bookshops and other retail outlets to carry the publications, thus extending distribution coverage in the market.

- **Track record and market reputation**

  Track record and market reputation are competitive factors in the publishing of educational materials. A more established publisher would generally be regarded as having materials that are more relevant to the curriculum, hence having a greater appeal to target customer groups. In addition, publishers that have a good track record in a certain educational segment would also stand a higher chance of winning tenders for textbook publishing from the Ministry of Education.

- **Distribution Network**

  Distribution network is an important competitive factor as it represents the publisher's ability to penetrate the market. A wider distribution network, particularly through major book stores in the country, would provide an increase in the market reach to end consumers whilst contributing to a stronger brand awareness. Authors, in particular those that are highly sought after would prefer to work with publishers that have a wide distribution network to ensure optimisation of sales of their publications.



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- **Economies of Scale**

  Educational publishers that publish a reasonable number of publications with a relatively high number of prints per publication would benefit from economies of scale. Publishers with economies of scale would have a stronger negotiation power to obtain better commercial terms from their suppliers in relation to printing, credit terms, logistics and other arrangements. Similarly, publishers that are able to achieve economies of scale would be able to reduce their unit cost of publication where overheads like advertising and promotions, administration, product development and other shared costs are spread over a much wider number of materials sold.

## 7.3 Operators in the Industry

- As at February 2014, there were 182 companies registered as members with the Malaysian Book Publishers Association (MABOPA).
  *(Source: MABOPA)*

- Some of the private operators in the Educational Publishing Industry in Malaysia, publishing educational materials based on the National Curriculum, include the following (listed in alphabetical order):
  - Cemerlang Publications Sdn Bhd;
  - Cerdik Publications Sdn Bhd;
  - Gemilang Publishing Sdn Bhd;
  - Hup Lick Publishing (M) Sdn Bhd;
  - Info-Didik Sdn Bhd;
  - Oxford Fajar Sdn Bhd;
  - Penerbitan Pelangi Sdn Bhd;
  - PEP Publications Sdn Bhd;
  - **Sasbadi Sdn Bhd;**
  - The Malaya Press Sdn Bhd;
  - Utusan Publications & Distributors Sdn Bhd.

  *Notes:*
  *1) Dewan Bahasa dan Pustaka is a major government publisher of educational materials especially National Curriculum textbooks*
  *2) This is not an exhaustive list.*
  *(Source: Vital Factor Consulting Sdn Bhd)*

- Some of the private operators in the Educational Publishing Industry in Malaysia, publishing online educational materials based on the National Curriculum, include the following (listed in alphabetical order):
  - Cahaya Motivasi Sdn Bhd;
  - Creative Dreams International Sdn Bhd;
  - Creative Online Solutions;
  - iTTV Education Sdn Bhd;
  - Kenshido International Sdn Bhd;
  - Maju Infotech Sdn Bhd
  - New Straits Time Press (M) Bhd;
  - Puncakmas Marketing Sdn Bhd;

- **Sasbadi Online Sdn Bhd;**
- UniCLIQ Sdn Bhd.

*Note: This is not an exhaustive list. (Source: Vital Factor Consulting Sdn Bhd)*

## 8. GOVERNMENT REGULATIONS

- Some of the regulations and policies applicable to the Educational Publishing Industry are listed below:

### 8.1 Printing Presses and Publications Act 1984

- Any person who prints, imports, produces, reproduces, publishes, sells, issues, circulates, offers for sale, distributes or has, in his possession for such purpose any prohibited publication shall be guilty of an offence.

- Prohibited publication shall be defined as any publication that contains any article, caricature, photograph, report, notes, writing, sound, music, statement or any other thing, which is deemed prejudicial in any manner or deemed likely to alarm public opinion.

- Every publication printed or published within Malaysia shall have printed legibly in Bahasa Malaysia or the English language on its first or last leaf the name and address of its printer and publisher.

*(Source: Ministry of Home Affairs)*

### 8.2 Deposit of Library Material Act 1986

- The publisher of every printed library material published in Malaysia shall, within one month of the publication deliver to the National Library, at their own expense, a number of best copies as prescribed by the Act.

*(Source: National Library of Malaysia)*

### 8.3 Direct Sales Licence

- Some publishing companies undertake direct sales of their products. If so, they will require a Direct Sales Licence.

- Under the Direct Sales and Anti-Pyramid Scheme Act 1993, a company that wishes to carry out the sale of goods through the direct sales method are required to obtain a Direct Sales Licence issued by the Ministry of Domestic Trade, Co-operatives and Consumerism.

- A Direct Sales Licence is normally valid for a period of three years, and may be renewed as and when it expires.

*(Source: Ministry of Domestic Trade, Co-operatives and Consumerism)*

### 8.4 Registration with the Ministry of Finance

- Companies that are supplying or tendering for the supply of products to the Malaysian Government, including textbooks for the National Curriculum, must be registered with the Ministry of Finance.

- Registration is valid for a period of three years and is renewable.

*(Source: Ministry of Finance)*

### 8.5 Manufacturing Licence

- Printing or manufacture of paper products are classified as manufacturing activities. As such, publishing companies that are involved in such activities requires a manufacturing licence given the condition below.

- Application of a manufacturing licence under the Industrial Coordination Act 1975 is mandatory for companies involved in manufacturing with shareholders' fund of RM2.5 million or more, or engaging 75 or more full-time paid employees.

*(Source: Malaysian Investment Development Authority)*

## 9. BARRIERS TO ENTRY

### 9.1 Capital and Set-up Costs

- The barriers to entry for new entrants as an educational publisher based on capital requirements (excluding land and building) are relatively low.

- The capital and set-up cost of setting-up a small educational publishing company would be around RM1 million (excluding land and building). This capital and set-up cost would also exclude major capital outlays required on software and related systems for designing and artwork, editing and printing where these activities can be outsource to other companies. The permission fees for reusing the content such as text and images, copyrights and royalty fees to the authors can be paid progressively upon book sales.

  This entry amount is mainly for setting-up a basic office with production staff including editors and designers, payment for printing of a small number of first runs of publications, and providing credit terms for retailers.

- An establishment of a small size is estimated to generate approximately RM2 million to RM5 million per year in revenue. However, small establishments may face difficulties and constraints against larger establishments that are equipped to publish a large number of titles and copies of books annually.

- Capital costs would start to escalate for larger educational publishers with a certain volume of publications. Smaller publishers may not be able to compete with larger educational publishers in terms of economies of scale.

**9.2 Availability of Retail Shelf Space**

- Educational materials, particularly those that are not government authorised textbooks and educational materials, are commonly sold at bookstores. However, the competition for retail shelf space in bookstores is fierce due to space constraints and the wide availability of publications for various levels and subjects.

- As such, publications of new entrants in the Educational Publishing Industry may not have immediate access to sought-after shelf space especially from larger bookstore chains until the products are more established in the market.

**9.3 Experienced and Sought-After Authors**

- A new entrant in the industry without an existing pool of experienced and sought-after authors is less likely to make an impact on the market. For instance, teachers who are well versed with the requirements of the national curriculum are suitable candidates to be authors of educational materials. As such, an established network of teachers or other such potential authors is necessary for a new publisher to have access to good manuscripts that will lead to successful or relevant publications.

## 10. THREAT OF SUBSTITUTES

**Digitalisation of Contents**

- The educational market in Malaysia largely relies on printed educational materials. Digitalisation of content would be a direct substitute to printed materials. As such, if there was a strong shift towards the use of digital content, then publishers that are slow in making the change over will be negatively affected.

- Despite the threat from digitalisation, contents remain largely the same. It is only the representation that is different. For established publishers who intend to undertake digital or online publishing, they would at least have content that may be used for digital or online publishing.

- In the short and medium term, Malaysia is expected to continue to rely mainly on print publications, especially for textbooks and some of the main supporting educational materials.

**Online and Electronic Delivery Format**

- The digitalisation of content would give rise to the threat of substitute of delivery of content.



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- Currently, a large proportion of educational materials ranging from textbooks to supporting educational materials like workbooks, revision guides, reference books, and sample examination questions and model answers are based on the printed format and distributed through various retail outlets and school bookshops. Through digitalisation, these materials can be made available online and delivered via the internet.

- The online delivery method would directly be a threat of substitute to the print publication industry that relies on distributing books and other printed materials to retailers and ultimately end-users.

- In a number of overseas countries, some bookshops have closed as more and more consumers turn to digital books sold online through various companies.

- In addition, the convenience of downloading content from various online depositories would dramatically change the way publishers conduct their business. This include, among others:

  - adopting different methods of marketing, for example using social media and online marketing and promotions as opposed to the traditional methods of using print, television, radio, billboards, point-of sales and others.

  - different distribution channels, for example subscribing to portals and websites that are able to attract potential customers to purchase online. This is similar to booking hotel accommodation through the hotel's own website or through some third party portals or websites.

  - removing the need for physical logistics including warehousing and delivery of products;

  - revising business models, which may include revising pricing due to competitive pressure, and deciding on outright purchase, licensing, rental or subscription base.

- As such, publishers would need to evolve with the changing trends and needs in the education market as well as students and end-users of educational materials.



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## 11. RELIANCE AND VULNERABILITY TO IMPORTS

### 11.1 Printed Materials

- Printed materials in Malaysia are either produced locally or imported from overseas sources.

- In 2011, gross output value of the publishing of books, brochures and other publications amounted to RM933 million while imports of printed books, brochures, leaflets and similar printed matter totalled RM493 million.

- In 2013, imports of printed books, brochures, leaflets and similar printed matter were mainly from the following countries:

| | RM million | % |
|---|---|---|
| United States of America | 131.3 | 27.0 |
| United Kingdom | 83.4 | 17.1 |
| Singapore | 77.6 | 15.9 |
| Taiwan | 39.9 | 8.2 |
| China | 33.3 | 6.8 |
| Hong Kong | 17.2 | 3.5 |
| Switzerland | 15.8 | 3.3 |
| Australia | 13.6 | 2.8 |
| Japan | 12.2 | 2.5 |
| Thailand | 10.0 | 2.0 |
| India | 9.6 | 2.0 |

*(Source: Department of Statistics)*

- While most genres of printed materials are vulnerable to imports, educational materials for the National School Curriculum are generally safeguarded from import risks as the publishing of these materials would require local knowledge, expertise and language. In addition, the publishing of textbooks for the National School Curriculum is under the purview of the Malaysian Government and tenders are mainly awarded to Malaysian based companies.

### 11.2 Paper

- Publishers in Malaysia may be reliant on imported paper.

- In 2013, Malaysia imported approximately 111,000 tonnes of uncoated printing and writing paper, which is commonly used for the printing of books and similar products.

- In 2013, imported uncoated printing and writing paper were mainly sourced from the China, Indonesia and other countries as follows:

| | Tonnes | % |
|---|---|---|
| China | 30,395 | 27.3 |
| Indonesia | 25,522 | 22.9 |
| Korea | 14,504 | 13.0 |
| Finland | 10,776 | 9.7 |
| Taiwan | 8,336 | 7.5 |
| Japan | 7,944 | 7.1 |
| Sweden | 3,510 | 3.2 |

*(Source: Department of Statistics)*

- While there is some reliance on imports, Malaysia also produces its own printing and writing paper. In 2013, Malaysia produced approximately 184,000 tonnes of uncoated woodfree paper.

## 12. INDUSTRY PROSPECTS AND OUTLOOK

- The outlook of the Educational Publishing Industry is dependent on the following factors:
  - Performance of the education sector focusing on primary and secondary schools;
  - Government initiatives;
  - Population, income and expenditure;
  - Economic conditions.

### 12.1 Performance of the Educational Sector Focusing on Primary and Secondary Schools

- Primary and secondary school students from all national schools and many of the private schools are the main end-users of National School Curriculum educational books and materials in Malaysia. As such, the outlook of the Educational Publishing Industry focusing on National School Curriculum is largely dependent on the performance of the overall school education sector.

**School Enrolment in Malaysia (as at 30th June)**

| | Enrolment in 2013 *('000)* | AAGR 2009 - 2013 *(%)* |
|---|---|---|
| **Enrolment in National Schools** | | |
| Primary Schools | 2,743 | -1.9 |
| Secondary Schools | 2,209 | -0.2 |
| **Enrolment in Private Schools** | | |
| Primary Schools[1] | 31 | 2.5 |
| Secondary Schools[1] | 101 | 6.5 |
| **Total National and Private Schools** | 5,084 | -1.0 |

*Note: (1) Includes mainly private schools that utilise the National Curriculum, either partially or wholly. This excludes schools that do not utilise the National Curriculum including international, expatriate, correspondence schools and other schools. (Source: Ministry of Education)*

- Between 2009 and 2013, overall enrolments in primary and secondary schools have declined by an average annual rate of 1.0%. However, the decline is small. More importantly, it is the base which comprised 5.1 million primary and secondary students that provides a large potential market for publishers of educational materials for the National School Curriculum.

- Based on the 10th Malaysia Plan, student enrolment in public education institutions is expected to grow by an AAGR of 0.6% between 2011 and 2015 *(Source: Economic Planning Unit)*.

- Details of the curriculum used by private schools are further explained in this report under Section 3.6.1 Usage of Curriculum.

**12.2 Government Initiatives**

- Favourable government initiatives would have a positive impact on the Educational Publishing Industry Focusing on National School Curriculum in Malaysia.

**Malaysia Education Blueprint 2013-2025**

- The Malaysia Education Blueprint 2013-2025 was launched by the Ministry of Education in September 2012, with the following objectives:
  - Understanding the current performance and challenges of the Malaysian education system;
  - Establishing a clear vision and aspiration for individual students and the education system as a whole;
  - Outlining a comprehensive transformation programme for the system, including key changes to the Ministry.

- The blueprint outlines five aspirations for the Malaysian education system, as follows:
  - **Access**: 100% enrolment across all levels from pre-school to upper secondary by 2020;
  - **Quality**: To be ranked among the top countries in international assessments such as PISA (Programme for International Student Assessment) and TIMSS (Trends in International Mathematics and Science Study) in 15 years;
  - **Equity**: 50% reduction in achievement gaps (urban-rural, socioeconomic and gender) by 2020;
  - **Unity**: An education system that gives children shared values and experiences by embracing diversity;
  - **Efficiency**: A system that maximises student outcomes within current budget.

- By year 2020, the Ministry aims to move from 6 years to 11 years of compulsory schooling, starting at age 6+. This would be supported by various retention programmes and expanded vocational streams for students who are at the risk of dropping out.
  *(Source: Malaysia Education Blueprint 2013-2025)*

- These targets, pertaining to 100% enrolment and 11 years of compulsory schooling by 2020, would be favourable to the Educational Publishing Industry Focusing on National School Curriculum in Malaysia.

**1BestariNet and i-TR1M**

- 1BestariNet and i-TR1M (Interaktif – Tuisyen Rakyat 1Malaysia) are some of the government initiatives aimed specifically at promoting the use of online educational resources to complement conventional classroom teaching.

- Initiated by the Ministry of Education Malaysia (MOE) and carried out in partnership with YTL Communications Sdn Bhd, 1BestariNet aims to equip 10,000 primary and secondary national schools with fourth generation (4G) internet connectivity and access to a cloud-based virtual learning platform, which allows teaching, learning, collaboration, and administrative functions to take place concurrently.

- The i-TR1M initiative on the other hand, provides additional assistance or tuition to UPSR, PMR and SPM students who are from lower household income group via an online educational platform. This initiative aims to narrow the gap in academic performance between students from lower and higher household income groups.

**Government Transformation Programme (GTP) Roadmap**

- In 2013, the enrolment rates of primary, lower secondary and upper secondary education were 94.4%, 85.4% and 78.0% respectively. *(Source: Ministry of Education)*

- By transforming Malaysia's education system via various initiatives, the government aims to achieve primary, lower secondary and upper secondary enrolment rates of 98%, 90% and 85% by 2015 respectively. (*Source: GTP Roadmap 2.0, Performance Management & Delivery Unit*).

**Economic Transformation Programme (ETP)**

- One of the Entry Point Projects (EPP) within the Education National Key Economic Areas (NKEA) is to scale up early childcare and education centres. *(Source: Performance Management & Delivery Unit)*

- Following the growth of childcare and education centres, pre-school enrolment rate is likely to increase, hence translating into demand for pre-school educational materials.

**10th Malaysia Plan (10MP)**

- The government is committed to revamp the education system in order to improve student outcomes via various initiatives.

- During the plan period (2011-2015), the government aims to increase pre-school enrolment rate to 92% by 2015 and lower the entry age for schooling from 6+ to 5+ to provide an earlier head-start to more children.

- One of the initiatives aims to strengthen the teaching and learning of English with the introduction of a new curriculum, stressing the five key skill areas of reading, speaking and listening, writing, grammar and language arts. The time spent on teaching English is also expected to increase in primary schools during the plan period.

  *(Source: 10th Malaysia Plan, Economic Planning Unit)*

**Federal Government Expenditure on Education and Training**

- The expenditure of the federal government on the education and training sector is shown below:

**Federal Government Expenditure on Education and Training**

| | 2010 | 2011 | 2012 | 2013e | 2014b | AAGR 2010-2013 (%) |
|---|---|---|---|---|---|---|
| Operating Expenditure | 37,821 | 41,741 | 47,040 | 47,975 | 51,191 | 8.2 |
| Development Expenditure | 12,046 | 7,735 | 7,550 | 6,466 | 4,895 | -18.7 |
| **TOTAL** | **49,867** | **49,476** | **54,590** | **54,441** | **56,086** | **3.0** |
| *Proportion to the total federal government expenditure (%)* | *24.4* | *21.6* | *21.6* | *20.8* | *21.4* | - |

*Notes: e =Revised Estimate; b = Budget Allocation; All units in RM million except percentages.*
*(Source: Ministry of Finance)*

- Between 2010 and 2013, the federal government expenditure on education and training increased at an AAGR of 3.0% and consistently constituted more than 20% of the total yearly budget.

- In the 2014 Budget, the allocation for education and training accounted for RM56.1 billion or 21.4% of the total budget, of which RM51.2 billion and RM4.9 billion have been allocated for operating expenditure and development expenditure respectively.

- This reflects the Government's consistent commitment in investing and improving the overall education sector.

- In the 2014 Budget, approximately RM1.7 billion was allocated for pre-school programmes as well as setting up 93 pre-schools in national-type primary schools, implementing programmes to enhance teaching methods and proficiency in Bahasa Malaysia and English, expanding internet access to schools located in rural areas, and building 33 new schools and upgrading existing ones *(Source: Ministry of Finance)*.

- As such, the growth in pre-school enrolment would increase the demand for pre-school educational materials in Malaysia.



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### 12.3 Population, Income and Expenditure

- Changes in population, especially the school going age group, per capita income and household expenditure would have an impact on the long-term prospects of the industry.

- Some of these indicators are as follows:

**Population, Income and Expenditure of Malaysia**

| | AAGR *(%)* |
|---|---|
| Population 5 – 24 age Group (2009 to 2013) | 1.1 |
| Per Capita Income (2009 to 2013) | 7.4 |
| Average Monthly Household Expenditure (2004/05 to 2009/10) | 2.3 |

*(Sources: Department of Statistics, Bank Negara Malaysia)*

- A growing population of the school going age group would increase the potential customer base for educational publications in general.

- Growth in per capita income and average monthly household expenditure may result in increased spending by consumers on educational materials.

- If the above indicators continue to grow in the future, this would augur well for operators in the overall Publishing Industry.

- The total population is forecasted to grow at an AAGR of 1.3% between 2013 and 2015 to reach 30.5 million *(Source: Department of Statistics)*.

- In addition, Malaysia's per capita income is forecasted to grow by 7.8% to RM34,175 in 2014 *(Source: Bank Negara Malaysia)*.

### 12.4 Economic Conditions

- A growing economy provides the impetus for private and public spending, which would have a positive flow-on effect on the Educational Publishing Industry.
  - Between 2009 and 2013, real GDP of the Malaysian economy grew by an AAGR of 5.7%;
  - In 2013, the Malaysian economy registered real GDP growth of 4.7%;
  - As for 2014, real GDP for Malaysia is forecasted to grow between 4.5% and 5.5%;
  - For the first quarter of 2014, the Malaysian economy grew by 6.2% due to stronger growth in domestic demand, as well as a turnaround in net exports.

*(Source: Bank Negara Malaysia)*



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## 13. THREATS AND RISK ANALYSIS

### 13.1 Increased Usage of Internet for Educational Purposes

- Under the Household Use of the Internet Survey 2011 conducted by the Malaysian Communications and Multimedia Commission (MCMC), it was estimated that 63.5% of households used the internet for educational purposes as compared to 46.0% in 2009 *(Source: Malaysian Communications and Multimedia Commission).*

- With the aim of improving the quality of learning across Malaysia, the Malaysian Government has commenced the implementation of 1BestariNet, which provides high-speed internet access and virtual learning environment for 10,000 schools *(Source: Malaysia Education Blueprint 2013-2025).*

- The increased usage of online learning materials may threaten and reduce the usage of print educational materials, hence posing a risk to the industry.

**Mitigating Factors**

- In line with the growing trend of learning via online medium, educational publishers that are involved in print publication should consider diversifying into or strengthening their online publishing as a complementary business activity.

- There are synergies between print and online publishing as the same content and material can be used for both medium of publishing. In addition, digital publications including online publications can be more engaging and interactive, which could be useful for publishers to create brand loyalty among consumers.

### 13.2 Increased Competition from Online Publications

- The internet, as a medium has made publishing of content online available to the masses without incurring on paper or printing costs.. In addition, the internet has also facilitated global competition. All these have the effect of increasing competition for the publication industry, including the Educational Publishing Industry.

- Online competition also place significant price pressure on existing operators in the education publishing industry focusing on print publishing.

- As such, online publishing would pose a threat to print publishers of educational materials in Malaysia.

**Mitigating Factors**

- While setting-up an online presence is low cost, the cost of creating awareness as well as collecting a strong customer base continues to require high investment costs.

- To-date, there are no indications from the Ministry of Education for replacement of print publications with online publications for schools under the National Education System. Malaysia continues to have a significant proportion of its population in rural areas where affordability of electronic devices and bandwidth will be a major constraint to rely solely on online educational publication materials.

- In addition, for an established publisher of educational materials, it can leverage from its brand equity in terms of brand awareness, strong customer loyalty, track record and market reputation to establish a concurrent online presence to meet the changing needs of students.

**13.3 Changes in National Curriculum**

- Any changes in the national curriculum may have an adverse impact on some publishers. Some recent developments in the national curriculum in Malaysia are as follows:

  - In 2011, the Ministry of Education started rolling out the new KSSR in stages to replace the KBSR system. The new KSSR is expected to replace all national curriculum for primary school years by 2016. In addition, a revised version of KSSR is expected to be rolled out by 2017.

  - By 2017, the new KSSM is expected to be rolled out in stages.

- Changes in national curriculum for example, the reversion of Mathematics and Science to be taught in Bahasa Malaysia, may affect some publishers.

- For instance, publishers that have a competitive edge in English-based educational materials for Mathematics and Science may lose its appeal if they are unable to publish Mathematics and Science educational materials in Bahasa Malaysia. As such, the replacement of KBSR with KSSR may adversely impact such publishers that are unable or do not have a ready technical team to publish in Bahasa Malaysia.

**Mitigating Factors**

- A change in curriculum is generally positive for publishers, as it would encourage end-users to buy new educational materials when the older publications are made obsolete by the new curriculum. An example is the new KSSR curriculum incorporating school based assessment and national examination namely UPSR. This curriculum change may stimulate demand for additional purchases of educational materials, such as revision materials, during the academic year.

- Publishers with a ready pool of experienced writers and editors with the appropriate subject matter and language skills would be in a better position to quickly adapt to changes in curriculum to minimise any adverse impact, and at the same time benefit from first-mover advantage or fast-to-market.

**13.4 Abolishment of National Examinations**

- In Malaysia, the majority of educational materials are examination oriented, targeted at students preparing to undertake national examinations such as Primary School Achievement Test (UPSR - Ujian Pencapaian Sekolah Rendah), Lower Secondary Assessment (PMR - Penilaian Menengah Rendah), and the Malaysian Certificate of Education (SPM - Sijil Pelajaran Malaysia).

- As of January 2014, the PMR examination has been abolished with 2013 being the last year of centralised examinations for Form 3 students. As such, publishers may face lower demand for educational materials for PMR.

**Mitigating Factors**

- Based on the circular by the Ministry of Education on 31 March 2014, PMR will be replaced by Form 3 Assessment (PT3 – Pentaksiran Tingkatan 3) whereby the results of the PT3 will be used as a basis for admission of students into certain types of schools and streaming of students for upper secondary levels of education.

- As such, Form 3 students would still require educational materials based on the new PT3 assessment format, despite the abolishment of the PMR examinations.

**13.5 Low Set-up Costs**

- The barriers to entry into the Educational Publishing Industry are relatively low based on capital requirements as most of the functions within the process of transforming a manuscript into the end-product may be outsourced to third parties.

- The entry cost for online publishing is even lower as there are no printing costs involved compared to print publishing. In addition, distribution costs for online publishing are minimal as it is made available through the internet.

- As such, competition within the Educational Publishing Industry may increase.

**Mitigating Factors**

- While set-up costs may be low, operating costs are considerably higher. This is due to the need to pay professional staff as well as to extend credit terms to resellers and retailers. In addition, there is a long lead time between obtaining manuscripts and transforming them into final products suitable for sales to consumers. All these factors would pose barriers to entry for new entrants.

- A more established publisher with a strong brand name, a wide distribution network whilst enjoying economies of scale, would be in a stronger position to compete in the market.

- Nonetheless, competition in a free-enterprise economy is a constant factor in most of the industries in Malaysia. As such, publishers that are quick in meeting the needs of its target customer groups, adapt to changing market conditions while using technology prudently, would continue to stay ahead of the competition.

### 13.6 Fluctuations in Prices of Raw Materials

- Printing and writing paper are major raw materials used in print publication. As such, an increase or fluctuations in the price of paper could have an impact on publishers' performance.

- The following provides some indication of prices of printing and writing paper commonly used by the print publishing industry.

| | Average Price of Paper | | | | |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **2012** | **2013** |
| Uncoated Woodfree Paper (local production) | | | | | |
| Average Price | 2,414 | 2,714 | 2,665 | 2,460 | 2,468 |
| *Growth Rate (%)* | *(16.4)* | *12.4* | *(1.8)* | *(7.7)* | *0.3* |
| Newsprint (imported) | | | | | |
| Average Price | 2,854 | 2,668 | 3,393 | 2,082 | 1,931 |
| *Growth Rate (%)* | *8.9* | *(6.5)* | *27.2* | *(38.6)* | *(7.3)* |

*Notes: All units in RM per tonne except percentages. (Source: Department of Statistics)*

- Between 2009 and 2013, the average price of uncoated woodfree paper (local production) increased at an AAGR of 0.6% whilst the average price of newsprint (imported) decreased at an average annual rate of 9.3%.

- As such, the fluctuations in paper prices may have a negative impact on print publishers.

**Mitigating Factors**

- Paper is generally a commodity that is subjected to world prices and hence, all other publishers who use the same raw materials are equally affected.

- While prices of printed materials does not react as quickly as changes in paper prices, in the long run, increases in paper prices will be passed onto end-consumers.

### 13.7 Economic Slowdown

- Any widespread and/or prolonged economic slowdown would affect consumer and business confidence, and subsequently their tendency to spend. The uncertainty over the global economies, particularly resulting from the euro zone debt problem, may also impact on the local economy. This may cause consumers to be more cautious in their spending patterns, thus leading to a slowdown in consumer spending.

- All the above factors may impair on the performance of operators within the Educational Publishing Industry.

**Mitigating Factors**

- The demand for educational materials like textbooks is generally more resilient to an economic slowdown as these form part of the requirements of the National School Curriculum.

- In addition, consumers are generally less sensitive to changes in economic conditions when considering expenditure for educational purposes. This is substantiated by the fact that while the Malaysian economy experienced a 1.5% decline in real GDP in 2009, real household final consumption on education increased by 11.5% in the same year *(Sources: Bank Negara Malaysia; Department of Statistics)*.

## 14. DRIVERS OF GROWTH

- Some of the drivers of growth for the Educational Publishing Industry are as follows:

  - **Improving education indicators** such as growing enrolment and literacy rates, coupled with a growing population, would represent an expanding base of target customer group, which in turn would stimulate demand for educational materials.

  - **Socio-economic growth** such as growth in GDP, per capita income and household spending are also important factors that would increase consumption of consumer goods, including educational materials.

  - **Government initiatives** as reflected in the Malaysia Education Blueprint 2013-2025, ETP and the 10MP will spur growth in the targeted segments of the educational market, specifically the pre-school education market. This could provide growth opportunities for publishers of educational materials.

  - **Growing reading culture** in Malaysia can be a long-term driver of growth for the overall Publishing Industry. The National Book Council of Malaysia, who created the National Book Policy (NBP) is responsible for the development of the local book industry and nurturing a reading culture among Malaysians.

  - **Online educational initiatives** such as 1BestariNet and i-TR1M would spur growth in online publishing of educational materials. Successful implementation and continued efforts in sustaining these projects provide opportunities for publishers.



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## 15. CRITICAL SUCCESS FACTORS

- Critical success factors for publishers of educational materials include the following:

  - **Established Distribution Channels:** A strong network of distribution channels would enable publishers to have greater market penetration and therefore have access to a potentially larger consumer base.

  - **Access to Prominent Retail Shelf Space:** A publisher competent in securing prominent retail shelf space at major bookstores, are in a better position to maximise on retail sales through effective merchandising and catching the attention of shoppers.

  - **Keeping Abreast with Market Conditions and Consumer Preferences:** It is essential for publishers to keep abreast with changing market conditions and consumer preferences to retain existing customers while attracting new buyers for its publications. By expanding its product mix and making content relevant to a wide range of customers, publishers would be able to address emerging business opportunities to sustain and grow its business.

  - **Established Track Record and Market Reputation:** An established track record and market reputation plays a vital role in winning textbook and educational material tenders from the Ministry of Education. In addition, a strong market reputation would provide potential buyers of other educational materials with a stronger sense of security, trust and recognition to the relevance and usefulness of the products.

  - **Leveraging on Online Publishing:** Leveraging on online publishing to complement existing print publishing activities may be critical for publishers due to the growing acceptance of learning via online means. In addition, publishers can narrow the gap between preferred market requirements and supply of content, as online publications become more interactive.

  - **Financial Stability:** Publishers who are in a healthy financial position would be in a better position to bid for government tenders as well as publish more titles to meet a wider target customer group. In addition, publishers in strong financial positions may have more resources to invest in marketing and promotions to create brand equity and ultimately have a strong following for their publications.

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## 16. MARKET SEGMENTATION, SIZE AND SHARE

### 16.1 Market Operator Segmentation

- The Educational Publishing Industry in Malaysia comprises two tiers of private publishers based on revenue size. Based on available information as at April 2014, details of the two tiers of publishers are as follows:

  - **1st tier:** Comprises the top three publishers where each publisher's revenue exceeds RM40 million per year. The top three publishers in alphabetical order are Oxford Fajar Sdn Bhd, Pelangi Publishing Group Bhd and Sasbadi Holdings Group.

    Each of the top three publishers had market share that were relatively close to each other. No one publisher had more than 10% share of the printed educational materials market in Malaysia.

  - **2nd tier:** Comprises approximately 200 publishers where each publisher's revenue is less than RM40 million per year.

*(Note: Revenue used for segmenting operators into two tiers is based on their total revenue, which includes publishing of educational materials, and may also include other related and non-related activities. Publishers above refer to those who are involved in the business of publishing on a regular basis.)*

*(Source: Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)*

### 16.2 Market Size

- In 2013, the market size of the publishing of books, brochures and other publications (including educational and non-educational materials) in Malaysia was approximately **RM1.0 billion** *(Source: Department of Statistics and computed by Vital Factor Consulting Sdn Bhd).*

- In 2013, the market size for printed educational materials in Malaysia was approximately **RM750 million** based on apparent consumption *(Source: Department of Statistics and computed by Vital Factor Consulting Sdn Bhd).*

### 16.3 Market Share

- In 2013, Sasbadi Holdings Group had a market share of **6%** of the publishing of books, brochures and other publications (including educational and non-educational materials) in Malaysia based on the Group's revenue from print publications *(Source: Vital Factor Consulting Sdn Bhd).*

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- In 2013, Sasbadi Holdings Group had a market share of **9%** of printed educational materials in Malaysia based on the Group's revenue from print publications *(Source: Vital Factor Consulting Sdn Bhd).*

We, Vital Factor Consulting Sdn Bhd, have prepared this report in an independent and objective manner and have taken all reasonable consideration and care to ensure the accuracy of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely



Wong Wai Ling
Director

# 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

## 8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

### 8.1.1 Shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are as follows:

| | <---------- Before IPO ----------> | | | | <---------- After IPO ----------> | | | |
|---|---|---|---|---|---|---|---|---|
| | < ------ Direct ------- > | | < --------- Indirect---------- > | | < ------ Direct ----- > | | < -------- Indirect-------- > | |
| **Name** | **No. of Shares held** | **% held*** | **No. of Shares held** | **% held*** | **No. of Shares held** | **% held^** | **No. of Shares held** | **% held^** |
| **Promoters and Substantial Shareholders** | | | | | | | | |
| Law King Hui | 52,900,000 | 50.0 | - | - | 25,400,000# | 20.0 | 25,400,000(1) | 20.0 |
| Lee Swee Hang | 26,450,000 | 25.0 | - | - | 12,700,000# | 10.0 | 25,400,000(1) | 20.0 |
| Lee Eng Sang | 26,450,000 | 25.0 | - | - | 6,350,000# | 5.0 | 25,400,000(1) | 20.0 |
| Karya Kencana | - | - | - | - | 25,400,000@ | 20.0 | - | - |
| **Promoter** | | | | | | | | |
| Law En Ruey | - | - | - | - | 100,000** | 0.1 | - | - |

***Notes:***

* *Based on our issued and paid-up share capital of 105,800,000 Shares after the Acquisitions but prior to our IPO.*

^ *Based on our enlarged issued and paid-up share capital of 127,000,000 Shares after our IPO.*

\# *Assuming that all his Offer for Sale Shares are fully subscribed and after taking into account the Vendors' Shareholdings Reorganisation as disclosed in Section 5.4.5 of this Prospectus.*

@ *After taking into consideration the Vendors' Shareholdings Reorganisation as disclosed in Section 5.4.5 of this Prospectus.*

** *Assuming full subscription of his Pink Form Tranche allocation.*

*(1) Deemed interested by virtue of his shareholding in Karya Kencana pursuant to Section 6A of the Act, after taking into consideration the Vendors' Shareholdings Reorganisation as disclosed in Section 5.4.5 of this Prospectus.*

### 8.1.2 Profile of Promoters and Substantial Shareholders

The profiles of Law King Hui, Lee Swee Hang, Lee Eng Sang and Law En Ruey are set out in Section 8.2.1 of this Prospectus.

**Karya Kencana**
Promoter and substantial shareholder

Karya Kencana was incorporated in Malaysia under the Act on 26 March 2013. As at LPD, its authorised share capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which 1,000 ordinary shares of RM1.00 each have been issued and fully-paid up.

The principal activity of Karya Kencana is investment holding.

The Directors and substantial shareholders of Karya Kencana and their respective shareholdings in Karya Kencana as at LPD are as follows:

| | < -------- Direct -------- > | | < ------ Indirect ------ > | |
|---|---|---|---|---|
| **Name** | **No. of shares held** | **% held** | **No. of shares held** | **% held** |
| **Directors and substantial shareholders** | | | | |
| Law King Hui | 599 | 59.9 | - | - |
| Lee Swee Hang | 200 | 20.0 | - | - |
| Lee Eng Sang | 200 | 20.0 | - | - |
| **Director** | | | | |
| Law En Ruey | - | - | - | - |
| Johan John bin Abdullah | 1 | 0.1 | - | - |

Pursuant to the Vendors' Shareholdings Reorganisation as detailed in Section 5.4.5 of this Prospectus, the issued and paid-up share capital of Karya Kencana will increase to RM100,000 comprising 100,000 Karya Kencana Shares via the issuance of 49,500 new Karya Kencana Shares to Law King Hui, 24,750 new Karya Kencana Shares to Lee Swee Hang and 24,750 new Karya Kencana Shares to Lee Eng Sang.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

### 8.1.3 Changes in Promoters and/or Substantial Shareholders' Shareholdings since Incorporation

Save as disclosed below, there has been no change in the shareholdings of our Promoters and/or substantial shareholders in our Company since incorporation up to the date of this Prospectus:

| | | <---------- Direct ----------> | | <---------- Indirect ----------> | |
|---|---|---|---|---|---|
| **Name** | **Date of acquisition/ (disposal)** | **No. of Shares acquired/ (disposed)** | **Cumulative No. of Shares** | **No. of Shares acquired/ (disposed)** | **Cumulative No. of Shares** |
| Suhaimi Bin Huzai | 30.10.2012 | 1 | 1 | - | - |
| | 13.03.2013 | # | 2 | - | - |
| | 19.05.2014 | (2) | - | - | - |
| Sherina Binti Mohamed | 30.10.2012 | 1 | 1 | - | - |
| | 13.03.2013 | # | 2 | - | - |
| | 19.05.2014 | (2) | - | - | - |
| Law King Hui | 19.05.2014 | 2 | 2 | - | - |
| | 19.05.2014 | 52,899,998 | 52,900,000 | - | - |
| Lee Swee Hang | 19.05.2014 | 1 | 1 | - | - |
| | 19.05.2014 | 26,449,999 | 26,450,000 | - | - |
| Lee Eng Sang | 19.05.2014 | 1 | 1 | - | - |
| | 19.05.2014 | 26,449,999 | 26,450,000 | - | - |

***Note:***

\# *Subdivision of our Shares from each ordinary share of RM1.00 to two (2) ordinary shares of RM0.50 each.*

## 8.2 BOARD OF DIRECTORS

### 8.2.1 Profiles

**Dato' Salleb bin Mohd Husein**
*Independent Non-Executive Chairman*

**Dato' Salleh**, aged 63, is our Independent Non-Executive Chairman and was appointed to our Board on 7 May 2013. He graduated with a Bachelor of Arts with 1st Class Honours from the University of Malaya in 1974. He also holds a Certificate in Education from Maktab Perguruan Sultan Idris, Tanjung Malim, obtained in 1970.

He joined the teaching profession as a teacher at SK Kayan, Setiawan, Perak in 1971. From 1974 to 1992, he served as Acting Principal and Principal at various schools in Perak.

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Having served in Perak schools, he was promoted to the Perak State Education Department as Principal Assistant Director in charge of administration and state education financing from 1992 to 1993. Then, he was made Principal of SM Sains Tengku Abdullah, Raub, Pahang in 1993 before serving at King Edward VII School of Taiping in 1994, also as Principal. His next service saw him being made District Education Officer at the Manjong District Education Office from 1996 to 1997 where he was tasked to implement education programmes. Thereafter, he was promoted as Sector Head in charge of administration and school leadership at the Perak State Education Department where he served from 1997 to 2001.

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

From 2008 to 2011, he served as a member of the Malaysian Education Service Commission, Prime Minister's Department to promote quality education whereby the said Commission looks into matters relating to recruitment, appointment and discipline of personnel. During those years, he was member of the Advisory Panel for Excellent School Cluster until 2012. He also provided education related consultation services to Sasbadi during the period from 2007 to 2009 and again, from October 2011 to September 2012.

**Law King Hui**
*Promoter, substantial shareholder and Managing Director*

**Law King Hui,** aged 55, is our Managing Director and was appointed to our Board on 7 May 2013. As one of the co-founders of Sasbadi, he has been instrumental in the development, growth and success of our Group.

He graduated from Tunku Abdul Rahman College with a Certificate in Electronics Engineering in 1980. He started his career in 1980 as a Test Technician with National Semi Conductors Sdn Bhd where he was involved in commissioning new test-lines, troubleshooting, maintenance, and testing of machines and equipment. He left the company in December 1980 and subsequently joined Pustaka Delta Pelajaran Sdn Bhd in January 1981 where he held a diverse range of positions during his employment including Sales Representative, Administration Coordinator, Management Executive and Regional Manager. He left the company in April 1985 and co-founded Sasbadi.

Besides being responsible for the development of our Group's strategies and policies, he has also played an active role in product development and innovation. His contributions have led to the transformation of our Group from a pure educational print publisher to a Group with diverse learning and teaching platforms including online learning materials and teaching products, applied learning products namely robotics and LEGO Education, all of which complement our print publishing business.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

An entrepreneur with more than 30 years of publishing experience, he has contributed towards the development of the Malaysian book industry by serving in the Majlis Buku Kebangsaan Malaysia ("**MBKM**"), Malaysian Book Industry Council ("**MBIC**"), Malaysian Book Publishers Association ("**MABOPA**"), and ASEAN Book Publishers Association ("**ABPA**") over a span of more than 25 years. He has participated in numerous forums, round-tables, seminars, conferences, and lectures where he introduced new concepts and strategies aimed at promoting a reading culture and expanding Malaysia's book industry. His contributions led to his selection as one of the 21 personalities documented in the publication, "Tokoh-tokoh Perbukuan Malaysia" by the National Library Malaysia (Md. Sidin Ahmad Ishak. 2011. ISBN 978-967-931-219-5. p95-p105). This book was published to recognize book activists and professionals in the country who have made significant contributions towards the development of the book industry and reading culture. On 12 December 2013, he received the Anugerah Perdana (Tokoh Industri Buku Negara) awarded by Yayasan Pembangunan Buku Negara.

He is involved in the development and growth of the publishing industry in Malaysia and has held several key positions in different independent and governmental organisations, including:

(i) Being appointed by the Minister of Education as a council member of MBKM, and has served as Treasurer since 2007 todate;
(ii) Having held the position of President of ABPA for the term of 2009-2011. ABPA members comprise Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam;
(iii) Having held the position of Chairman of MBIC for the term of 2007-2009 and the position of Treasurer for the term of 2009-2011;
(iv) Having held the position of President of MABOPA for the term of 2006-2011, Vice President for the term of 1999-2002, Honorary Secretary for the term of 1993-1994, and Executive Council Member for the terms of 1989-1992 and 1995-1998;
(v) Being appointed by the then Director General of Education Malaysia, the late Y. A. Bhg. Tan Sri Abdul Rafie bin Mahat, to chair the 2007 and 2008 Kuala Lumpur International Book Fair ("**KLIBF**") Working Committee and later served as the event's Treasurer in 2009;
(vi) Spearheaded the establishment of the Kuala Lumpur Trade and Copyright Centre ("**KLTCC**") in 2009 and served as the Organising Committee Chairman in 2010. KLTCC is a trading place for publishers to trade copyrights in the ASEAN region; and
(vii) Being Treasurer, Malaysian Chinese Language Council ("**MCLC**"), 2011-present.

He is committed in upholding our Group's corporate social responsibility ("**CSR**") initiatives by supporting programmes such as sponsoring robotics teams from urban under-served schools and rural national primary schools, School-in-Hospital Project, Pagoh English Language Centre, GURU magazines, Nadi Ilmu Amalan Membaca ("**NILAM**") reading program, Kem Membaca 1Malaysia reading program, Dignity for Children and various charitable programmes run by the Ministry of Education and other ministries.

**Lee Swee Hang**
*Promoter, substantial shareholder and Executive Director*

**Lee Swee Hang**, aged 61, is also our Group's Publishing Director and was appointed to our Board on 7 May 2013. He is one of the co-founders of our Group.

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

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

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

**Lee Eng Sang**
*Promoter, substantial shareholder and Executive Director*

**Lee Eng Sang**, aged 63, is also our Group's Marketing Director and was appointed to our Board on 7 May 2013. He is one of the co-founders of our Group. He is mainly responsible for the management of our Group's marketing and sales department.

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

As one of the co-founders of Sasbadi, he has established a formidable marketing and sales force that has led us to grow to the size we are today. He has introduced personal training and development programmes to help build and improve the skills, productivity and morale of new and existing sales team members. Under his guidance, our sales teams are able to build rapport and lasting relationships with our customers in tandem with their growth. Our marketing and sales department has low staff turnover, allowing us to retain experienced personnel for our Group's long term business growth.

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

**Law En Ruey**
*Promoter, Executive Director and Chief Operating Officer*

**Law En Ruey**, aged 29, is an Executive Director and Chief Operating Officer of our Group and was appointed to our Board on 7 May 2013. He obtained his Bachelor of Science (BSc) in Mathematics and Physics with 1st Class Honours in 2007 and Masters of Science (MSc) in Management with 1st Class Honours in 2008, both from the University of Bath, England.

He started his career in 2008 as a Management Trainee with AmBank (M) Berhad. He was promoted to Credit Analyst Manager in the Business Credit Risk Evaluation Unit in 2009 where he was tasked to execute credit risk analysis on business portfolios which included conducting financial analyses, research, site visits and interviews. He left the company in 2010 and joined Sasbadi as a Senior Manager where he was responsible to assist the Managing Director in the management of projects, operations and information technology of our Group.

In 2011, he was promoted to General Manager of our Group. He helped to restructure operations, implement new working systems and motivate staff in order to improve our Group's efficiency and value generation in line with our Group's expansion. He also developed our in-house resource planning system and supervises the information technology infrastructure of our Group. He was the Project Manager for the World Robot Olympiad 2012 where he was responsible for the planning, communication and overall operation of the event.

In 2013, he was promoted to Chief Operating Officer of our Group, and is responsible for overseeing the smooth operation and business development of our Group.

**Dato' Noor Rezan binti Bapoo Hashim**
*Independent Non-Executive Director*

**Dato' Noor Rezan**, aged 61, is our Independent Non-Executive Director and was appointed to our Board on 7 May 2013. She graduated with a Bachelor of Arts with Honours from the University of Malaya in 1974 and Master of Arts (TESL) (Teaching of English as a second language) from the University of Hawaii, the United States of America in 1982. She also holds a Diploma in Education (with Distinction) received from the University of Malaya in 1975, and a Certificate in Managing Education (English Language Teaching) received from the College of St. Mark & St. John, Plymouth, England in 1995.

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

In 2003, she was promoted to the position of Deputy Director of Schools Division, Ministry of Education until 2004. She then became the Education Director of Federal Territory of Kuala Lumpur from 2004 to 2006. In 2006, she was promoted to the position of Director of Schools Division, Ministry of Education, overseeing all schools under the purview of the Ministry of Education. In 2007, she was promoted to the position of the Deputy Director-General of Education Malaysia overseeing operations of eight (8) divisions in the ministry which are involved in schools operations. She held this position until her retirement in 2011.

From 2011 to 2012, she served as the Education Advisor of Khazanah Nasional Berhad, advising on matters pertaining to their projects involving education, such as Trust Schools, Teach for Malaysia and Promoting Intelligence, Nurturing Talents and Advocating Responsibility (PINTAR) programme. Currently, she is Consultant Education Advisor to Khazanah Nasional Berhad. She is also the Advisor of SMR HR Group Sdn Bhd for the English Language Training project. Dato' Noor Rezan was awarded the "Tokoh Kepimpinan Pendidikan Kebangsaan 2013" (National Education Leadership Award) at the National Teachers Day Celebration in Nilai on 16 May 2013.

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

**David Lim**, aged 59, is our Independent Non-Executive Director and was appointed to our Board on 7 May 2013. He has had an extensive career serving as an Auditor at KPMG, spanning 33 years.

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

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

In 2006, he was assigned by KPMG to start up the Audit Committee Institute, Malaysia ("**ACI Malaysia**"), which is a virtual worldwide initiative sponsored by KPMG to assist independent directors in enhancing their awareness and ability to implement effective board processes. After five (5) years of relentless groundwork, ACI Malaysia is now a source of information where non-executive directors can turn to if they wish to look for information in order to help them in discharging their duties and responsibilities.

He actively served as an examiner for Company Law examinations conducted by the MICPA for over 10 years. He was Chairman of MICPA Code of Ethics Committee and a member of the Malaysian Institute of Accountants Code of Ethics Committee, both from 2002 to 2004. He had also developed an expertise in undertaking the role of Reporting Accountants in, and was the Audit Partner in charge of over 30 initial public offerings whilst at KPMG. He retired from KPMG in 2011. In 2013, he has been appointed as the representative of Malaysia to sit in the Council of the Institute of Chartered Accountants in England and Wales.

He is the Chairman of the Audit Committee for Affin Investment Bank Berhad, Manulife Insurance Berhad, Manulife Holdings Berhad and IJM Land Berhad. He is the Chairman of the Risk Management Committee and a member of the Remuneration and Nomination Committee of Manulife Holdings Berhad. He is also a member of the Audit Committee and a member of the Remuneration and Nomination Committee of Ann Joo Resources Berhad.

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

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

### 8.2.2 Shareholdings

The shareholdings of our Directors in our Company before and after our IPO are as follows:

| | | | <---------- Before IPO ----------> | | | | <---------- After IPO ----------> | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | <--- Direct ---> | | <--- Indirect---> | | <--- Direct ---> | | <--- Indirect---> | |
| Name | Designation | Nationality | No. of Shares held | % held* | No. of Shares held | % held* | No. of Shares held | % held^ | No. of Shares held | % held^ |
| Dato' Sallch bin Mohd Husein | Independent Non-Executive Chairman | Malaysian | - | - | - | - | 100,000** | 0.1 | - | - |
| Law King Hui | Managing Director | Malaysian | 52,900,000 | 50.0 | - | - | 25,400,000# | 20.0 | 25,400,000(1) | 20.0 |
| Lee Swee Hang | Executive Director | Malaysian | 26,450,000 | 25.0 | - | - | 12,700,000# | 10.0 | 25,400,000(1) | 20.0 |
| Lee Eng Sang | Executive Director | Malaysian | 26,450,000 | 25.0 | - | - | 6,350,000# | 5.0 | 25,400,000(1) | 20.0 |
| Law En Rucy | Executive Director | Malaysian | - | - | - | - | 100,000** | 0.1 | - | - |
| Dato' Noor Rezan binti Bapoo Hashim | Independent Non-Executive Director | Malaysian | - | - | - | - | 100,000** | 0.1 | - | - |
| Lim Hun Soon @ David Lim | Independent Non-Executive Director | Malaysian | - | - | - | - | 100,000** | 0.1 | - | - |

*Notes:*

* *Based on our issued and paid-up share capital of 105,800,000 Shares after the Acquisitions but prior to our IPO.*

^ *Based on our enlarged issued and paid-up share capital of 127,000,000 Shares after our IPO.*

** *Assuming full subscription of his/her Pink Form Tranche allocation.*

\# *Assuming that all his Offer for Sale Shares are fully subscribed and after taking into account the Vendors' Shareholdings Reorganisation as disclosed in Section 5.4.5 of this Prospectus.*

*(1)* *Deemed interested by virtue of his shareholdings in Karya Kencana pursuant to Section 6A of the Act, after taking into consideration the Vendors' Shareholdings Reorganisation as disclosed in Section 5.4.5 of this Prospectus.*

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

### 8.2.3 Principal Activities Performed Outside Our Group or Corporations

Save as disclosed below, our Directors do not have any other principal directorship in other corporations for the past five (5) years prior to LPD or any principal business activities performed outside of our Group as at LPD:

| Name | Directorship | Principal Activity | Involvement in business activities other than as a director as at LPD |
|---|---|---|---|
| Dato' Salleh bin Mohd Husein | **Present directorship:**<br>Nil<br><br>**Directorship for the past five (5) years prior to the LPD:**<br>Nil | -<br><br>- | **Shareholder:**<br>YAAL Lambor Holdings Sdn Bhd<br>YGMB E Guru Sdn Bhd* |
| Law King Hui | **Present directorship:**<br>Karya Kencana<br><br>**Directorship for the past five (5) years prior to the LPD:**<br>MBIC Sdn Bhd *(resigned on 11.11.2011)*<br><br>Media Distribution Sdn Bhd *(resigned on 29.08.2013)* | Investment holding<br><br>Printing services and events management<br>Dormant | **Shareholder:**<br>Karya Kencana |
| Lee Swee Hang | **Present directorship:**<br>Karya Kencana<br><br>**Directorship for the past five (5) years prior to the LPD:**<br>Nil | Investment holding | **Shareholder:**<br>Karya Kencana |
| Lee Eng Sang | **Present directorship:**<br>Karya Kencana | Investment holding | **Shareholder:**<br>Karya Kencana |

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

| Name | Directorship | Principal Activity | Involvement in business activities other than as a director as at LPD |
|---|---|---|---|
| Lee Eng Sang *(cont'd)* | **Directorship for the past five (5) years prior to the LPD:**<br>Nil | | |
| Law En Ruey | **Present directorship:**<br>Karya Kencana<br>One Hundred Thousand Pixels Sdn Bhd^<br><br>**Directorship for the past five (5) years prior to the LPD:**<br>Nil | Investment holding<br>Dormant | **Shareholder:**<br>One Hundred Thousand Pixels Sdn Bhd^ |
| Dato' Noor Rezan binti Bapoo Hashim | **Present directorship:**<br>Nil<br><br>**Directorship for the past five (5) years prior to the LPD:**<br>Nil | | **Trustee:**<br>Yayasan Amir<br>TFM Foundation |
| Lim Hun Soon @ David Lim | **Present directorship:**<br>Affin Investment Bank Berhad<br>Credcn (Hong Kong) Co. Ltd<br><br>HwangDBS Investment Bank Berhad<br>IJM Land Berhad<br>Inhox System Sdn Bhd<br>Joy & Hope Sdn Bhd<br>Manulife Holdings Berhad<br>Manulife Insurance Berhad<br><br>Newsmakers Productions Sdn Bhd<br>PEIT (M) Sdn Bhd | Investment banking<br>Trading of optical products, investment holding and provision of management and administrative services.<br>Investment banking<br>Investment holding<br>Property investment<br>Investment holding<br>Investment holding<br>Underwriting of life insurance business<br>Dormant<br>Dormant | **Shareholder:**<br>Action Sunrise Sdn Bhd<br>Barisan Elite Sdn Bhd<br>Inbox System Sdn Bhd<br>Standoxmix Sdn Bhd<br>Topcode Marketing Sdn Bhd<br>Creden (Hong Kong) Co. Ltd<br>PEIT (M) Sdn Bhd |

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

| Name | Directorship | Principal Activity | Involvement in business activities other than as a director as at LPD |
|---|---|---|---|
| Lim Hun Soon @ David Lim *(cont'd)* | Rockwills Trustee Bhd | Provide estate planning, custodian, trustee, will writing and will custody services | |
| | Standoxmix Sdn Bhd | Property investment | |
| | Topcode Marketing Sdn Bhd | Property investment | |
| | Ann Joo Resources Berhad | Investment holding | |
| | **Directorship for the past five (5) years prior to the LPD:** | | |
| | Australaysia Resources & Minerals Berhad *(resigned on 31.08.2013)* | | |
| | Designline Bus Pacific Limited *(resigned on 01.07.2013)* | | |

*Notes:*

* *The principal activity of YGMB E Guru Sdn Bhd is book suppliers and trades.*
^ *This company is in the process of being struck-off.*

Based on the declarations by:

(i) Law King Hui – his involvement in the other corporation outside our group does not require a significant amount of his time as the corporation is an investment holding company. Accordingly, his involvement in the other corporation does not affect his contribution to our Group or negatively impact his ability to act as the Managing Director of our Group;

(ii) Lee Swee Hang – his involvement in the other corporation outside our group does not require a significant amount of his time as the corporation is an investment holding company. Accordingly, his involvement in the other corporation does not affect his contribution to our Group or negatively impact his ability to act as the Executive Director of our Group;

(iii) Lee Eng Sang – his involvement in the other corporation outside our group does not require a significant amount of his time as the corporation is an investment holding company. Accordingly, his involvement in the other corporation does not affect his contribution to our Group or negatively impact his ability to act as the Executive Director of our Group; and

(iv) Law En Ruey – his involvement in the other corporations outside our group does the not require a significant amount of his time as those corporations are either investment holding company or dormant. Accordingly, his involvement in the other corporations does not affect his contribution to our Group or negatively impact his ability to act as the Executive Director of our Group.

Please refer to Section 10.1 of this Prospectus for further information on related party transactions with our Directors.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

### 8.2.4 Directors' Remuneration and Material Benefits-in-Kind

The current remunerations and proposed remunerations for services rendered/to be rendered by our Directors in all capacities to our Group for the FYE 31 August 2013 and 2014 are as follows:

| Director | Remuneration Band (RM) FYE 31 August 2013 | FYE 31 August 2014 |
|---|---|---|
| Dato' Salleh bin Mohd Husein | Nil - 50,000* | Nil - 50,000 |
| Law King Hui | 800,001 - 850,000 | 1,150,001 – 1,200,000 |
| Lee Swee Hang | 400,001 - 450,000 | 600,001 – 650,000 |
| Lee Eng Sang | 250,001 - 300,000 | 350,001 – 400,000 |
| Law En Ruey | 100,001 - 150,000 | 350,001 – 400,000 |
| Dato' Noor Rezan binti Bapoo Hashim | Nil | Nil - 50,000 |
| Lim Hun Soon @ David Lim | Nil | Nil - 50,000 |

*Note:*

* *Fee paid to him as our consultant for the month of September 2012.*

The above remunerations, which comprise salaries, bonuses, fees, allowances and other benefits-in-kind must be considered and recommended by our Remuneration Committee and subsequently approved by our Board. Our Directors' fees are subject to shareholders' approval at general meeting.

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### 8.2.5 Directors' Term of Office

Our Directors were appointed to the Board and has served in their respective capacities since the dates set out in Section 8.2.1 of this Prospectus. Our Board comprises four (4) Executive Directors and three (3) Independent Non-Executive Directors and their respective terms of office are as follows:

| Name | Designation | Expiration of term of office | No. of years in office as at LPD |
|---|---|---|---|
| Dato' Salleh bin Mohd Husein | Independent Non-Executive Chairman | ^ | > 1 |
| Law King Hui | Managing Director | ^ | > 1 |
| Lee Swee Hang | Executive Director | ^ | > 1 |
| Lee Eng Sang | Executive Director | ^ | > 1 |
| Law En Ruey | Executive Director | ^ | > 1 |
| Dato' Noor Rezan binti Bapoo Hashim | Independent Non-Executive Director | ^ | > 1 |
| Lim Hun Soon @ David Lim | Independent Non-Executive Director | ^ | > I |

***Note:***

^ *In accordance with Article 84 of our Articles of Association on Retirement of Directors:*

*"An election of directors shall take place each year. At the first annual general meeting all the directors shall retire from office, and at the Annual General Meeting in every subsequent year, one-third (1/3) of the directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) with a minimum of one (1) shall retire from office and be eligible for re-election. All directors including the Managing Director (if any) shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring director shall hold office until the close of the meeting at which he retires. The directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot."*

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

### 8.3 AUDIT, NOMINATION AND REMUNERATION COMMITTEES

#### 8.3.1 Audit Committee

Our Audit Committee was established on 8 May 2013. Members of our Audit Committee are as follows:

| Name | Designation | Directorship |
|---|---|---|
| Lim Hun Soon @ David Lim | Chairman | Independent Non-Executive Director |
| Dato' Salleh bin Mohd Husein | Member | Independent Non-Executive Chairman |
| Dato' Noor Rezan binti Bapoo Hashim | Member | Independent Non-Executive Director |

The principal function of the Audit Committee is to assist our Board in discharging its duties and oversight responsibilities relating to accounting and reporting practices of our Group. In addition, the Committee shall perform, amongst others, the following functions:

(i) Review with our external auditors the nature and scope of their audit plans, audit reports, major findings and evaluations of our accounting system and internal controls;

(ii) Review our quarterly and annual financial statements before submission to our Board, focusing on, inter-alia, changes in implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standards and other regulatory or legal requirements;

(iii) Consider the appointment or reappointment of external auditors and review matters relating to their resignation;

(iv) Review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;

(v) Review with our internal auditor their evaluation of the system of internal controls, which include, amongst others the financial and operational controls; and

(vi) Perform such other functions as may be requested by our Board.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

### 8.3.2 Nomination Committee

Our Nomination Committee was established on 8 May 2013. Members of our Nomination Committee are as follows:

| Name | Designation | Directorship |
|---|---|---|
| Dato' Noor Rezan binti Bapoo Hashim | Chairman | Independent Non-Executive Director |
| Dato' Salleh bin Mohd Husein | Member | Independent Non-Executive Chairman |
| Lim Hun Soon @ David Lim | Member | Independent Non-Executive Director |

Our Nomination Committee's terms of reference include, amongst others, the following:

(i) Assess and recommend to our Board, candidates for directorships of our Company and Directors as members of the relevant Board committees;

(ii) Evaluate the effectiveness of our Board and the relevant Board committees;

(iii) Review annually the required mix of skills and experience and other qualities of our Board, including the core competencies which directors should bring to our Board; and

(iv) Ensure an appropriate framework and succession planning for our Board.

### 8.3.3 Remuneration Committee

Our Remuneration Committee was established on 8 May 2013. Members of our Remuneration Committee are as follows:

| Name | Designation | Directorship |
|---|---|---|
| Lim Hun Soon @ David Lim | Chairman | Independent Non-Executive Director |
| Dato' Salleh bin Mohd Husein | Member | Independent Non-Executive Chairman |
| Law King Hui | Member | Managing Director |

Our Remuneration Committee's terms of reference include, amongst others, the following:

(i) Review and recommend the remuneration packages of our Directors and key management personnel;

(ii) To ensure the levels of remuneration be sufficiently attractive and be able to retain our Directors and key management personnel needed to run our Group successfully;

(iii) Establish and recommend to our Board the remuneration structure and policy for Executive Directors and key management personnel; the terms of employment or service contract, where relevant, any benefit, pension or incentive scheme entitlement; performance related bonuses, fees and expenses, compensation arrangement; and to review for changes to the policy, where necessary; and

(iv) Ensure corporate accountability and governance in respect of the remuneration of our Directors and key management personnel and other relevant functions.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

### 8.4 KEY MANAGEMENT PERSONNEL

#### 8.4.1 Profiles

**Tan Shea Sheak**

**Tan Shea Sheak**, aged 33, is the Finance Manager of our Group. He obtained his Bachelor of Business and Commerce – Major in Accounting and Banking & Finance from Monash University in 2003. He was admitted by the Malaysian Institute of Accountants as a Chartered Accountant in 2012. He is also a member of Certified Practicing Accountant (CPA) Australia.

He started his career as an Audit Assistant with T.H. Law & Co. in 2003 where he was involved in undertaking statutory financial audits of public listed and private limited companies. He subsequently joined KPMG in 2004 as an Audit Assistant and was subsequently promoted to Audit Assistant Manager in 2009. He was involved in statutory financial audits of multinational corporations, public listed and private limited companies as well as in an initial public offering exercise as reporting accountants. He left KPMG in 2010 and joined Fusionex Corp Sdn Bhd as an Accountant. He was subsequently promoted to Finance Manager in 2011 under ADV Fusionex Sdn Bhd which is a related company to Fusionex Corp Sdn Bhd, under this new role he was tasked to oversee the Finance Department of the Fusionex group of companies in charge of financial reporting. He was also involved in the listing of the Fusionex group of companies on the Alternative Investment Market, London Stock Exchange.

In 2012, he joined Sasbadi as our Group Finance Manager where he is tasked to oversee our Finance Department. His key responsibilities include annual financial reporting, quarterly financial reporting, management accounting, tax planning and compliance as well as corporate planning.

**Chen Yee Cheong**

**Chen Yee Cheong**, aged 54, is the Sales Director of our Group. He obtained his Sijil Tinggi Pelajaran Malaysia ("STPM") in 1980.

He started his career as an Officer in Jabatan Perangkaan Malaysia from 1981 to 1982. In 1983, he was employed as a Sales Representative with Pustaka Delta Pelajaran Sdn Bhd. He left the company in 1985 to join Sasbadi as a Sales Representative where he was responsible for the sales and promotions of publications in schools. In 1988, he was promoted to be our Regional Manager where he was responsible for the sales and promotions of publications in the East Coast and Klang Valley regions in Peninsular Malaysia. He was further promoted to Sales Manager in 1996 and to his current position as Sales Director in 2001 where he is in charge of sales and marketing activities of our Group.

**Wan Meow Sang**

**Wan Meow Sang**, aged 50, is the Sales Director of our Group. He obtained his Sijil Pelajaran Malaysia ("SPM") in 1981.

He started his career in 1982 as a Sales Representative with Pustaka Delta Pelajaran Sdn Bhd where he was responsible in promoting books to schools and booksellers. He left the company in 1986 and joined Sasbadi as a Marketing Representative. In 1988, he was promoted to become Regional Manager to oversee sales in the Northern region of Peninsular Malaysia. He was further promoted to Assistant Sales Manager in 1997 to assist the Sales Manager in overseeing country-wide sales for Malaysia. In 1999, he was promoted to his current position as Sales Director. He has also been serving as the Head of LEGO Education Division in our Group since 2004.

**Chok Siew Sin**

**Chok Siew Sin**, aged 42, is the Marketing Manager of our Group. He obtained his Sijil Tinggi Pelajaran Malaysia ("STPM") in 1992.

He joined Sasbadi in 1993 and served as an Editorial Assistant from 1993 to 1995 where he was tasked to proof read, edit, write and plan for the publications of Sasbadi. He subsequently served as a Sales Representative from 1995 to 1997 where he was responsible for promoting, selling and securing orders from existing and prospective customers. Thereafter, he was promoted to Sales Executive in 1997, Senior Sales Executive in 1998, Area Sales Manager in 1999 and Regional Sales Manager in 2000 to oversee the sales operations in the Northern region of Peninsular Malaysia and to lead the sales teams which includes supervising performance, coaching, mentoring and hiring of sales team members.

He was promoted to National Sales Manager – LEGO Education Division in 2005 where he was tasked to gather market information and identify trends which would affect the current and future growth, sales and profitability of our Group and to assist in formulating and implementing marketing strategies, information and solution for sales teams and/or sales operations.

He undertook his current position as Group Marketing Manager in 2009. His responsibilities are to develop and maintain marketing strategies to meet the objectives of our Group, conduct market research in order to identify market requirements for current and future products, develop and implement Group-wide plans to promote products and coordinate with all departments for their execution.

**Roslan bin Yahya**

**Roslan bin Yahya**, aged 52, is the Publishing Manager of our Group. He graduated from MARA Institute of Technology (UiTM) in 1986 with a General Degree (Mass Communication Major in Advertising).

He started his career in 1987 as a Copywriter/Account Executive with Azman Zakaria Sdn Bhd. He left the company in 1988 and joined Sasbadi as an Editor where he was involved in the editorial works of publications such as Bahasa Malaysia, Industrial Arts, Geography and History. He was subsequently promoted to Editorial Manager in Sasbadi where he was involved in sales briefing and the planning of various publications. He was also chiefly responsible for the development of our products, Sumber dalam Fail, High Gear, Sasbadi's first textbook "Bahasa Malaysia KBSM Tingkatan 1", Eyewitness series, and Do It Yourself series, amongst others. He was promoted to his current position as Publishing Manager in 2012 and manages the entire Editorial department and Sasbadi's publications.

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**Chew Yoke Chen**

**Chew Yoke Chen**, aged 57, is the Production Manager of our Group. She graduated from the Malaysian Institute of Art, Kuala Lumpur in 1983 with a Diploma of Illustration.

She started her career in 1975 with Eng Hin Engineering as an Administration Assistant. She left the company in 1976 and joined Daya Bina Sdn Bhd as a Draftswoman Trainee. She left the company in 1978 and joined Preston Corporation Sdn Bhd where she served as an Artist, Head of Art Section and Product Supervisor until 1987. Thereafter, she became a contract freelancer until she joined Sasbadi in 1988 where she served as a Paste-Up Artist (akin to a layout artist for digital print). In 1989, she was promoted to become Head of Art Department where she was put in charge of quality control of all artwork for Sasbadi's publications. She was further promoted to become Production Supervisor in 1991 where she dealt with all external and internal artists of our Group. From 1996 to 2004, she served as our Pre-Press Production Manager where she was in charge of pre-production quality control. Thereafter, she was promoted to her current position as Production Manager in 2004. She is currently responsible for productivity, art direction, and product quality control.

**Chan Yee Fuan**

**Chan Yee Fuan**, aged 37, is the Purchasing Manager of our Group. She graduated with a London Chamber of Commerce and Industry ("LCCI") International Qualification in 1996.

She started her career in 1996 as Accounts Assistant with Keris Property Sdn Bhd. She left the company in 2000 and joined Sin Yong Guan Industries Sdn Bhd as Accounts Executive. Subsequently, in 2004, she joined Celcom (M) Sdn Bhd as Accounts Assistant.

In 2005, she joined Sasbadi as an Accounts Executive where she was responsible for the preparation of financial reports. She was subsequently promoted to Senior Accounts Executive in 2007 and to Assistant Finance Manager in 2010. In 2012, she was promoted to Purchasing Manager to manage our Group's purchases and supply chain.

**Wong Yee Joong**

**Wong Yee Joong**, aged 34, is the Sales Manager of Sasbadi. He obtained his Diploma in Computer and Business Studies from Informatics College, Seremban in 1999.

He started his career in 2000 at Len Cheong Furniture Holding Berhad as Production Coordinator until 2002. In 2002, he joined Sasbadi as Marketing Representative in charge of marketing our publications. He was promoted through the ranks to Marketing Executive in 2005, Area Manager in 2006, Regional Manager in 2008, Area Sales Manager in 2010 and Assistant Sales Manager in 2011. He has been made Sales Manager in Sasbadi since 2012 where he manages sales nationwide, supervises sales staff, creates and implements sales plans, conducts hiring and training sales staff and coordinates with other departments within our Group.

**Wong Kok Shin**

**Wong Kok Shin**, aged 47, is the Sales Manager of Orbit Buku. He obtained his Sijil Tinggi Persekolahan Malaysia ("STPM") in 1986.

He started his career in 1987 as a clerk at Koon Hoe Sdn Bhd until 1988. In 1989, he worked as a bank clerk in Malayan Banking Bhd where he was responsible in assisting bank officer in daily banking activities, attending to customers in loan applications and compiling documents for approval. He left the company in 1991 and subsequently joined Sasbadi as a Sales Representative from 1991 to 1995 where he was responsible for promoting, selling and securing orders from existing and prospective customers. Thereafter, he was promoted and served as Area Manager from 1995 to 1997, as Regional Manager from 1997 to 2004, as Assistant Sales Manager from 2004 to 2005 and as Sales Manager from 2005 to 2011 where he was tasked to manage the sales of our Group's products and services in the country and plan for consistent growth in revenue through deployment and management of sales strategies. He was appointed to his current position as the Sales Manager of Orbit Buku in 2011.

**Chua Siow Nam**

**Chua Siow Nam**, aged 57, is the Warehouse Manager of our Group. He obtained his Malaysian Certificate of Education ("MCE") in 1972.

He worked at his brother's car workshop between 1973 and 1976. In 1977, he worked as a factory operator at Malaysia Milk Sdn Bhd until 1979. Thereafter, he worked as a store keeper with Pustaka Delta Pelajaran Sdn Bhd in 1980 where he was tasked to maintain inventory, perform stock checks and process delivery orders and packaging of goods for shipment. He left the company in 1984 and joined Sasbadi in 1985 as store keeper. He was promoted to Warehouse Manager in 1996 where he is responsible to ensure smooth operational flow in the warehouse and to oversee warehouse operations.

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## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

### 8.4.2 Shareholdings

The shareholdings of our key management personnel before and after our IPO are as follows:

| | | | <---------- Before IPO ----------> | | | | <---------- After IPO ----------> | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | < ----- Direct ------ > | | < ---- Indirect---- > | | < ------ Direct ---- > | | < ---- Indirect--- > | |
| **Name** | **Designation** | **Nationality** | **No. of Shares held** | **% held** | **No. of Shares held** | **% held** | **No. of Shares held**** | **% Held^** | **No. of Shares held** | **% held** |
| Tan Shea Sheak | Finanee Manager | Malaysian | - | - | - | - | 40,000 | ## | - | - |
| Chen Yee Cheong | Sales Director | Malaysian | - | - | - | - | 80,000 | 0.1 | - | - |
| Wan Meow Sang | Sales Direetor | Malaysian | - | - | - | - | 80,000 | 0.1 | - | - |
| Chok Siew Sin | Marketing Manager | Malaysian | - | - | - | - | 80,000 | 0.1 | - | - |
| Roslan bin Yahya | Publishing Manager | Malaysian | - | - | - | - | 60,000 | ## | - | - |
| Chew Yoke Chen | Production Manager | Malaysian | - | - | - | - | 60,000 | ## | - | - |
| Chan Yee Fuan | Purehasing Manager | Malaysian | - | - | - | - | 60,000 | ## | - | - |
| Wong Yee Joong | Sales Manager of Sasbadi | Malaysian | - | - | - | - | 50,000 | ## | - | - |
| Wong Kok Shin | Sales Manager of Orbit Buku | Malaysian | - | - | - | - | 30,000 | ## | - | - |
| Chua Siow Nam | Warehouse Manager | Malaysian | - | - | - | - | 50,000 | ## | - | - |

***Notes:***

^ *Based on our enlarged issued and paid-up share capital of 127,000,000 Shares after our IPO.*
** *Assuming full subscription of his/her Pink Form Tranche allocation.*
## *Less than 0.1%.*

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

### 8.4.3 Involvement of Key Management Personnel in Other Businesses or Corporations

Save as disclosed below, none of our key management personnel are involved in other businesses/corporations as at LPD:

| Company name | Principal Activity | Position held | Date appointed |
|---|---|---|---|
| **Tan Shea Sheak** | | | |
| i-Gen Global Sdn Bhd | Provision of general consultancy, administrative services and distributor of fire-fighting devices | Director/ Shareholder | 20.07.2006 |
| Tan Kim Hock dan Anak-anak Sdn Bhd | Oil palm cultivation and property investment holding | Director/ Shareholder | 11.02.2008 |
| Raytan Management Services | Management services *(agent for selling medical cards)* | Sole proprietor | 17.09.2003 |

Tan Shea Sheak's involvement in the above companies or business does not require much of his time as the abovesaid companies are managed by full-time staff and he is not involved in the day-to-day operations of the abovementioned companies, while the sole proprietor business has insignificant transactions. As such, Tan Shea Sheak's involvement in the abovesaid companies and sole proprietor business does not affect his contribution to our Group.

None of our key management personnel has any interest, direct or indirect, in any other businesses and corporations carrying on a trade similar to that of our Group and/or any business or corporations which are also our customers or suppliers of our Group.

## 8.5 DECLARATIONS BY PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Based on the declarations by our Promoters, Directors and key management personnel, none of our Promoters, Directors and key management personnel is or has been involved in any of the following events (whether in or outside Malaysia):

(i) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(ii) Disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) Any judgement entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) The subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

## 8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

### 8.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save for Law En Ruey, our Executive Director and Chief Operating Officer, who is the son of Law King Hui, our Managing Director, there are no family relationships (as defined under Section 122A of the Act) or associations amongst the Directors, Promoters, the substantial shareholders and the key management personnel.

### 8.7 BENEFITS PAID OR INTENDED TO BE PAID

Save as the Directors' remunerations as disclosed in Section 8.2.4 and the dividend payments as disclosed in Section 13 - Accountants' Report and Section 5.4.1 of this Prospectus, there is no amount or benefit paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders within the two (2) years preceding the date of this Prospectus.

### 8.8 AGREEMENTS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at LPD, there are no existing or proposed service agreements between the companies within our Group and our Directors and key management personnel, which are not terminable by notice without payment or compensation (other than statutory notice).

### 8.9 INFORMATION ON EMPLOYEES

#### 8.9.1 Employment Structure

As at LPD, we have a total workforce of 258 personnel including our Directors, out of which 223 personnel are permanent staff and the balance 35 personnel are contract staff.

The breakdown of our employees by category as at 31 August 2010, 31 August 2011, 31 August 2012 and 31 August 2013 as well as at LPD is as follows:

| | <---------- Number of Employees ----------> | | | | |
|---|---|---|---|---|---|
| | <----------As at 31 August----------> | | | | |
| **Category** | **2010** | **2011** | **2012** | **2013** | **As at LPD** |
| Managerial and professional* | 35 | 33 | 31 | 35 | 35 |
| Technical and supervisory | | | | | |
| • Editors | 27 | 33 | 41 | 43 | 53 |
| • Designers and illustrators | 16 | 16 | 18 | 17 | 18 |
| • Desktop publishing personnel | 11 | 14 | 15 | 16 | 13 |
| • IT and technical personnel | 9 | 10 | 12 | 19 | 17 |
| • Administrative and others | 36 | 43 | 39 | 41 | 36 |
| Sales and marketing | 24 | 30 | 36 | 33 | 44 |
| General workers | 21 | 24 | 25 | 36 | 42 |
| Total | 179 | 203 | 217 | 240 | 258 |

***Note:***

* *Our Directors and key management personnel are included in the managerial category.*

There has been no industrial dispute actions taken against our Group and none of our employees are members of any union. In addition, our Group has not encountered any major turnover in our workforce.

### 8.9.2 Training and Development

We place strong emphasis on human resource development. Our employees are given regular on-the-job training in areas of management skills and technical knowledge to provide them with opportunities to acquire new skills and knowledge. We also provide opportunities for internal promotion as one of the key components of employees' development and retention.

The following table lists out some of the training and development programmes attended by our employees over the last five (5) years. The programmes encompass external and internal training as well as development programmes:

| Year | Programme | Facilitator/ Organiser |
|---|---|---|
| 2014 | Microsoft Office Training (Excel 2010) | ^ |
| | Microsoft Office Training (Word 2007) | ^ |
| | Sharpen Your Skills on Listing Requirement Compliance | Malaysian Institute of Accountants |
| | Corporate Disclosure for Public Listed Companies | Malaysian Institute of Accountants |
| | Corporate Share Dealing | Malaysian Institute of Accountants |
| 2013 | Publishing and Rights Conference 2013 | Majlis Buku Kebangsaan Malaysia |
| 2012 | E-Book Conference | Majlis Buku Kebangsaan Malaysia |
| 2011 | Selling Rights: Intermediate and Advance Level Course | Malaysian Book Publishers Association |
| 2010 | Mesyuarat Penulisan Kreatif, Inovatif dan Penerbitan Modul KSSM (Meeting on Creative Writing, Inovative and Publishing KSSM Module) | Bahagian Buku Teks, Ministry of Education |
| | International Conference on Teaching and Learning using Technology | Ministry of Education |
| | Seminar on understanding Goods and Services Tax (GST) | Malaysian Book Industry Council |
| | Seminar Memahami Kesalahan Bahasa dalam Penerbitan (Seminar on Understanding Language Error in Publications) | Medium Books & Consultancy |

***Note:***

^ *These training programmes were conducted by a personal trainer engaged by our Group.*

### 8.9.3 Management Succession Plan

Our Board believes that the success of our Group depends on the ability to retain our key management personnel and upon our ability to attract and retain skilled personnel. Therefore, we have made efforts to train our staff and remunerate them accordingly.

Our Group has a management succession plan consisting of:

(i) Sound recruitment and selection;

(ii) Competitive remuneration and employee benefits;

(iii) Structured career planning and development; and

(iv) Continuous training and education.

In addition, we will continue to provide appropriate training to promising junior staff in order to enhance their management and technical skills for the purpose of their career advancement with our Group. As part of the management succession plan, our Group has identified middle management personnel across all levels to assist the heads of various business divisions in order to facilitate skill transfer so as to ensure the smooth running and continuity of the operations of our Group. If the need arises, we will recruit qualified personnel with knowledge and expertise of the business to further enhance our operations.

We believe that our employees are valuable assets to our Group and we provide the necessary training for their future development.

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## 9. APPROVALS AND CONDITIONS

### 9.1 APPROVALS FROM RELEVANT AUTHORITIES

The SC had via its letter dated 12 March 2013 granted an exemption sought by us from having to comply with the following paragraphs of the Prospectus Guidelines – Equity in relation to the use of the audited financial statements of our subsidiary companies for the FYE 31 August 2012 for the purpose of submission of the draft registrable prospectus for public exposure after 28 February 2013.

| No. | Relief sought | Details on Conditions Imposed | Status of Compliance |
|---|---|---|---|
| 1. | Relief from complying with paragraphs 8.07, 8.08, 11.01, 12.02, 12.04, 12.05, 12.07(a)(ii) and (iii), 12.07(e), 12.10, 12.13, 12.16, 13.11, 13.13 and 13.14 of the Prospectus Guidelines – Equity in relation to the use of Sasbadi's latest audited financial statements for the financial year ended 31 August 2012 for the purpose of submission of the draft registrable prospectus | (i) Submission of the prospectus for public exposure should not exceed nine (9) months from the most recent completed financial year for which audited financial statements have been prepared; | Complied. The draft registrable Prospectus was submitted to the SC for public exposure on 31 May 2013, which was within the nine (9) months from our then latest audited financial statements for FYE 31 August 2012. |
| | | (ii) The interim unaudited financial statements, as well as the Management's Discussion and Analysis in respect of the said unaudited financial statements, should be submitted together with the prospectus; | Complied. |
| | | (iii) The interim financial statements, which have been audited, and the updated prospectus should be submitted two (2) weeks prior to the confirmation of registration of the prospectus by the SC; and | Complied. |
| | | (iv) Material deviations, if any, between the interim unaudited financial statements and the interim audited financial statements should be highlighted and clarified to the SC, upon submission of the required information under paragraph (iii) above. | Not applicable. |

The SC had, via its letter dated 30 January 2014, approved our IPO under Section 214(1) of the CMSA and equity requirement for public companies.

The conditions imposed by the SC and the status of compliance with the conditions are set out below:

| No. | Details on Conditions Imposed | Status of Compliance |
|---|---|---|
| (i) | Sasbadi Holdings to allocate IPO Shares representing 12.5% of its enlarged issued and paid-up share capital to Bumiputera investors. This includes the IPO Shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors. In the event that MITI is unable to allocate the shares to Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors via balloting; | To be complied. |

## 9. APPROVALS AND CONDITIONS *(Cont'd)*

| No. | Details on Conditions Imposed | Status of Compliance |
|---|---|---|
| (ii) | Alliance/Sasbadi Holdings to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Proposed Listing; and | To be complied. |
| (iii) | The Due Diligence Working Group for the Listing to provide confirmation that the Sasbadi Holdings Group's pro forma cash and cash equivalents available prior to the Dividend Payment, based on the Sasbadi Holdings Group's latest audited financial statements, are sufficient and the Sasbadi Holdings Group has sufficient working capital for a period of at least twelve (12) months from the date of the prospectus. | Complied. |

The SC had, via its letter dated 30 January 2014, also noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of our Listing Scheme, as follows:

| Category of shareholders | Before IPO^ % | After IPO* % |
|---|---|---|
| Bumiputera | 100.0 | 12.5 |
| Non-Bumiputera | - | 87.5 |
| Foreigners | - | - |
| Total | 100.0 | 100.0 |

*Notes:*

^ *As at incorporation.*

* *Based on our enlarged issued and paid up share capital of 127,000,000 Shares after the IPO.*

The SC had, via its letter dated 23 June 2014, approved our application for an extension of time for an additional six (6) months up to 29 January 2015 for the completion of our Listing.

Bursa Securities had, vide its letter dated 10 April 2014, approved our admission to the Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM63,500,000 comprising 127,000,000 Shares on the Main Market of Bursa Securities.

The conditions imposed by Bursa Securities and the status of compliance with the conditions are set out below:

| No. | Details on Conditions Imposed | Status of Compliance |
|---|---|---|
| 1. | Make the relevant announcements pursuant to paragraph 8.1 and 8.2 of Practise Note 21 of the Listing Requirements. In this respect, Sasbadi Holdings is advised to include the Stock Code, Stock Short Name and ISIN Code upon making the announcement on the timetable for IPO | To be complied. |
| 2. | Furnish Bursa Securities with the following prior to the listing date (except as stated otherwise): | |
| | (i) A copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid up share capital of Sasbadi Holdings on the first day of listing; and | To be complied. |

## 9. APPROVALS AND CONDITIONS *(Cont'd)*

| No. | Details on Conditions Imposed | Status of Compliance |
|---|---|---|
| (ii) | A cheque drawn to the order of Bursa Securities for the annual listing fees based on the final issue price (in excess of the annual listing fees as provided in the listing application), if applicable, together with a copy of the details of the computation of the amount of annual listing fees payable. | Not applicable. |

MITI had, vide its letter dated 5 August 2013, approved our Listing on the Main Market of Bursa Securities.

## 9.2 MORATORIUM ON SALE OF SHARES

In compliance with the Equity Guidelines of the SC, Shares held by our Promoters at the date of our Listing are required to be placed under moratorium. Moratorium shall be imposed as follows:

| | Shares held under moratorium for the first six (6) months upon Listing | |
|---|---|---|
| | < ---------- Direct ---------- > | |
| **Promoters** | **No. of Shares held** | **% held*** |
| Karya Kencana | 25,400,000 | 20.0 |
| Law King Hui | 25,400,000 | 20.0 |
| Lee Swee Hang | 12,700,000 | 10.0 |
| Lee Eng Sang | 6,350,000 | 5.0 |
| Law En Ruey | 100,000^ | 0.1 |
| **Total** | **69,950,000** | **55.1** |

*Notes:*

* *Based on our enlarged issued and paid-up share capital of 127,000,000 Shares after our IPO.*

^ *Assuming full subscription of his Pink Form Tranche.*

Our Promoters have accepted the moratorium and they will not be permitted to sell, transfer or assign any part of their interest in the Shares under moratorium held as at the date of Listing for a six (6) months period beginning from the date of our Listing.

The restriction, which is fully acknowledged by our Promoters, is specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

The shareholders of Karya Kencana have each furnished a letter of undertaking to the SC that they will not sell, transfer or assign any part of their shareholdings in Karya Kencana for six (6) months from the date of our Listing on Bursa Securities.

## 10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

### 10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS

Save as disclosed below, our Board confirms that there are no existing or presently proposed related-party transactions entered into between our Group and our Directors, major shareholders and/or persons connected with them (as defined under the Listing Requirements), during the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 as well as the forecast for FYE 31 August 2014:

| Related Party | Interested Promoter/ Director/ Major Shareholder | Nature of Relationship | Nature of Transaction | <---- Actual ----> <---- FYE 31 August ----> 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | FPE 28 February 2014 RM'000 | Forecast FYE 31 August 2014 RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Related party transactions between Sasbadi and related parties** | | | | | | | | | |
| Law King Hui | Law King Hui | Promoter, substantial shareholder and Managing Director | Disposal of motor vehicle to Law King Hui | - | - | 43 | - | - | - |
| The Malaya Press Sdn Bhd ("**TMP**")^ | Law King Hui | Law King Hui is the brother-in-law of Madam Yen Lai Seong, who was a director and substantial shareholder of Sanjung Unggul Sdn Bhd which currently holds 100.0% equity interest in TMP | Sales of books and paper to TMP | 299 | 1,457 | 1,964 | 3,453 | (18)*# | (18)* |
| | | | Purchase of books from TMP | 2,608 | 1,358 | 363 | 11 | 2* | 2* |
| | | | Management services fees paid by TMP to Sasbadi for consultation in relation to publishing advisory (i.e. paper and printing soureing) | 45 | 45 | 45 | - | - | - |
| Lee Swee Hang | Lee Swee Hang | Promoter, substantial shareholder and Executive Director | Disposal of motor vehicle to Lee Swee Hang | - | - | 35 | - | - | - |
| **Related party transactions between Sasbadi Online and related party** | | | | | | | | | |
| TMP^ | Law King Hui | Law King Hui is the brother-in-law of Madam Yen Lai Seong, who was a director and substantial shareholder of Sanjung Unggul Sdn Bhd which currently holds 100.0% equity interest in TMP | Sales of online educational, materials to TMP | - | - | - | 634 | - | - |

## 10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

| Related Party | Interested Promoter/ Director/ Major Shareholder | Nature of Relationship | Nature of Transaction | <---------- Actual ----------> <---------- FYE 31 August ----------> 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | FPE 28 February 2014 RM'000 | Forecast FYE 31 August 2014 RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Related party transactions between Orbit Buku and related party** | | | | | | | | | |
| The Malaya Press Sdn Bhd ("**TMP**")^ | Law King Hui | Law King Hui is the brother-in-law of Madam Yen Lai Seong, who was a director and substantial shareholder of Sanjung Unggul Sdn Bhd which currently holds 100.0% equity interest in TMP | Sales of books to TMP | - | - | 82 | 43 | 2* | 2* |

*Notes:*

^ *The core business of TMP is publishing textbooks and other materials for primary SJK(C). TMP ceased to be a related party of our Group after Madam Yen Lai Seong transferred her entire shareholding in Sanjung Unggul Sdn Bhd to her son and resigned as the director of Sanjung Unggul Sdn Bhd on 28 November 2013 and 29 November 2013 respectively.*

* *The amounts disclosed are in relation to transactions with TMP prior to its cessation as a related party of our Group. The amounts of transactions entered into by our Group with TMP in FPE 28 February 2014 subsequent TMP's cessation as a related party are as follows:*

| Nature of Transaction | RM'000 |
|---|---|
| **Sasbadi** | |
| Sales of books and paper to TMP | 1,613 |
| Purchase of books from TMP | 11 |
| **Sasbadi Online** | |
| Sales of online educational materials to TMP | 145 |
| **Orbit Buku** | |
| Sale of books to TMP | 229 |

\# *Sales returns by TMP to Sasbadi.*

## 10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

Our Directors confirm that all the related party transactions disclosed above would not give rise to any conflict of interest situation and were transacted on an arm's length basis and are based on terms which are not unfavourable to our Group.

Upon Listing, our Directors, through our Audit Committee, will review the terms of any related party transactions and ensure that any related party transactions (recurrent inclusive, if any) are not carried out on terms more favourable to the related parties than those normally agreed with other customers or suppliers and are also not to our detriment and to the detriment of our minority shareholders.

Our Directors are also not aware of any other transactions that may give rise to conflict of interest situations between our Group and any of our Directors, major shareholders and/or persons connected with them.

### 10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS

Our Directors confirm that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party to during the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014.

### 10.3 INTERESTS IN SIMILAR BUSINESSES AND INTERESTS IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS

As at LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses and corporations carrying on a trade similar to that of our Group and/or any business or corporations which are our customers or suppliers.

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## 10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

### 10.4 LOANS MADE BY OUR GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES

Save as disclosed below, there are no outstanding loans, including guarantees of any kind, made by our Group to or for the benefit of related parties during the past four (4) FYE 31 August 2010 to 2013, FPE 28 February 2014 and up to the LPD:

| Transacting Parties | Nature of relationship | Nature of Transactions* | <----------Audited----------> | | | | | Unaudited |
|---|---|---|---|---|---|---|---|---|
| | | | Balance as at 31 August | | | | Balance as at 28 February | |
| | | | 2010 (RM'000) | 2011 (RM'000) | 2012 (RM'000) | 2013 (RM'000) | 2014 (RM'000) | As at LPD (RM'000) |
| Law King Hui | Law King Hui is our Promoter, substantial sharcholdcr and Managing Director | Advances | 1,131 | 7 | - | - | - | - |
| Lee Swee Hang | Lee Swee Hang is our Promoter, substantial shareholder and Executive Director | Advances | 1,066 | 6 | - | - | - | - |
| Lee Eng Sang | Lee Eng Sang is our Promoter, substantial shareholder and Executive Director | Advances | 1,538 | 11 | - | - | - | - |

***Note:***

* *These advances were not made on arm's-length basis as they were interest-free, unsecured and repayable on demand. These advances were offset against dividends duly declared for FYE 31 August 2010 to 2012. Going into the future. our Group will not be providing any such advances to the related parties.*

## 10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

### 10.5 DECLARATION BY EXPERTS

Save as disclosed below, Alliance is not aware of any situation or potential situation that will give rise to a conflict or potential conflict of interests in Alliance's capacity to act as the Principle Adviser, Underwriter and Placement Agent for the Listing:

Sasbadi has credit facility totaling RM13.0 million, of which approximately RM8.2 million is outstanding as at LPD, from Alliance Bank Malaysia Berhad ("**ABMB**"), the holding company of Alliance, which was provided by ABMB in the ordinary course of its banking business.

Notwithstanding the above, Alliance is of the opinion that the financial relationship with Sasbadi as mentioned above will not give rise to a conflict of interest situation for Alliance to act as the Principal Adviser, Underwriter and Placement Agent to Sasbadi Holdings for the Listing. The exposure of ABMB to Sasbadi of approximately RM13.0 million is not material as it only represents approximately 0.3% of ABMB's audited shareholders funds of RM3.97 billion as at 31 March 2013.

Accordingly, Alliance confirms that there is no existing or potential conflict of interests in its capacity as the Principal Adviser, Underwriter and Placement Agent for our Listing.

KPMG confirms that there is no existing or potential conflict of interests in its capacity as the Reporting Accountants for our Listing.

Amin, Wern Li & Associates confirms that there is no existing or potential conflict of interests in its capacity as the Solicitors in respect of legal due diligence for our Listing.

Vital Factor confirms that there is no existing or potential conflict of interests in its capacity as the Independent Business and Market Research Consultants for our Listing.

City Valuers & Consultants Sdn Bhd confirms that there is no existing or potential conflict of interests in its capacity as the Independent Property Valuer for our Listing.

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## 11. PRO FORMA HISTORICAL FINANCIAL INFORMATION

Our pro forma consolidated financial information as illustrated below has been compiled based on the accounting principles and bases consistent with those adopted by us which are set out in the notes and assumptions included in the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus. The financial statements used in the preparation of our pro forma consolidated financial information were prepared in accordance with Malaysian Financial Reporting Standards. Any adjustments that were dealt with when preparing our pro forma consolidated financial information have been highlighted and disclosed in Section 11.4 of this Prospectus. There has been no audit qualification on our audited financial statements for the past four (4) FYE 31 August 2010 to FYE 31 August 2013 and FPE 28 February 2014. Nevertheless, as disclosed in the Accountants' Report as set out in Section 13 of this Prospectus, the audited accounts of Maya Press contained an emphasis of matters for FPE 31 August 2010, FYE 31 August 2011 to FYE 31 August 2013 and FPE 28 February 2014.

### 11.1 PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out our pro forma consolidated statement of profit or loss and other comprehensive income for the past four (4) FYE 31 August 2010 to FYE 31 August 2013 and FPE 28 February 2014, which have been prepared for illustrative purposes only assuming that our current Group structure has been in existence throughout the financial years/period under review. In addition, the unaudited consolidated financial information for FPE 28 February 2013 has been prepared for information only.

You should read the summary of our pro forma consolidated statement of profit or loss and other comprehensive income for the past four (4) FYE 31 August 2010 to FYE 31 August 2013 and FPE 28 February 2014 which has been presented below together with the management's discussion and analysis of financial condition and results of operations as set out in Section 12 of this Prospectus and the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus.

| | <----------Audited----------> | | | | Unaudited | Audited |
|---|---|---|---|---|---|---|
| | <---------- FYE 31 August ----------> | | | | FPE 28 February | |
| | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Revenue** | 47,012 | 59,961 | 64,821 | 77,964 | 49,986 | 43,992 |
| Cost of sales | (28,460) | (35,143) | (37,916) | (45,831) | (27,753) | (22,343) |
| **Gross profit** | 18,552 | 24,818 | 26,905 | 32,133 | 22,233 | 21,649 |
| Other operating income | 300 | 364 | 812 | 806 | 153 | 94 |
| Distribution costs | (4,492) | (5,216) | (5,245) | (5,535) | (2,753) | (3,294) |
| Administrative expenses | (5,922) | (6,857) | (7,311) | (9,365) | (4,632) | (5,176) |
| Other operating expenses | (243) | (341) | (296) | (476) | (181) | (2,222) |
| **Results from operating activities** | 8,195 | 12,768 | 14,865 | 17,563 | 14,820 | 11,051 |
| Interest income | 177 | 223 | 92 | 173 | 145 | 55 |
| Finance costs | (126) | (49) | (59) | (73) | (25) | (170) |
| **Profit before tax** | 8,246 | 12,942 | 14,898 | 17,663 | 14,940 | 10,936 |
| Income tax expense | (2,176) | (3,466) | (4,006) | (4,909) | (4,114) | (2,906) |
| **Profit for the financial year/period** | 6,070 | 9,476 | 10,892 | 12,754 | 10,826 | 8,030 |
| **Other comprehensive income, net of tax** | | | | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | | | | |
| **Revaluation of property, plaot and equipment** | 4,172 | - | 4,168 | - | - | - |
| **Total comprehensive income for the fioaocial year/period** | 10,242 | 9,476 | 15,060 | 12,754 | 10,826 | 8,030 |

## 11. PRO FORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

| | | <----------Audited----------> | | | | Unaudited | Audited |
|---|---|---|---|---|---|---|---|
| | | <---------- FYE 31 August ----------> | | | | FPE 28 February | |
| | | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2013 RM'000 | 2014 RM'000 |
| **Profit attributable to:** | | | | | | | |
| Owners of the Company | | 6,070 | 9,476 | 10,892 | 12,754 | 10,826 | 8,030 |
| **Total comprehensive income attributable to:** | | | | | | | |
| Owners of the Company | | 10,242 | 9,476 | 15,060 | 12,754 | 10,826 | 8,030 |
| (i) | Gross profit margin (%)* | 39.5 | 41.4 | 41.5 | 41.2 | 44.5 | 49.2 |
| (ii) | Interest income (RM'000) | 177 | 223 | 92 | 173 | 145 | 55 |
| (iii) | Interest expense (RM'000) | 105 | 33 | 32 | 36 | 18 | 106 |
| (iv) | Depreciation and amortisation (RM'000) | 1,184 | 1,355 | 1,618 | 1,916 | 949 | 1,301 |
| (v) | Earnings before interest, taxation, depreciation and amortisation (EBITDA) (RM'000) | 9,358 | 14,107 | 16,456 | 19,442 | 15,762 | 12,288 |
| (vi) | Profit before tax margin (%)^ | 17.5 | 21.6 | 23.0 | 22.7 | 29.9 | 24.9 |
| (vii) | Profit after tax margin (%) θ | 12.9 | 15.8 | 16.8 | 16.4 | 21.7 | 18.3 |
| (viii) | Number of ordinary shares assumed in issue ('000) # | 105,800 | 105,800 | 105,800 | 105,800 | 105,800 | 105,800 |
| (ix) | Basic and diluted earnings per ordinary share (sen) @,α | 5.74 | 8.96 | 10.29 | 12.05 | 20.47^^ | 15.18^^ |

***Notes:***

* *Gross profit margin is computed based on the gross profit divided by the revenue for the respective financial years/periods under review.*

^ *Profit before tax margin is computed based on the profit before tax divided by the revenue for the respective financial years/periods under review.*

*θ* *Profit after tax margin is computed based on the profit after tax divided by the revenue for the respective financial years/periods under review.*

\# *Based on the issued and paid-up share capital of 105,800,000 Shares after the Acquisitions.*

@ *Basic earnings per ordinary share is computed based on the profit for the financial years/periods attributed to the owners of the Company divided by the number of ordinary shares assumed in issue.*

*α* *No dilution of earnings per ordinary share.*

^^ *Annualised to 12 months for comparison purposes.*

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## 11.2 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Our pro forma consolidated statement of financial position as set out below has been prepared for illustrative purposes only, based on our audited statement of financial position as at 28 February 2014 assuming that our Public Issue and utilisation of proceeds had been effected as at that date.

We advise you to read the pro forma consolidated statement of financial position presented below together with the notes and assumptions included in the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus.

| | Audited statement of financial position at 28 February 2014 RM'000 | Pro forma I After Incorporation of Subsidiaries^, Dividend Payment and Acquisitions RM'000 | Pro forma II After Pro forma I, IPO, Vendors' Shareholdings Reorganisation and Listing RM'000 | Pro forma III After Pro forma II and utilisation of the proceeds from IPO RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | - | 27,650 | 27,650 | 35,650 |
| Other investments | - | 37 | 37 | 37 |
| Intangible assets | - | 5,225 | 5,225 | 5,225 |
| **Total non-current assets** | **-** | **32,912** | **32,912** | **40,912** |
| Inventories | - | 15,952 | 15,952 | 15,952 |
| Trade and other receivables, and other assets | - | 34,463 | 34,463 | 34,463 |
| Prepayments | 193 | 657 | 657 | 464 |
| Current tax assets | - | 318 | 318 | 318 |
| Cash and cash equivalents | * | 9,180 | 34,408 | 24,538 |
| **Total current assets** | **193** | **60,570** | **85,798** | **75,735** |
| **Total assets** | **193** | **93,482** | **118,710** | **116,647** |
| **Equity** | | | | |
| Share capital | * | 52,900 | 63,500 | 63,500 |
| Share premium | - | - | 14,628 | 13,644 |
| Revaluation reserve | - | 11,340 | 11,340 | 11,340 |
| Merger deficit | - | (50,500) | (50,500) | (50,500) |
| Retained earnings | (955) | 49,432 | 49,432 | 48,353 |
| **Total equity attributable to owners of the Company** | **(955)** | **63,172** | **88,400** | **86,337** |
| **Liabilities** | | | | |
| Borrowings | - | 247 | 247 | 247 |
| Deferred tax liabilities | - | 2,975 | 2,975 | 2,975 |
| **Total non-current liabilities** | **-** | **3,222** | **3,222** | **3,222** |
| Borrowings | - | 8,944 | 8,944 | 8,944 |
| Trade and other payables | 1,148 | 11,524 | 11,524 | 11,524 |
| Provisions | - | 4,149 | 4,149 | 4,149 |
| Current tax liabilities | - | 2,471 | 2,471 | 2,471 |
| **Total current liabilities** | **1,148** | **27,088** | **27,088** | **27,088** |
| **Total liabilities** | **1,148** | **30,310** | **30,310** | **30,310** |
| **Total equity and liabilities** | **193** | **93,482** | **118,710** | **116,647** |

## 11. PRO FORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

| | Audited statement of financial position at 28 February 2014 RM'000 | Pro forma I After Incorporation of Subsidiaries^, Dividend Payment and Acquisitions RM'000 | Pro forma II After Pro forma I, IPO, Vendors' Shareholdings Reorganisation and Listing RM'000 | Pro forma III After Pro forma II and utilisation of the proceeds from IPO RM'000 |
|---|---|---|---|---|
| No. of shares in issue ('000) | ** | 105,800 | 127,000 | 127,000 |
| Net (liabilities)/ assets (RM'000) | (955) | 63,172 | 88,400 | 86,337 |
| Net (liabilities)/ assets per share attributable to owners of the Company (RM) | (238,750) | 0.60 | 0.70 | 0.68 |

*Notes:*

* *Denotes RM2.*

** *Represents 4 shares.*

^ *Includes the unaudited financial statements of MBP Publications and Sasbadi Learning Solutions on incorporation prepared by us as both subsidiaries were incorporated after FPE 28 February 2014.*

## 11.3 PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

Our pro forma consolidated statement of cash flows for FPE 28 February 2014 as set out below has been prepared for illustrative purposes only on the assumption that our current Group structure had been in existence throughout FPE 28 February 2014 but prior to the Dividend Payment, IPO and utilisation of proceeds.

We advise you to read the pro forma consolidated statement of cash flows presented below together with the notes included in the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus.

| | FPE 28 February 2014 RM'000 |
|---|---|
| **Cash flows from operating activities** | |
| Profit before tax | 10,936 |
| Adjustments for: | |
| Depreciation of property, plant and equipment | 1,026 |
| Amortisation of intangible assets | 275 |
| Provision for sales returns | 3,088 |
| Interest expense | 106 |
| Interest income | (55) |
| Operating profit before changes in working capital | 15,376 |
| Changes in working capital: | |
| Inventories | (919) |
| Trade and other receivables, and other assets | (14,360) |
| Trade and other payables | 4,952 |
| **Cash generated from operations** | 5,049 |
| Income tax paid | (1,855) |
| Interest paid | (93) |
| Interest received | 55 |
| **Net cash generated from operating activities** | 3,156 |

## 11. PRO FORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*

| | FPE 28 February 2014 RM'000 |
|---|---|
| **Cash flows from investing activities** | |
| Purchase of property, plant and equipment | (653) |
| Purchase of intangible assets | (5,500) |
| **Net cash used in investing activities** | (6,153) |
| **Cash flows from financing activities** | |
| Interest paid | (13) |
| Repayment of finance lease liabilities | (133) |
| Drawdown of bankers' acceptances | 730 |
| **Net cash generated from financing activities** | 584 |
| **Net decrease in cash and cash equivalents** | (2,413) |
| Cash and casb equivalents at beginning of the financial period | 12,044 |
| **Cash and cash equivalents at end of the financial period*** | 9,631 |

***Note:***

* *Cash and cash equivalents are presented net of bank overdraft.*

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## 11.4 INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS



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### INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

The Board of Directors
Sasbadi Holdings Berhad
No 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

9 June 2014

Dear Sirs

**Sasbadi Holdings Berhad**
**Report on the Compilation of Pro Forma Financial Information Included in a Prospectus**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") and its direct wholly-owned subsidiaries acquired under the Listing Scheme, namely Sasbadi Sdn. Bhd. ("Sasbadi"), Malaysian Book Promotions Sdn. Bhd. ("Malaysian Book Promotions"), Maya Press Sdn. Bhd. ("Maya Press"), Orbit Buku Sdn. Bhd. ("Orbit Buku") and Sasbadi Online Sdn. Bhd. ("Sasbadi Online"), and newly incorporated subsidiaries, namely Sasbadi Learning Solutions Sdn. Bhd. ("Sasbadi Learning Solutions") and MBP Publications Sdn. Bhd. ("MBP Publications") (collectively referred to as "Subsidiaries"), (hereinafter referred to as "the Group") by the Board of Directors of the Company. The pro forma financial information is included in a prospectus for the purpose of admission to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation for the entire enlarged issued and paid-up share capital of RM63,500,000 comprising of 127,000,000 ordinary shares of RM0.50 each ("Shares") on the Main Market of Bursa Securities ("Listing"). The pro forma financial information consists of the pro forma consolidated statement of financial position as at 28 February 2014, the pro forma consolidated statement of profit or loss and other comprehensive income for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 and the pro forma consolidated statement of cash flows for the financial period ended 28 February 2014 together with the accompanying notes, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board of Directors has compiled the pro forma financial information are specified in *Prospectus Guidelines-Equity* ("SC Guidelines") issued by Securities Commission Malaysia and described in Note 1 of Appendix I.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**Report on the Compilation of Pro Forma Financial Information Included in a Prospectus (continued)**

The pro forma financial information has been compiled by the Board of Directors to illustrate the impact of the transactions (hereinafter defined) on the Group's financial position as at 28 February 2014 and the Group's financial performance for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 and cash flows for the financial period ended 28 February 2014 as if the newly formed Group has been in existence throughout the financial years/period under review. As part of this process, information about the financial position, financial performance and cash flows has been extracted by the Board of Directors from the Company's and the Subsidiaries' financial statements for the period ended 28 February 2014 on which audit reports have been issued and the unaudited financial statements of Sasbadi Learning Solutions and MBP Publications prepared by the management. There were no audited financial statements available for MBP Publications and Sasbadi Learning Solutions as these entities were newly incorporated on 28 March 2014 and 3 April 2014 respectively.

The transactions consist of the following:

(i) Incorporation of 2 subsidiaries namely, Sasbadi Learning Solutions and MBP Publications;

(ii) Dividend Payment to existing shareholders of Sasbadi;

(iii) Acquisitions of the entire issued and paid-up share capital in Sasbadi, Malaysian Book Promotions, Maya Press, Orbit Buku and Sasbadi Online ("Acquisitions");

(iv) Proposed Initial Public Offering ("IPO") involving the following:
   a. Public Issue; and
   b. Offer for Sale by the Offerors;

(v) Proposed Vendors' Shareholdings Reorganisation ("Reorganisation");

(vi) Proposed Listing; and

(vii) Proposed Utilisation of proceeds from the IPO.

Item (ii) to (vi) will be collectively known as the "Listing Scheme".

**Directors' Responsibility for the Pro Forma Financial Information**

The Board of Directors is responsible for compiling the pro forma financial information in accordance with the requirements of the SC Guidelines issued by Securities Commission Malaysia. The basis and pro forma transactions used in the compilation are described in Note 1 of Appendix I.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by SC Guidelines, about whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors on the basis described in Note 1 of Appendix I.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants.

KPMG

**Report on the Compilation of Pro Forma Financial Information Included in a Prospectus (continued)**

**Reporting Accountants' Responsibilities (continued)**

This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma financial information on the basis described in Note 1 of Appendix I.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of the transactions as described in Note 1 of Appendix I of the pro forma financial information on the financial information of the entity as if the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transactions at 28 February 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the transactions in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

**Opinion**

In our opinion:

(i) the pro forma consolidated financial information has been properly compiled on the basis stated in Note 1 of Appendix I based on the audited financial statements of the Subsidiaries for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with the format of the statements of financial position, profit or loss and other comprehensive income and cash flows, the accounting policies adopted by the Group and the basis of consolidation as described in Note 2 of Appendix I; and

**Report on the Compilation of Pro Forma Financial Information Included in a Prospectus (continued)**

**Opinion (continued)**

(ii) each material adjustment made to the information used in the preparation of the pro forma consolidated financial information is appropriate for the purposes of preparing the pro forma consolidated financial information.

**Other Matters**

The pro forma financial information has been prepared for inclusion in the prospectus in connection with the Listing of the Company and should not be relied upon for any other purposes.

**KPMG**
Firm No. AF 0758
Chartered Accountants





## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**1. Basis of preparation**

Sasbadi Holdings was incorporated on 30 October 2012 with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and fully paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

On 13 March 2013, a share split has taken place, subdividing the authorised share capital of RM100,000 into 200,000 ordinary shares of RM0.50 each and issued and fully paid-up share capital of RM2.00 into 4 ordinary shares of RM0.50 each.

Sasbadi Holdings is incorporated to undertake the acquisitions of the entire issued and paid-up share capital in Sasbadi and its wholly-owned subsidiaries, namely Malaysian Book Promotions, Maya Press, Orbit Buku and Sasbadi Online, Initial Public Offering as well as the listing of and quotation for its enlarged issued and paid-up share capital on the Main Market of Bursa Malaysia Securities Berhad.

MBP Publications and Sasbadi Learning Solutions were incorporated on 28 March 2014 and 3 April 2014 respectively, and Sasbadi Holdings had subscribed for 999 ordinary shares of RM1.00 each at par and subsequently acquired 1 ordinary share of RM1.00 from a third party for a consideration of RM1.00 in each entity. Following the acquisition, these entities became wholly owned subsidiaries of the Company.

The pro forma consolidated financial information consists of the following:

(a) The pro forma consolidated statement of financial position of Sasbadi Holdings and its direct wholly-owned subsidiaries acquired under the Listing Scheme, namely Sasbadi, Malaysian Book Promotions, Maya Press, Orbit Buku and Sasbadi Online, and the newly incorporated Sasbadi Learning Solutions and MBP Publications ("the Group") as at 28 February 2014;

(b) The pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014; and

(c) The pro forma consolidated statement of cash flows of the Group for the financial period ended 28 February 2014.

KPMG

*Appendix I*

**SASBADI HOLDINGS BERHAD**
**("SASBADI HOLDINGS" OR "THE COMPANY")**
**AND ITS SUBSIDIARIES ("THE GROUP")**

**NOTES TO THE PRO FORMA**
**CONSOLIDATED FINANCIAL INFORMATION**

**1. Basis of preparation (continued)**

The pro forma consolidated financial information has been prepared using the audited financial statements of Sasbadi Holdings for the financial year/period ended 31 August 2013 and 28 February 2014 and of Sasbadi, Malaysian Book Promotions, Maya Press, Orbit Buku, and Sasbadi Online for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with the format of the statements of financial position, profit or loss and other comprehensive income and cash flows, the accounting policies adopted by the Group and the basis of consolidation as described in Note 2. As Sasbadi Learning Solutions and MBP Publications were newly incorporated, accordingly, no audited financial statements are available. The pro forma financial information has therefore incorporated the unaudited financial statements of Sasbadi Learning Solutions and MBP Publications prepared by the management.

For the purposes of preparation of the pro forma consolidated statement of profit or loss and other comprehensive income for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 and the pro forma consolidated statement of cash flows for the financial period ended 28 February 2014, the Group is assumed to have been in existence throughout the financial years/period under review.

The pro forma consolidated statement of financial position as at 28 February 2014 is prepared for illustrative purposes only to show the effects of the transactions, as described below, with the assumption that the Group was in existence on 28 February 2014 and these transactions were completed on the same date.

**Pro forma I – Incorporation of Subsidiaries, Dividend Payment and Acquisitions of Subsidiaries**

Pro forma I is prepared after incorporating transactions as follows:-

*Incorporation of Subsidiaries*

Sasbadi Holdings had incorporated and subscribed for 999 ordinary shares of RM1.00 each and subsequently acquired 1 ordinary share of RM1.00 from a third party for a consideration of RM1.00 per share in each of the following entities:-

| No. | Name of Subsidiary | Date of incorporation | Issued and paid-up share capital | Total consideration paid |
|---|---|---|---|---|
| 1. | MBP Publications | 28 March 2014 | RM1,000 comprising 1,000 ordinary shares of RM1.00 each | RM1,000 |
| 2. | Sasbadi Learning Solutions | 3 April 2014 | RM1,000 comprising 1,000 ordinary shares of RM1.00 each | RM1,000 |





## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**1. Basis of preparation (continued)**

**Pro forma I - Incorporation of Subsidiaries, Dividend Payment and Acquisitions of Subsidiaries (continued)**

The incorporation of these Subsidiaries has no financial impact to the pro forma consolidated statement of financial position.

*Dividend Payment*

Prior to acquisitions of the Subsidiaries by Sasbadi Holdings, Sasbadi had distributed dividends of RM2.5 million and RM6 million ("Dividend Payment") to its existing shareholders on 3 April 2014 and 16 May 2014 respectively.

*Acquisition of Subsidiaries*

On 19 May 2014, Sasbadi Holdings had acquired the entire issued and paid-up share capital in Sasbadi comprising 2,400,000 ordinary shares of RM1.00 each from the Offerors as vendors ("Law King Hui, Lee Swee Hang and Lee Eng Sang collectively") for a total purchase consideration of RM52,899,998 satisfied by the issuance of 105,799,996 new Sasbadi Holdings Shares at an issue price of RM0.50 per share credited as fully paid. Arising from the acquisition, a merger deficit of RM50,500,000 has been created.

In addition, Sasbadi Holdings acquired the following Subsidiaries from Sasbadi:

a. the entire issued and paid-up share capital in Maya Press comprising 2 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 and reflected as amount owing by Sasbadi Holdings to Sasbadi;

b. the entire issued and paid-up share capital in Orbit Buku comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 and reflected as amount owing by Sasbadi Holdings to Sasbadi;

c. the entire issued and paid-up share capital in Malaysian Book Promotions comprising 75,005 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM77,754 and reflected as amount owing by Sasbadi Holdings to Sasbadi; and

d. the entire issued and paid-up share capital in Sasbadi Online comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM277,919 and reflected as amount owing by Sasbadi Holdings to Sasbadi.

The acquisitions of Maya Press, Orbit Buku, Malaysian Book Promotions and Sasbadi Online have no material financial impact to the pro forma consolidated statement of financial position.

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*Appendix I*

## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**1. Basis of preparation (continued)**

**Pro forma II - IPO, Vendors' Shareholdings Reorganisation and Listing**

Pro forma II is prepared after incorporating transactions as described in Pro forma I and transactions for IPO, Reorganisation and Listing as follows:-

*i) Public Issue*

Public issue of 21,200,000 new Sasbadi Holdings Shares, representing approximately 16.7% of the enlarged and paid-up share capital of 127,000,000 Shares, at RM1.19 per Share ("Public Issue") to be allocated in the following manner:

**(a) Public ("Public Tranche")**

6,350,000 Public Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital, have been reserved for application by the Public, of which at least 50.0% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

**(b) Eligible Directors, employees and persons who have contributed to the success of the Group ("Pink Form Tranche")**

5,700,000 Public Issue Shares, representing approximately 4.5% of the enlarged issued and paid-up share capital, have been reserved for application by the eligible Directors, employees and persons who have contributed to the success of the Group.

**(c) Selected Investors via Placement ("Placement Tranche")**

9,150,000 Public Issue Shares, representing approximately 7.2% of the enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

Arising from the Public Issue, share premium of RM14,628,000 will be created.

*ii) Offer for Sale*

The Offerors will offer up to 35,950,000 existing Sasbadi Holdings Shares, representing approximately 28.3% of the enlarged issued and paid-up share capital of 127,000,000 Shares, at RM1.19 per share ("Offer Shares") to be allocated in the following manner:

**(a) Bumiputra Investors approved by the Ministry of International Trade and Industry ("MITI Tranche")**

Up to 12,700,000 Offer Shares, representing up to 10.0% of the enlarged issued and paid-up share capital, to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI"); and

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**SASBADI HOLDINGS BERHAD**
**("SASBADI HOLDINGS" OR "THE COMPANY")**
**AND ITS SUBSIDIARIES ("THE GROUP")**

**NOTES TO THE PRO FORMA**
**CONSOLIDATED FINANCIAL INFORMATION**

1. **Basis of preparation (continued)**

**Pro forma II - IPO, Vendors' Shareholdings Reorganisation and Listing (continued)**

**(b) Selected Investors via Placement ("Non-MITI Tranche")**

Up to 23,250,000 Offer Shares, representing up to approximately 18.3% of the enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

The Offer for Sale will not have any financial impact to the pro forma consolidated statement of financial position.

*iii) Vendors' Shareholdings Reorganisation*

The Vendors of Sasbadi will undertake a reorganisation exercise involving the transfer of 25,400,000 Sasbadi Holdings Shares which they received from the Acquisition of Sasbadi to Karya Kencana Sdn. Bhd. ("Karya Kencana"), an investment holding company substantially owned by the Vendors ("Reorganisation"). In this regard, the Vendors have entered into a conditional share sale agreement with Karya Kencana for the Reorganisation for a purchase consideration of RM30,226,000. The purchase consideration will be satisfied via issuance of 99,000 new ordinary shares of RM1.00 each in Karya Kencana at par value and the balance will remain as amount owing from Karya Kencana to the Vendors.

Details of the Vendors' Shareholdings Reorganisation are as follows:

| Vendor | No. of Shares to be transferred under the Reorganisation | To be satisfied via | |
|---|---|---|---|
| | | Ordinary shares of RM1.00 each in Karya Kencana | Amount owing by Karya Kencana to the Vendors RM |
| Law King Hui | 12,700,000 | 49,500 | 15,063,500 |
| Lee Swee Hang | 6,350,000 | 24,750 | 7,531,750 |
| Lee Eng Sang | 6,350,000 | 24,750 | 7,531,750 |
| **Total** | **25,400,000** | **99,000** | **30,127,000** |

The Vendors' Shareholdings Reorganisation will not have any financial impact to the pro forma consolidated statement of financial position.





## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**I. Basis of preparation (continued)**

**Pro forma II - IPO, Vendors' Shareholdings Reorganisation and Listing (continued)**

*iv) Listing*

The entire enlarged issued and paid-up share capital of RM63,500,000 comprising 127,000,000 Shares will be admitted to the Official List of Bursa Securities.

The admission to the Official List of Bursa Securities and the listing of the said Shares will not have any financial impact to the pro forma consolidated statement of financial position.

**Pro forma III – Utilisation of the proceeds from the IPO**

Pro forma III is prepared after incorporating transactions as described in Pro forma I to II and the utilisation of the proceeds from the IPO as follows:-

| Purpose | Amount (RM'000) | % |
|---|---|---|
| Establishment of applied learning centres | 1,000 | 4.0 |
| Part-financing of proposed acquisition of publishing businesses | 11,500 | 45.6 |
| Financing of proposed acquisition of an office cum warehouse building | 7,000 | 27.7 |
| Working capital | 2,728 | 10.8 |
| Estimated listing expenses | 3,000 | 11.9 |
| | 25,228 | 100.0 |

As at 28 February 2014, the Company had already incurred listing expenses of up to RM1,130,000 out of the total estimated listing expenses of RM3,000,000. It is assumed that RM984,000 out of the total estimated listing expenses of RM3,000,000 will qualify for set-off against the share premium account arising from the issuance of Sasbadi Holdings Shares and the balance of RM2,016,000 will be expensed off to profit or loss. The unutilised proceeds that have been earmarked for listing expenses, if any, will be retained in cash and cash equivalents and used for working capital purposes.

In addition, it is assumed that the proceeds that have been earmarked for acquisition of publishing businesses and working capital are retained in the cash and cash equivalents until they are utilised in the future.





**SASBADI HOLDINGS BERHAD**
**("SASBADI HOLDINGS" OR "THE COMPANY")**
**AND ITS SUBSIDIARIES ("THE GROUP")**

**NOTES TO THE PRO FORMA**
**CONSOLIDATED FINANCIAL INFORMATION**

**2. Basis of consolidation**

In the preparation of the pro forma consolidated financial information, the following basis of consolidation has been applied:

***(i) Subsidiaries***

Subsidiaries are entities, including unincorporated 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. Control exists when the Group 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 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) Acquisitions from entities under common controls***

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

***(iii) 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.

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## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**Pro forma consolidated statement of financial position**

The pro forma consolidated statement of financial position of the Group as set out below are prepared solely for illustrative purposes only to show the effects had the transactions been effected on 28 February 2014.

| | Note | Audited statement of financial position at 28 February 2014 RM'000 | Pro forma I After Incorporation of Subsidiaries, Dividend Payment and Acquisitions of Subsidiaries RM'000 | Pro forma II After Pro forma I, IPO, Vendors' Shareholdings Reorganisation and Listing RM'000 | Pro forma III After Pro forma II and utilisation of the proceeds from IPO RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | a | - | 27,650 | 27,650 | 35,650 |
| Other investments | | - | 37 | 37 | 37 |
| Intangible assets | | - | 5,225 | 5,225 | 5,225 |
| **Total non-current assets** | | - | 32,912 | 32,912 | 40,912 |
| Inventories | | - | 15,952 | 15,952 | 15,952 |
| Trade and other receivables, and other assets | | - | 34,463 | 34,463 | 34,463 |
| Prepayments | | 193 | 657 | 657 | 464 |
| Current tax assets | | - | 318 | 318 | 318 |
| Cash and cash equivalents | b | * | 9,180 | 34,408 | 24,538 |
| **Total current assets** | | 193 | 60,570 | 85,798 | 75,735 |
| **Total assets** | | 193 | 93,482 | 118,710 | 116,647 |
| **Equity** | | | | | |
| Share capital | c | * | 52,900 | 63,500 | 63,500 |
| Share premium | d | - | - | 14,628 | 13,644 |
| Revaluation reserve | | - | 11,340 | 11,340 | 11,340 |
| Merger deficit | e | - | (50,500) | (50,500) | (50,500) |
| Retained earnings | f | (955) | 49,432 | 49,432 | 48,353 |
| **Total equity attributable to owners of the Company** | | (955) | 63,172 | 88,400 | 86,337 |
| **Liabilities** | | | | | |
| Borrowings | | - | 247 | 247 | 247 |
| Deferred tax liabilities | | - | 2,975 | 2,975 | 2,975 |
| **Total non-current liabilities** | | - | 3,222 | 3,222 | 3,222 |
| Borrowings | | - | 8,944 | 8,944 | 8,944 |
| Trade and other payables | | 1,148 | 11,524 | 11,524 | 11,524 |
| Provisions | | - | 4,149 | 4,149 | 4,149 |
| Current tax liabilities | | - | 2,471 | 2,471 | 2,471 |
| **Total current liabilities** | | 1,148 | 27,088 | 27,088 | 27,088 |
| **Total liabilities** | | 1,148 | 30,310 | 30,310 | 30,310 |
| **Total equity and liabilities** | | 193 | 93,482 | 118,710 | 116,647 |



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## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**Pro forma consolidated statement of financial position (continued)**

| | Audited statement of financial position at 28 February 2014 RM'000 | Pro forma I After Incorporation of Subsidiaries, Dividend Payment and Acquisitions of Subsidiaries RM'000 | Pro forma II After Pro forma I, IPO, Vendors' Shareholdings Reorganisation and Listing RM'000 | Pro forma III After Pro forma II and utilisation of the proceeds from IPO RM'000 |
|---|---|---|---|---|
| No. of shares in issue ('000) | * | 105,800 | 127,000 | 127,000 |
| Net (liabilities)/assets (RM'000) | (955) | 63,172 | 88,400 | 86,337 |
| Net (liabilities)/assets per share attributable to owners of the Company (RM) | (238,750) | 0.60 | 0.70 | 0.68 |

* **Represents 4 shares**



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## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**Effect on the pro forma consolidated statement of financial position**

**a. Movement in property, plant and equipment**

| | RM'000 |
|---|---|
| Balance at 28 February 2014 | - |
| Effect of Pro forma I:- | |
| Acquisitions of Subsidiaries | 27,650 |
| Balance after Pro forma I and II | 27,650 |
| Effects of Pro forma III:- | |
| Establishment of applied learning centres | 1,000 |
| Acquisition of an office cum warehouse building | 7,000 |
| Balance after Pro forma I, II and III | 35,650 |

**b. Movement in cash and cash equivalents**

| | RM'000 |
|---|---|
| Balance at 28 February 2014 | * |
| Effects of Pro forma I:- | |
| Acquisitions of Subsidiaries | 17,680 |
| Dividend Payment | (8,500) |
| Balance after Pro forma I | 9,180 |
| Effect of Pro forma II:- | |
| IPO | 25,228 |
| Balance after Pro forma I and II | 34,408 |
| Effects of Pro forma III:- | |
| *Utilisation of proceeds* | |
| Establishment of applied learning centres | (1,000) |
| Acquisition of an office cum warehouse building | (7,000) |
| Listing expenses | (1,870) |
| Balance after Pro forma I, II and III | 24,538 |

* *Denotes RM2*





## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**Effect on the pro forma consolidated statement of financial position (continued)**

**c. Movement in share capital**

| | RM'000 |
|---|---|
| Balance at 28 February 2014 | * |
| Effect of Pro forma I:- | |
| Acquisitions of Subsidiaries | 52,900 |
| Balance after Pro forma I | 52,900 |
| Effect of Pro forma II:- | |
| IPO | 10,600 |
| Balance after Pro forma I, II and III | 63,500 |

* *Denotes RM2*

**d. Movement in share premium**

| | RM'000 |
|---|---|
| Balance at 28 February 2014/after Pro forma I | - |
| Effect of Pro forma II:- | |
| IPO | 14,628 |
| Balance after Pro forma I and II | 14,628 |
| Effect of Pro forma III:- | |
| Listing expenses | (984) |
| Balance after Pro forma I, II and III | 13,644 |





## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**Effect on the pro forma consolidated statement of financial position (continued)**

**e. Movement in merger deficit**

| | RM'000 |
|---|---|
| Balance at 28 February 2014 | - |
| Effect of Pro forma I:- | |
| Acquisitions of Subsidiaries | (50,500) |
| Balance after Pro forma I, II and III | (50,500) |

**f. Movement in retained earnings**

| | RM'000 |
|---|---|
| Balance at 28 February 2014 | (955) |
| Effects of Pro forma I:- | |
| Acquisitions of Subsidiaries | 58,887 |
| Dividend Payment | (8,500) |
| Balance after Pro forma I and II | 49,432 |
| Effect of Pro forma III:- | |
| Listing expenses | (1,079) |
| Balance after Pro forma I, II and III | 48,353 |

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## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**Pro forma consolidated statement of profit or loss and other comprehensive income**

The pro forma consolidated statement of profit or loss and other comprehensive income for the past four (4) financial years ended 31 August 2010, 31 August 2011, 31 August 2012, and 31 August 2013 and the financial period ended 28 February 2014 which have been prepared for illustrative purposes only to show the results of the Group, are based on accounting policies consistent with those adopted in the preparation of the latest audited financial statements of the Group entities and are prepared on the assumptions that the current Group structure existed throughout the financial years/period under review.

| | ← Year ended 31 August → | | | | 6 months period ended 28 Feb |
|---|---|---|---|---|---|
| | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 |
| **Revenue** | 47,012 | 59,961 | 64,821 | 77,964 | 43,992 |
| Cost of sales | (28,460) | (35,143) | (37,916) | (45,831) | (22,343) |
| **Gross profit** | 18,552 | 24,818 | 26,905 | 32,133 | 21,649 |
| Other operating income | 300 | 364 | 812 | 806 | 94 |
| Distribution costs | (4,492) | (5,216) | (5,245) | (5,535) | (3,294) |
| Administrative expenses | (5,922) | (6,857) | (7,311) | (9,365) | (5,176) |
| Other operating expenses | (243) | (341) | (296) | (476) | (2,222) |
| **Results from operating activities** | 8,195 | 12,768 | 14,865 | 17,563 | 11,051 |
| Interest income | 177 | 223 | 92 | 173 | 55 |
| Finance costs | (126) | (49) | (59) | (73) | (170) |
| **Profit before tax** | 8,246 | 12,942 | 14,898 | 17,663 | 10,936 |
| Income tax expense | (2,176) | (3,466) | (4,006) | (4,909) | (2,906) |
| **Profit for the financial year/period** | 6,070 | 9,476 | 10,892 | 12,754 | 8,030 |
| **Other comprehensive income, net of tax** | | | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | | | |
| **Revaluation of property, plant and equipment** | 4,172 | - | 4,168 | - | - |
| **Total comprehensive income for the financial year/period** | 10,242 | 9,476 | 15,060 | 12,754 | 8,030 |
| **Profit attributable to:** | | | | | |
| - Owners of the Company | 6,070 | 9,476 | 10,892 | 12,754 | 8,030 |
| **Total comprehensive income attributable to:** | | | | | |
| - Owners of the Company | 10,242 | 9,476 | 15,060 | 12,754 | 8,030 |

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## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**Pro forma consolidated statement of profit or loss and other comprehensive income (continued)**

| | | ← Year ended 31 August → | | | | 6 months ended 28 February |
|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 | 2013 | 2014 |
| (i) | Gross profit margin (%)* | 39.5 | 41.4 | 41.5 | 41.2 | 49.2 |
| (ii) | Interest income (RM'000) | 177 | 223 | 92 | 173 | 55 |
| (iii) | Interest expense (RM'000) | 105 | 33 | 32 | 36 | 106 |
| (iv) | Depreciation and amortisation (RM'000) | 1,184 | 1,355 | 1,618 | 1,916 | 1,301 |
| (v) | Earnings before interest, taxation, depreciation and amortisation (EBITDA) (RM'000) | 9,358 | 14,107 | 16,456 | 19,442 | 12,288 |
| (vi) | Profit before tax margin (%) ^ | 17.5 | 21.6 | 23.0 | 22.7 | 24.9 |
| (vii) | Profit after tax margin (%) θ | 12.9 | 15.8 | 16.8 | 16.4 | 18.3 |
| (viii) | Number of ordinary shares assumed in issue ('000) # | 105,800 | 105,800 | 105,800 | 105,800 | 105,800 |
| (ix) | Basic and diluted earnings per ordinary share (sen) @,α | 5.74 | 8.96 | 10.29 | 12.05 | 15.18^^ |

***Notes:***

* Gross profit margin is computed based on the gross profit divided by the revenue for the respective financial years/period under review.

^ Profit before tax margin is computed based on the profit before tax divided by the revenue for the respective financial years/period under review.

θ Profit after tax margin is computed based on the profit after tax divided by the revenue for the respective financial years/period under review.

\# Based on the issued and paid-up share capital of 105,800,000 Shares after the acquisitions of Subsidiaries but before Public Issue.

@ Basic earnings per ordinary share is computed based on the profit for the financial year/period attributed to the owners of the Company divided by the number of ordinary shares assumed in issue.

α No dilution of earnings per ordinary share.

^^ Annualised to 12 months for comparison purposes.



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**SASBADI HOLDINGS BERHAD**
**("SASBADI HOLDINGS" OR "THE COMPANY")**
**AND ITS SUBSIDIARIES ("THE GROUP")**

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

### Pro forma consolidated statement of cash flows

The pro forma consolidated statement of cash flows of the Group for the financial period ended 28 February 2014, which has been prepared for illustrative purposes only, is based on the assumption that the current structure of the Group existed throughout the financial period under review. The pro forma consolidated statement of cash flows has been prepared before taking into account the Dividend Payment, IPO, and utilisation of proceeds from IPO.

| | **6 months ended 28 February 2014 RM'000** |
|---|---|
| **Cash flows from operating activities** | |
| Profit before tax | 10,936 |
| Adjustments for: | |
| Depreciation of property, plant and equipment | 1,026 |
| Amortisation of intangible assets | 275 |
| Provision for sales returns | 3,088 |
| Interest expense | 106 |
| Interest income | (55) |
| Operating profit before changes in working capital | 15,376 |
| Changes in working capital: | |
| Inventories | (919) |
| Trade and other receivables, and other assets | (14,360) |
| Trade and other payables | 4,952 |
| **Cash generated from operations** | 5,049 |
| Income tax paid | (1,855) |
| Interest paid | (93) |
| Interest received | 55 |
| **Net cash generated from operating activities** | 3,156 |
| **Cash flows from investing activities** | |
| Purchase of property, plant and equipment | (653) |
| Purchase of intangible assets | (5,500) |
| **Net cash used in investing activities** | (6,153) |





## SASBADI HOLDINGS BERHAD ("SASBADI HOLDINGS" OR "THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**Pro forma consolidated statement of cash flows (continued)**

| | 6 months ended 28 February 2014 RM'000 |
|---|---|
| **Cash flows from financing activities** | |
| Interest paid | (13) |
| Repayment of finance lease liabilities | (133) |
| Drawdown of bankers' acceptances | 730 |
| **Net cash generated from financing activities** | 584 |
| **Net decrease in cash and cash equivalents** | (2,413) |
| Cash and cash equivalents at beginning of the financial period | 12,044 |
| **Cash and cash equivalents at end of the financial period** | 9,631 |

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts. Cash and cash equivalents included in the pro forma consolidated statement of cash flows comprise the following pro forma consolidated statement of financial position amounts:

| | 28 February 2014 RM'000 |
|---|---|
| Cash and bank balances | 17,641 |
| Deposits placed with a licensed bank | 39 |
| Bank overdraft | (8,049) |
| | 9,631 |

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

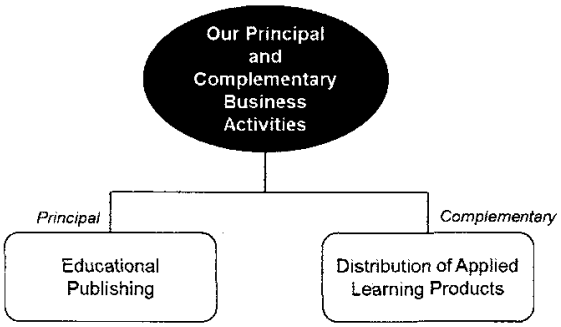
Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the pro forma consolidated financial information and the related notes thereon for the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 as set out in Section 11.4 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

### 12.1 OVERVIEW

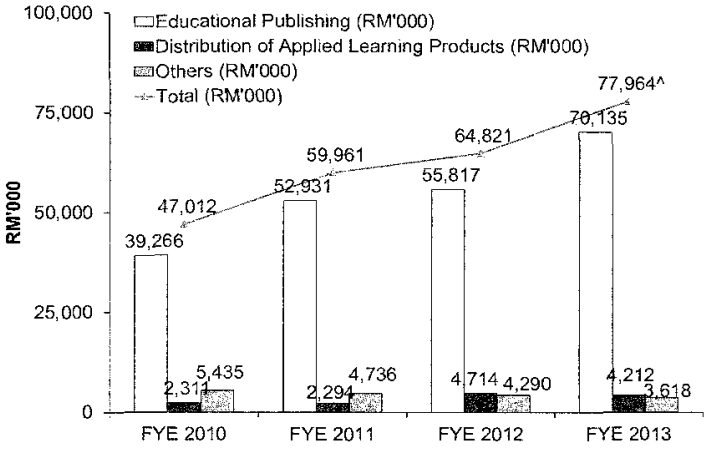
**Revenue**

Our Group is mainly involved in the following activities:




For the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014, our Group's revenue (net of credit notes, which are issued, amongst others, for returned stocks, discounts for early payments and incentive discounts) was derived from the following business segments:

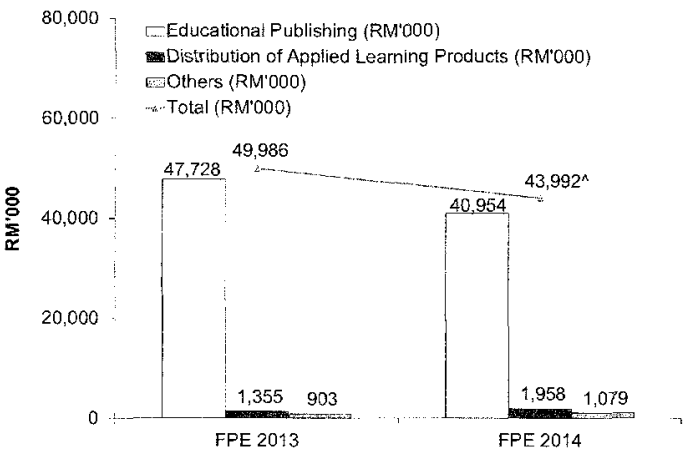
- Educational publishing including print publishing of National School Curriculum based educational materials mainly for primary and secondary levels of education as well as supplementary educational materials, and online publishing;
- Distribution of applied learning products; and
- Others include mainly supply of electronic dictionaries, publishing of general title books, distribution of third party publications, and trading of paper.




Overall, our total revenue grew from RM47.0 million to RM78.0 million between FYE 31 August 2010 and 2013. This represented an AAGR of 18.4%. Our revenue was mainly derived from our largest revenue segment, namely educational publishing, which contributed 83.5%, 88.3%, 86.1% and 90.0% of our total revenue for the FYE 31 August 2010, 2011, 2012 and 2013 respectively. Distribution of applied learning products accounted for 4.9%, 3.8%, 7.3% and 5.4% of our total revenue for the past four (4) financial years under review respectively. Educational publishing and distribution of applied learning products grew at an AAGR of 21.3% and 22.2% respectively between FYE 31 August 2010 and 2013.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Others constituted 11.6%, 7.9%, 6.6% and 4.6% of our total revenue for FYE 31 August 2010, 2011, 2012 and 2013 respectively.




Our total revenue declined from RM50.0 million to RM44.0 million between FPE 28 February 2013 and 2014. This represented a decline of 12.0%. Our revenue was mainly derived from our largest revenue segment, namely educational publishing, which contributed 95.5% and 93.1% of our total revenue for the FPE 28 February 2013 and 2014 respectively. Distribution of applied learning products accounted for 2.7% and 4.5% of our total revenue for the past two (2) financial periods under review respectively. Educational publishing declined by 14.2% while distribution of applied learning products grew by 44.5% between FPE 28 February 2013 and 2014.

Others constituted 1.8% and 2.5% of our total revenue for FPE 28 February 2013 and 2014 respectively.

Our revenue from educational publishing was largely contributed by print publishing. Our print publishing can be further segmented into different subsectors namely National School Curriculum based educational materials and supplementary educational materials. National School Curriculum based educational materials recorded revenue contributions of 83.5%, 87.1%, 81.8% and 81.5% for the FYE 31 August 2010, 2011, 2012 and 2013 respectively. For the FPE 28 February 2013 and 2014, print publishing of National School Curriculum based educational materials accounted for 90.3% and 87.7% of our total revenue respectively.

The main factors that contributed to the increase in our total revenue for the past four (4) financial years under review were due to the following:

- Increase in demand for past year examination papers for UPSR, PMR and SPM in FYE 31 August 2011, 2012 and 2013 as compared to FYE 31 August 2010. This is supported by the fact that we secured the rights from YGMB for the reprinting, distribution, marketing and sales of past year examination papers for UPSR, PMR, SPM and STAM for 2011, 2012 and up till 14 September 2013 whereas for 2010, the contract with YGMB was for the reprinting, distribution, marketing and sales of past year examination papers for SPM and STAM only *(Note: The licence from YGMB to reprint, distribute, market and sell the past year examination papers was not renewed upon its expiry on 14 September 2013. In this regard, we have ceased reprinting, distributing, marketing and selling the past year examination papers with effect from 15 September 2013)*;

- We were awarded more tenders and also received more purchase orders on textbooks from the Ministry of Education for FYE 31 August 2011, 2012 and 2013 as compared to FYE 31 August 2010;

- Commencement of our subsidiary, Orbit Buku, which publish children's books targeted at households and school libraries;

- Commencement of sales of our online educational resources with the launch of four (4) new online educational products between FYE 31 August 2011 and 2013;

- Our applied learning products achieved higher sales in the run-up to the World Robot Olympiad 2012 during the initial stage and subsequently the continuing sales of the products, as Malaysia was the host for World Robot Olympiad 2012; and

- Increase in sales of our new range of workbooks for primary and secondary levels of education for FYE 31 August 2013. The higher sales generated was mainly due to the popularity of our new A4 size format. In addition, higher sales of our workbooks for primary levels of education were attributed to the longer lead time available for us to undertake our promotional and marketing efforts on these products before the start of the 2013 academic year.

The main factors that contributed to the decrease in our total revenue between the two (2) financial periods under review, namely FPE 28 February 2013 and 2014, were due to the following:

- Loss in revenue from past year examination papers for UPSR, PMR and SPM as a result of the expiration of the licence from YGMB for reprinting, distribution, marketing and sales of the past year examination papers;

- Decrease in revenue as well as returns for PMR educational materials namely revision guides, assessment books and model test papers as a result of the abolishment of the PMR examinations in 2014;

- Decrease in sales of secondary textbooks due to non-availability of new secondary school textbook tenders from the Ministry of Education during FPE 28 February 2014; and

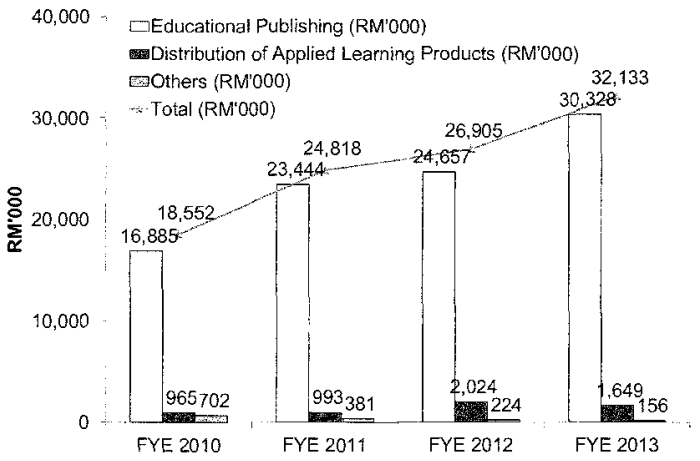
- Decrease in sales and high sales returns for our iPBS online educational products due to uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy. In February 2014, the school based assessment was suspended by the Ministry of Education and the modified version of PBS was implemented in April 2014. Subsequently in April 2014, we have launched new products, namely iPBS (PPPM)/iPS (DSKP) based on the modified version of PBS.

Please also refer to Section 12.2.1 of this Prospectus for a segmental analysis of our Group's revenue for the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014.

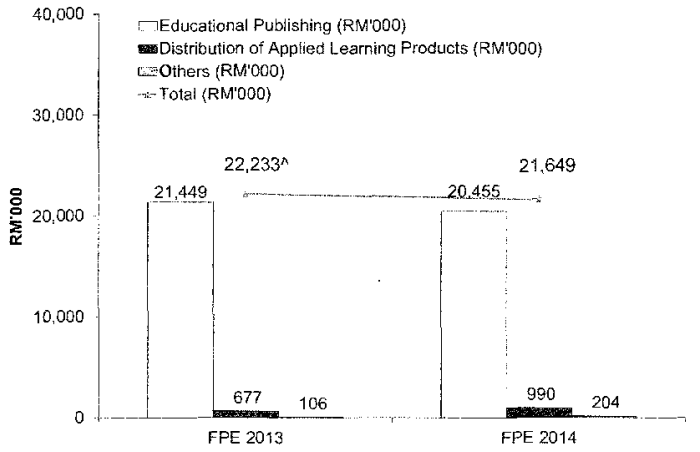
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## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

### Gross profit




Our total gross profit grew from RM18.6 million to RM32.1 million between FYE 31 August 2010 and 2013. This represented an AAGR of 19.9%. Educational publishing, our largest revenue segment, accounted for 91.0%, 94.5%, 91.6% and 94.4% of our total gross profit for the FYE 31 August 2010, 2011, 2012 and 2013 respectively. Distribution of applied learning products constituted 5.2%, 4.0%, 7.5% and 5.1% of our total gross profit for the past four (4) financial years under review respectively. Educational publishing and distribution of applied learning products grew at AAGR of 21.6% and 19.6% respectively between FYE 31 August 2010 and 2013. Others constituted 3.8%, 1.5%, 0.8% and 0.5% of our total gross profit during the past four (4) financial years under review respectively.




Our total gross profit declined from RM22.2 million to RM21.6 million between FPE 28 February 2013 and 2014. This represented a decline of 2.7%. Educational publishing, our largest revenue segment, accounted for 96.5% and 94.5% of our total gross profit for the FPE 28 February 2013 and 2014 respectively. Distribution of applied learning products constituted 3.0% and 4.6% of our total gross profit for the past two (2) financial periods under review respectively. Gross profit from educational publishing declined by 4.6% while gross profit from distribution of applied learning products grew by 46.2% between FPE 28 February 2013 and 2014. Others constituted approximately 0.5% and 0.9% of our total gross profit for the past two (2) financial periods under review, respectively.

Please also refer to Section 12.2.2 of this Prospectus for a segmental analysis of our Group's gross profit for the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014.

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## 12.2 RESULTS OF OPERATIONS

The following is the segmental analysis of our results for the four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 based on the assumption that our current Group structure has been in existence throughout the financial years/period under review.

### 12.2.1 Segmental analysis of revenue

#### (i) Revenue by Companies

The breakdown of our Group's revenue by companies is as follows:

| | <----------Audited----------> | | | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | < ---------- FYE 31 August ----------> | | | | | | | | <----------FPE 28 February----------> | | | |
| **Revenue** | **2010** | | **2011** | | **2012** | | **2013** | | **2013** | | **2014** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Sasbadi | 47,012 | 100.0 | 59,303 | 98.9 | 62,695 | 96.7 | 71,780 | 92.1 | 47,453 | 94.9 | 39,986 | 90.9 |
| Maya Press | - | - | - | - | - | - | - | - | - | - | - | - |
| Orbit Buku | - | - | 108 | 0.2 | 1,180 | 1.8 | 470 | 0.6 | 179 | 0.4 | 816 | 1.9 |
| Sasbadi Online | n.a. | n.a. | 614 | 1.0 | 1,164 | 1.8 | 5,788 | 7.4 | 2,378 | 4.8 | 97 | 0.2 |
| Malaysian Book Promotions | - | - | - | - | - | - | - | - | - | - | 4,234 | 9.6 |
| Sasbadi Holdings | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| MBP Publications | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Sasbadi Learning Solutions | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| | 47,012 | 100.0 | 60,026^ | 100.1 | 65,039 | 100.3 | 78,039^ | 100.1 | 50,011^ | 100.1 | 45,132^ | 102.6 |
| Less: Consolidation adjustment | - | - | (65) | (0.1) | (218) | (0.3) | (74) | (0.1) | (25) | (0.1) | (1,141) | (2.6) |
| **Total** | **47,012** | **100.0** | **59,961** | **100.0** | **64,821** | **100.0** | **77,964^** | **100.0** | **49,986** | **100.0** | **43,992^** | **100.0** |

***Notes:***

^ *Total does not add-up due to rounding.*
*n.a.* *Not applicable.*

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

### (ii) Revenue by Business Activities

The breakdown of our Group's revenue by business activities is as follows:

| | <----------Audited----------> | | | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | <---------- FYE 31 August ----------> | | | | | | | | <----------FPE 28 February----------> | | | |
| **Revenue** | **2010** | | **2011** | | **2012** | | **2013** | | **2013** | | **2014** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| **Educational Publishing** | | | | | | | | | | | | |
| **Print Publishing** | | | | | | | | | | | | |
| National School Curriculum based educational materials | 39,241 | 83.5 | 52,256 | 87.1 | 53,027 | 81.8 | 63,559 | 81.5 | 45,132^ | 90.3 | 38,599^ | 87.7 |
| - *Secondary education* | *26,355^* | *56.1* | *37,309^* | *62.2* | *37,355* | *57.6^* | *42,640* | *54.7* | *28,383* | *56.8* | *19,094* | *43.4* |
| *Non-PMR educational materials* [3] | *17,003* | *36.2* | *22,867* | *38.1* | *19,617* | *30.3* | *27,607* | *35.4* | *20,614* | *41.2* | *19,228* | *43.7* |
| *PMR educational materials* [4] | *5,715* | *12.2* | *5,804* | *9.7* | *5,502* | *8.5* | *4,441* | *5.7* | *2,434* | *4.9* | *(134)* | *(0.3)* |
| *Past year examination papers* | *3,636* | *7.7* | *8,639* | *14.4* | *12,236* | *18.9* | *10,592* | *13.6* | *5,335* | *10.7* | - | - |
| - *Primary education* [1] | *12,886* | *27.4* | *14,947* | *24.9* | *15,672* | *24.2* | *20,919* | *26.8* | *16,748* | *33.5* | *16,283* | *37.0* |
| *Educational materials* [3] | *12,886* | *27.4* | *12,950* | *21.6* | *12,591* | *19.4* | *17,695* | *22.7* | *14,712* | *29.4* | *16,283* | *37.0* |
| *Past year examination papers* | - | - | *1,997* | *3.3* | *3,081* | *4.8* | *3,224* | *4.1* | *2,036* | *4.1* | - | - |
| - *Pearson titles* | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | *3,221* | *7.3* |
| *Post-secondary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | *1,130* | *2.6* |
| *Secondary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | *2,031* | *4.6* |
| *Primary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | *60* | *0.1* |
| Supplementary educational materials | 25 | 0.1 | 59 | 0.1 | 1,618 | 2.5 | 814 | 1.0 | 221 | 0.4 | 2,273 | 5.2 |
| | **39,266** | **83.5^** | **52,315** | **87.2** | **54,645** | **84.3** | **64,373** | **82.6^** | **45,353** | **90.7** | **40,871^** | **92.9** |
| **Online Publishing** | **n.a.** | **n.a.** | **616** | **1.0** | **1,172** | **1.8** | **5,762** | **7.4** | **2,375** | **4.8** | **83** | **0.2** |
| | **39,266** | **83.5** | **52,931** | **88.3^** | **55,817** | **86.1** | **70,135** | **90.0** | **47,728** | **95.5** | **40,954** | **93.1** |
| **Distribution of Applied Learning Products** | **2,311** | **4.9** | **2,294** | **3.8** | **4,714** | **7.3** | **4,212** | **5.4** | **1,355** | **2.7** | **1,958** | **4.5** |
| **Others** [2] | **5,435** | **11.6** | **4,736** | **7.9** | **4,290** | **6.6** | **3,618** | **4.6** | **903** | **1.8** | **1,079** | **2.5** |
| **Total** | **47,012** | **100.0** | **59,961** | **100.0** | **64,821** | **100.0** | **77,964^** | **100.0** | **49,986** | **100.0** | **43,992^** | **100.0^** |

***Notes:***

^ *Total does not add-up due to rounding.*
*n.a.* *Not applicable.*
*(1)* *Include a small proportion of pre-school educational materials.*
*(2)* *Include mainly the supply of electronic dictionaries, publishing of general title books as well as distribution of third party publications and trading of paper.*
*(3)* *Include amongst others textbooks, revision guides, workbooks, assessment books and model test papers.*
*(4)* *Include revision guides, assessment books and model test papers.*

***FYE 31 August 2011 compared to FYE 31 August 2010***

For the FYE 31 August 2011, our total revenue increased by 27.7% or RM13.0 million from RM47.0 million in FYE 31 August 2010 to RM60.0 million in FYE 31 August 2011. This was mainly due to the increase in demand for our educational publishing products contributed by the following factors:

- Increase in revenue from textbooks for secondary levels of education which was stimulated by our success in obtaining more purchase orders on textbooks from the Ministry of Education;

- Increase in sales of past year examination papers as a result of the introduction of new additions of UPSR and PMR past year examination papers. In addition, the increase in sales of SPM examination paper due to better market awareness of our product as this product was only introduced in the previous year;

  From January 2011 up to 14 September 2013, we were awarded by YGMB as the licensee to undertake reprinting, distribution, marketing and sales of past year examination papers for UPSR, PMR, STAM and SPM. For 2010, the contract with YGMB was for the reprinting, distribution, marketing and sales of past year examination papers for SPM and STAM only;

- Increase in sales of workbooks for primary and secondary levels of education due to increased demand from schools, as well as revision guides for secondary levels of education. As a result of our earlier publication of revision guides in FYE 31 August 2011, these products were available for sale in the market for a longer period before the start of the academic year compared to the previous financial year, which consequently resulted in higher sales; and

- Commencement of our online publishing operations undertaken by our subsidiary, Sasbadi Online.

For FYE 31 August 2011, Sasbadi, which is mainly involved in publishing of printed educational materials and distribution of applied learning products, was our largest revenue contributor at 98.9% *(before consolidation adjustment)* of our total revenue. The revenue contribution from our other subsidiaries, Orbit Buku and Sasbadi Online were minimal at 0.2% and 1.0% *(before consolidation adjustment)* respectively for FYE 31 August 2011 during their first year of operations.

For FYE 31 August 2011, our largest revenue segment was educational publishing, which contributed 88.3% of our total revenue. Within educational publishing, print publishing accounted for 87.2% of our total revenue whilst online publishing only contributed 1.0% of our total revenue for the FYE 31 August 2011. Print publishing largely consists of National School Curriculum based educational materials for secondary and primary levels of education, which accounted for 87.1% of our total revenue with a relatively smaller proportion of 0.1% derived from supplementary educational materials. For the FYE 31 August 2011, growth in our revenue was mainly contributed by National School Curriculum based educational materials for secondary schools, which grew from RM26.4 million in FYE 31 August 2010 to RM37.3 million in FYE 31 August 2011, representing a growth of RM10.9 million or 41.3%.

Distribution of applied learning products and other activities accounted for 3.8% and 7.9% of our total revenue for the FYE 31 August 2011 respectively. Distribution of applied learning products recorded a minor drop in revenue of 0.7% or approximately RM17,000 whilst our other activities decreased by 13.0% from RM5.4 million to RM4.7 million. The decrease in revenue from other activities was largely due to a decrease in the distribution of third party publications.

**FYE 31 August 2012 compared to FYE 31 August 2011**

For the FYE 31 August 2012, our total revenue grew by 8.0% or RM4.8 million, from RM60.0 million in FYE 31 August 2011 to RM64.8 million in FYE 31 August 2012. This was mainly due to the following reasons:

- Increase in demand for National School Curriculum based educational materials, which was mainly contributed by past year examination papers of UPSR, PMR and SPM as a result of faster to market, which is making the availability of our books earlier to our customers in FYE 31 August 2012 as compared to FYE 31 August 2011, and better awareness of these publications. However, the increase in demand for these past year examination papers was largely offset by decrease in demand for textbooks, assessment books and revision guides for secondary levels of education as well as assessment books for primary levels of education;

- Increase in sales of our supplementary educational materials as a result of an increase in the range of our publications from 135 titles in FYE 31 August 2011 to 197 titles in FYE 31 August 2012 coupled with improved marketing efforts and activities during book fairs where we participated in nine (9) book fairs in FYE 31 August 2012 as compared to six (6) book fairs in FYE 31 August 2011. This was supported by our inerease in expenditure on exhibitions and book fairs;

- Growth in sales of our online educational products with the launch of two (2) new products, namely i-Teach and i-Learn; and

- Increase in demand for applied learning products particularly LEGO Education robotics. Sales were boosted by the run-up to the World Robot Olympiad 2012, which was hosted in Kuala Lumpur in November 2012. There were three (3) categories of competition in World Robot Olympiad 2012, i.e. Regular, Open and Gen II Football. LEGO Education products were exclusively used in all the categories of competition except for the Open category, where other materials could also be incorporated into the students' projects.

For the FYE 31 August 2012, Sasbadi continued to contribute the largest proportion of our total revenue at 96.7% *(before consolidation adjustment)*. However, revenue contribution from Sasbadi declined by 2.2 percentage points *(before consolidation adjustment)* for FYE 31 August 2012 as compared to the previous financial year. In terms of value, Sasbadi continued to register a revenue growth of RM3.4 million or 5.7% *(before consolidation adjustment)* as compared to the previous financial year. The drop in Sasbadi's revenue contribution was largely due to increases in revenue contribution from Orbit Buku and Sasbadi Online, each contributing 1.8% to our total revenue *(before consolidation adjustment)* for the FYE 31 August 2012. These represented a revenue growth of 992.6% for Orbit Buku and 89.6% *(before consolidation adjustment)* for Sasbadi Online.

For FYE 31 August 2012, our main revenue contribution segment continues to be educational publishing, which contributed 86.1% of our total revenue. Within educational publishing, print publishing continues to be the dominant segment constituting 84.3% of our total revenue. Nevertheless, revenue contribution from online publishing improved from 1.0% in FYE 31 August 2011 to 1.8% in FYE 31 August 2012. Within print publishing, National School Curriculum based educational materials for secondary and primary levels of education remained as our main source of revenue with a contribution of 81.8% for the FYE 31 August 2012. In addition, revenue contribution of supplementary educational materials increased from 0.1% in FYE 31 August 2011 to 2.5% in FYE 31 August 2012. This is the result of the increase in the range of our publications. For the FYE 31 August 2012, all major segments within educational publishing registered growth.

Distribution of applied learning products and other activities accounted for 7.3% and 6.6% of our total revenue for the FYE 31 August 2012 respectively. Distribution of applied learning products recorded a significant growth of 105.5% compared to FYE 31 August 2011. The growth was boosted by the then upcoming World Robot Olympiad 2012, which was hosted in Kuala Lumpur. Other activities continued to decline by 8.5% from RM4.7 million in FYE 31 August 2011 to RM4.3 million in FYE 31 August 2012. This was mainly due to a decrease in the sales of third party publications.

**FYE 31 August 2013 compared to FYE 31 August 2012**

For the FYE 31 August 2013, our total revenue grew by 20.4% or RM13.2 million, from RM64.8 million in FYE 31 August 2012 to RM78.0 million in FYE 31 August 2013. This was mainly due to the following reasons:

- Increase in sales of our new range of workbooks for primary and secondary levels of education. The higher sales generated was mainly due to the popularity of our new A4 size format. In addition, higher sales of our workbooks for primary levels of education were attributed to the longer lead time available for us to undertake our promotional and marketing efforts on these products before the start of the academic year;

- Increase in demand for model test papers for SPM as this range of products were published and made available to the market for a longer period in FYE 31 August 2013 as compared to FYE 31 August 2012;

- Increase in revenue from textbooks for secondary levels of education as a result of securing more tenders and obtaining more purchase orders on textbooks from the Ministry of Education; and

- Growth in sales of our online educational products with the launch of a new product, namely iPBS as well as higher sales from i-Learn as a result of securing an MOU with YGMB to supply and implement i-Learn under i-TR1M (Interaktif Tuisyen Rakyat 1Malaysia). For the FYE 31 August 2013, we generated revenue of RM975,000 from the said MOU with YGMB which was valid until end of 2013.

For the FYE 31 August 2013, Sasbadi continued to contribute the largest proportion of our total revenue at 92.1% *(before consolidation adjustment)*. However, revenue contribution from Sasbadi declined by 4.6 percentage points *(before consolidation adjustment)* for FYE 31 August 2013 as compared to the previous financial year. In terms of value, Sasbadi continued to register a revenue growth of RM9.1 million or 14.5% *(before consolidation adjustment)* as compared to the previous financial year. The drop in Sasbadi's revenue contribution as a proportion of total revenue was largely due to relatively higher increases in revenue contribution from Sasbadi Online, which contributed 7.4% to our total revenue *(before consolidation adjustment)* for the FYE 31 August 2013. This represented a revenue growth of 397.3% *(before consolidation adjustment)* for Sasbadi Online. For the FYE 31 August 2013, revenue contribution from Orbit Buku was minimal at 0.6% *(before consolidation adjustment)*.

For FYE 31 August 2013, our main revenue contribution segment continues to be educational publishing, which contributed 90.0% of our total revenue. Within educational publishing, print publishing continues to be the dominant segment constituting 82.6% of our total revenue. Nevertheless, revenue contribution from online publishing improved significantly from 1.8% in FYE 31 August 2012 to 7.4% in FYE 31 August 2013. Within print publishing, National School Curriculum based educational materials for secondary and primary levels of education remained as our main source of revenue with a contribution of 81.5% for the FYE 31 August 2013. Revenue contribution from supplementary educational materials declined from 2.5% in FYE 31 August 2012 to 1.0% in FYE 31 August 2013. This was mainly due to the reduced sales of a range of these products to dealers as part of our process in adopting a different distribution strategy where we intend to increase our focus on selling directly to retail bookstores in FYE 31 August 2014.

Distribution of applied learning products and other activities accounted for 5.4% and 4.6% of our total revenue for the FYE 31 August 2013 respectively. Revenue from distribution of applied learning products declined by 10.6%. This was because of the significant sales increase in the previous financial year during the run-up to the World Robot Olympiad 2012 held in Kuala Lumpur in November 2012. Nevertheless, sales from distribution of applied learning products for the FYE 31 August 2013 at RM4.2 million were still considerably higher than FYE 31 August 2011 at RM2.3 million. Revenue from other activities continued to decline by 16.3% from RM4.3 million in FYE 31 August 2012 to RM3.6 million in FYE 31 August 2013. This was mainly due to a decrease in the sales of third party publications.

**FPE 28 February 2014 compared to FPE 28 February 2013**

For the FPE 28 February 2014, our total revenue declined by 12.0% or RM6.0 million, from RM50.0 million in FPE 28 February 2013 to RM44.0 million in FPE 28 February 2014. This was mainly due to the following reasons:

- Loss in revenue from past year examination papers for UPSR, PMR and SPM as a result of the expiration of the licence from YGMB for reprinting, distribution, marketing and sales of past year examination papers. Past year examination papers contributed RM7.4 million for the FPE 28 February 2013;

- Decrease in revenue as well as returns for PMR educational materials namely revision guides, assessment books and model test papers as a result of the abolishment of the PMR examinations in 2014, resulting in negative revenue;

- Decrease in sales of secondary textbooks due to non-availability of new secondary school textbook tenders from the Ministry of Education during FPE 28 February 2014; and

- Decrease in sales and high sales returns for our iPBS online educational products due to uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy. In February 2014, the school based assessment was suspended by the Ministry of Education and the modified version of PBS was implemented in April 2014. Subsequently in April 2014, we have launched new products, namely iPBS (PPPM)/iPS (DSKP) based on the modified version of PBS.

Nevertheless, the decrease in revenue in FPE 28 February 2014 due to the above factors was partially compensated by the distribution and sales of Pearson titles comprising post-secondary, secondary and primary educational materials, as well as increase in sales of supplementary educational materials, namely logbooks to facilitate the teaching and learning process.

For the FPE 28 February 2014, Sasbadi continued to contribute the largest proportion of our total revenue at 90.9% *(before consolidation adjustment)*. However, revenue contribution from Sasbadi declined by 4.0 percentage points *(before consolidation adjustment)* for FPE 28 February 2014 as compared to the previous corresponding financial period, due to revenue recognition from Malaysian Book Promotions. Malaysian Book Promotions began to recognise revenue when it started the distribution of the acquired stocks of National School Curriculum based educational materials from Pearson Malaysia in September 2013. Malaysian Book Promotions contributed 9.6% to our total revenue *(before consolidation adjustment)* for the FPE 28 February 2014.

For the FPE 28 February 2014, revenue contribution from Orbit Buku and Sasbadi Online were 1.9% and 0.2% respectively *(before consolidation adjustment)*. The revenue contribution from Sasbadi Online declined by 4.6 percentage points *(before consolidation adjustment)* for FPE 28 February 2014 as compared to the previous corresponding financial period mainly due to the decrease in sales and high sales returns of iPBS as mentioned above.

For FPE 28 February 2014, our main revenue contribution segment continues to be educational publishing, which contributed 93.1% of our total revenue. Within educational publishing, print publishing continues to be the dominant segment constituting 92.9% of our total revenue. Revenue contribution from online publishing dropped significantly from 4.8% in FPE 28 February 2013 to 0.2% in FPE 28 February 2014 due to the decrease in sales and high sales returns for our iPBS online educational products as mentioned above. Within print publishing, National School Curriculum based educational materials remained as our main source of revenue with a contribution of 87.7% for the FPE 28 February 2014. Revenue contribution from supplementary educational materials grew from 0.4% in FPE 28 February 2013 to 5.2% in FPE 28 February 2014. This was mainly due to the increase in sales of our logbooks to facilitate the teaching and learning process during FPE 28 February 2014.

Distribution of applied learning products and other activities accounted for 4.5% and 2.5% of our total revenue for the FPE 28 February 2014 respectively. Revenue from distribution of applied learning products grew by 44.5%. This was mainly due to an increase in sales of our robotics range of products. Revenue from other activities increased by 22.2% from RM0.9 million in FPE 28 February 2013 to RM1.1 million in FPE 28 February 2014. This was mainly due to an increase in revenue from trading of paper.

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**(iii) Revenue by Geographical Markets**

The breakdown of our Group's revenue by geographical markets is as follows:

| | <----------Audited----------> | | | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | < ---------- FYE 31 August ---------- > | | | | | | | | <----------FPE 28 February----------> | | | |
| **Revenue** | **2010** | | **2011** | | **2012** | | **2013** | | **2013** | | **2014** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| **Local market** | **46,891** | **99.7** | **59,903** | **99.9** | **64,723** | **99.8** | **77,561** | **99.5** | **49,582** | **99.2** | **44,033** | **100.1** |
| **Overseas markets** | **121** | **0.3^** | **58** | **0.1^** | **98** | **0.2^** | **404^** | **0.5** | **404^** | **0.8** | **(42)^** | **(0.1)** |
| Brunei | - | - | 9 | # | 61 | 0.1 | 86 | 0.1 | 86 | 0.2 | (52) | (0.1) |
| Denmark | - | - | - | - | - | - | 66 | 0.1 | 66 | 0.1 | - | - |
| Indonesia | 106 | 0.2 | 22 | # | - | - | 56 | 0.1 | 56 | 0.1 | 9 | # |
| Singapore | 13 | # | 27 | # | 22 | # | 26 | # | 26 | 0.1 | 2 | # |
| Philippines | - | - | - | - | 15 | # | 8 | # | 8 | # | - | - |
| United States | 2 | # | - | - | - | - | 3 | # | 3 | # | - | - |
| Others [(1)] | - | - | - | - | - | - | 160 | 0.2 | 160 | 0.3 | - | - |
| **Total** | **47,012** | **100.0** | **59,961** | **100.0** | **64,821** | **100.0** | **77,964^** | **100.0** | **49,986** | **100.0** | **43,992^** | **100.0** |

***Notes:***

^ *Total does not add-up due to rounding.*

\# *Insignificant proportion.*

*(1) Others include Abu Dhabi, Bahrain, China, Costa Rica, Egypt, Germany, Ghana, India, Iran, Japan, Mexico, Nigeria, Oman, Peru, Qatar, Russia, South Africa, Taiwan, Thailand and Ukraine.*

**FYE 31 August 2011 compared to FYE 31 August 2010**

Malaysia accounted for 99.9% of our total revenue for FYE 31 August 2011 with a small 0.1% of our revenue derived from overseas namely Singapore, Indonesia and Brunei. During FYE 31 August 2011, revenue from Malaysia recorded a growth of 27.7% while revenue from overseas markets recorded a decline of 52.1%. Despite the sharp decline, the impact from overseas markets was minimal as it represented a very small proportion of our overall revenue.

**FYE 31 August 2012 compared to FYE 31 August 2011**

Malaysia accounted for 99.8% of our total revenue for FYE 31 August 2012. During FYE 31 August 2012, revenue from the local market recorded a growth of 8.0% while revenue from overseas markets recorded a growth of 69.0%. Despite the sharp increase in overseas sales, the growth impact from overseas markets was minimal as it represented a very small proportion of our overall revenue.

**FYE 31 August 2013 compared to FYE 31 August 2012**

Malaysia accounted for 99.5% of our total revenue for FYE 31 August 2013. During FYE 31 August 2013, revenue from Malaysia recorded a growth of 19.8% while revenue from overseas markets recorded a significant growth of 312.2%. This was largely contributed by registration fees collected from various participating countries in the World Robotic Olympiad held in November 2012.

**FPE 28 February 2014 compared to FPE 28 February 2013**

Malaysia continued to be our principal market for FPE 28 February 2014. During FPE 28 February 2014, revenue from the local market recorded a decline of 11.2% compared to the FPE 28 February 2013 while overseas markets recorded minimal negative revenue as a result of the sales returns from the Brunei market.

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### 12.2.2 Segmental analysis of gross profit

#### (i) Gross profit by Companies

The breakdown of our Group's gross profit and gross profit margin by companies is as follows:

| | <----------Audited----------> | | | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | < ---------- FYE 31 August---------- > | | | | | | | | <----------FPE 28 February----------> | | | |
| **Gross Profit** | **2010** | | **2011** | | **2012** | | **2013** | | **2013** | | **2014** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Sasbadi | 18,552 | 100.0 | 24,499 | 98.7 | 25,610 | 95.2 | 27,387 | 85.2 | 20,264 | 91.1 | 18,298 | 84.5 |
| Maya Press | - | - | - | - | - | - | - | - | - | - | - | - |
| Orbit Buku | - | - | 22 | 0.1 | 643 | 2.4 | 271 | 0.8 | 101 | 0.5 | 550 | 2.5 |
| Sasbadi Online | n.a. | n.a. | 309 | 1.2 | 652 | 2.4 | 3,532 | 11.0 | 1,433 | 6.4 | (116) | (0.5) |
| Malaysian Book Promotions | - | - | - | - | - | - | - | - | - | - | 2,302 | 10.6 |
| Sasbadi Holdings | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| MBP Publications | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Sasbadi Learning Solutions | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| | 18,552 | 100.0 | 24,830 | 100.0 | 26,905 | 100.0 | 31,190 | 97.1^ | 21,798 | 98.0 | 21,034 | 97.2^ |
| Less: Consolidation adjustment | - | - | (12) | # | - | - | 942 | 2.9 | 435 | 2.0 | 615 | 2.8 |
| **Total** | **18,552** | **100.0** | **24,818** | **100.0** | **26,905** | **100.0** | **32,133^** | **100.0** | **22,233** | **100.0** | **21,649** | **100.0^** |

*Notes:*

*n.a.* *Not applicable*
*#* *Insignificant proportion.*
*^* *Total does not add-up due to rounding.*

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

| | <----------Audited----------> | | | | Unaudited | Audited |
|---|---|---|---|---|---|---|
| | < ---------- FYE 31 August ---------- > | | | | <--------FPE 28 February------> | |
| **Gross Profit Margin** | **2010** | **2011** | **2012** | **2013** | **2013** | **2014** |
| | % | % | % | % | % | % |
| Sasbadi | 39.5 | 41.3 | 40.8 | 38.2 | 42.7 | 45.8 |
| Maya Press | - | - | - | - | - | - |
| Orbit Buku | - | 20.4 | 54.5 | 57.7 | 56.4 | 67.4 |
| Sasbadi Online | n.a. | 50.3 | 56.0 | 61.0 | 60.3 | (119.6) |
| Malaysian Book Promotions | - | - | - | - | - | 54.4 |
| Sasbadi Holdings | n.a. | n.a. | n.a. | - | - | - |
| MBP Publications | n.a | n.a | n.a | n.a | n.a | n.a |
| Sasbadi Learning Solutions | n.a | n.a | n.a | n.a | n.a | n.a |
| **Total** | **39.5** | **41.4** | **41.5** | **41.2** | **44.5** | **49.2** |

***Note:***

*n.a.* *Not applicable*

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

### (ii) Gross profit by Business Activities

The tables below set forth the breakdown of our Group's gross profit and gross profit margin by activities is as follows:

| Gross profit | <----Audited----> <----FYE 31 August----> | | | | | | | | Unaudited <----FPE 28 February----> | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | 2011 | | 2012 | | 2013 | | 2013 | | 2014 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Educational Publishing** | | | | | | | | | | | | |
| **Print Publishing** | | | | | | | | | | | | |
| National School Curriculum based educational materials | 16,875 | 91.0^ | 23,122 | 93.2 | 23,141 | 86.0 | 26,392 | 82.1 | 19,893^ | 89.5 | 19,479 | 90.0^ |
| - *Secondary education* | *11,563^* | *62.3* | *16,724* | *67.4* | *16,236* | *60.3^* | *17,477* | *54.4* | *12,383* | *55.7* | *9,098* | *42.0* |
| *Non-PMR educational materials* [3] | *7,558* | *40.7* | *10,517* | *42.4* | *8,962* | *33.3* | *12,718* | *39.6* | *9,498* | *42.7* | *9,178* | *42.4* |
| *PMR educational materials* [4] | *2,474* | *13.3* | *2,556* | *10.3* | *2,335* | *8.7* | *1,810* | *5.6* | *926* | *4.2* | *(80)* | *(0.4)* |
| *Past year examination papers* | *1,532* | *8.3* | *3,651* | *14.7* | *4,939* | *18.4* | *2,949* | *9.2* | *1,959* | *8.8* | - | - |
| - *Primary education* [1] | *5,312* | *28.6* | *6,398^* | *25.8* | *6,905* | *25.7* | *8,915^* | *27.7^* | *7,511* | *33.8* | *8,145* | *37.6* |
| *Educational materials* [3] | *5,312* | *28.6* | *5,554* | *22.4* | *5,612* | *20.9* | *8,020* | *25.0* | *6,764* | *30.4* | *8,145* | *37.6* |
| *Past year examination papers* | - | - | *845* | *3.4* | *1,293* | *4.8* | *896* | *2.8* | *747* | *3.4* | - | - |
| - *Pearson titles* | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | *2,236* | *10.3^* |
| *Post-secondary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | *860* | *4.0* |
| *Secondary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | *1,333* | *6.2* |
| *Primary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | *43* | *0.2* |
| Supplementary educational materials | 10 | 0.1 | 24 | 0.1 | 840 | 3.1 | 399 | 1.2 | 120 | 0.5 | 1,090 | 5.0 |
| | **16,885** | **91.0^** | **23,146** | **93.3** | **23,981** | **89.1** | **26,792^** | **83.4^** | **20,013** | **90.0** | **20,569** | **95.0** |
| **Online Publishing** | **n.a.** | **n.a.** | **298** | **1.2** | **676** | **2.5** | **3,536** | **11.0** | **1,436** | **6.5** | **(114)** | **(0.5)** |
| | **16,885** | **91.0** | **23,444** | **94.5** | **24,657** | **91.6** | **30,328** | **94.4** | **21,449** | **96.5** | **20,455** | **94.5** |
| **Distribution of Applied Learning Products** | **965** | **5.2** | **993** | **4.0** | **2,024** | **7.5** | **1,649** | **5.1** | **677** | **3.0** | **990** | **4.6** |
| **Others** [2] | **702** | **3.8** | **381** | **1.5** | **224** | **0.8** | **156** | **0.5** | **106** | **0.5** | **204** | **0.9** |
| **Total** | **18,552** | **100.0** | **24,818** | **100.0** | **26,905** | **100.0^** | **32,133** | **100.0** | **22,233^** | **100.0** | **21,649** | **100.0** |

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

*Notes:*

^ *Total does not add-up due to rounding.*
*n.a.* *Not applicable.*
*(1)* *Include a small proportion of pre-school educational materials.*
*(2)* *Include mainly the supply of electronic dictionaries, publishing of general title books as well as distribution of third party publications and trading of paper.*
*(3)* *Include amongst others textbooks, revision guides, workbooks, assessment books and model test papers.*
*(4)* *Include revision guides, assessment books and model test papers.*

| | <----------Audited----------> | | | | Unaudited | Audited |
|---|---|---|---|---|---|---|
| | < ---------- FYE 31 August ---------- > | | | | <-------FPE 28 February-------> | |
| **Gross Profit Margin** | **2010** | **2011** | **2012** | **2013** | **2013** | **2014** |
| | **%** | **%** | **%** | **%** | **%** | **%** |
| **Educational Publishing** | | | | | | |
| **Print Publishing** | | | | | | |
| National School Curriculum based educational materials | 43.0 | 44.2 | 43.6 | 41.5 | 44.1 | 50.5 |
| - *Secondary education* | *43.9* | *44.8* | *43.5* | *41.0* | *43.6* | *47.6* |
| *Non-PMR educational materials (3)* | *44.5* | *46.0* | *45.7* | *46.1* | *46.1* | *47.7* |
| *PMR educational materials (4)* | *43.3* | *44.0* | *42.4* | *40.8* | *38.0* | *n.c.* |
| *Past year examination papers* | *42.1* | *42.3* | *40.4* | *27.8* | *36.7* | - |
| - *Primary education (1)* | *41.2* | *42.8* | *44.1* | *42.6* | *44.8* | *50.0* |
| *Educational materials (3)* | *41.2* | *42.9* | *44.6* | *45.3* | *46.0* | *50.0* |
| *Past year examination papers* | - | *42.3* | *42.0* | *27.8* | *36.7* | - |
| - Pearson titles | n.a. | n.a. | n.a. | n.a. | n.a. | *69.4* |
| *Post-secondary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | *76.1* |
| *Secondary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | *65.6* |
| *Primary educational materials* | n.a. | n.a. | n.a. | n.a. | n.a. | *71.7* |
| Supplementary educational materials | 40.0 | 40.7 | 51.9 | 49.0 | 54.3 | 48.0 |
| | **43.0** | **44.2** | **43.9** | **41.6** | **44.1** | **50.3** |
| **Online Publishing** | **n.a.** | **48.4** | **57.7** | **61.4** | **60.5** | **(137.3)** |
| | **43.0** | **44.3** | **44.2** | **43.2** | **44.9** | **49.9** |
| **Distribution of Applied Learning Products** | **41.8** | **43.3** | **42.9** | **39.2** | **50.0** | **50.6** |
| **Others (2)** | **12.9** | **8.0** | **5.2** | **4.3** | **11.7** | **18.9** |
| **Total** | **39.5** | **41.4** | **41.5** | **41.2** | **44.5** | **49.2** |

***Notes:***

*n.a.* *Not applicable.*
*n.c.* *Not computable.*
*(1)* *Include a small proportion of pre-school educational materials.*
*(2)* *Include mainly the supply of electronic dictionaries, publishing of general title books as well as distribution of third party publications and trading of paper.*
*(3)* *Include amongst others textbooks, revision guides, workbooks, assessment books and model test papers.*
*(4)* *Include revision guides, assessment books and model test papers.*

**FYE 31 August 2011 compared to FYE 31 August 2010**

Our Group's gross profit improved by 33.3% or approximately RM6.2 million, from RM18.6 million for FYE 31 August 2010 to RM24.8 million for FYE 31 August 2011. The growth in our gross profit was mainly attributed to the following reasons:

- Gross profit of our educational publishing registered a growth of 38.8% or RM6.6 million for the FYE 31 August 2011. Of this, secondary education materials segment was the largest contributor to our gross profit growth amounting to RM5.2 million. The RM5.2 million was mainly attributed to secondary past year examination papers and textbooks;

- Gross profit of primary education materials recorded growth of 20.4% or RM1.1 million for FYE 31 August 2011. The growth was mainly derived from primary past year examination papers and workbooks; and

- As for online publishing, we achieved a gross profit of RM0.3 million during our first year of commercialisation of online publishing products.

However, our gross profit from other activities decreased by RM0.3 million which was primarily due to the drop in gross profit from distribution of third party publications. This was in tandem with the decline in sales of third party publications during the financial year under review.

Our gross profit margin also increased from 39.5% in FYE 31 August 2010 to 41.4% in FYE 31 August 2011. This was mainly due to:

- Improvement in gross profit margin from our educational publishing, which was mainly attributed to lower paper price that we secured and higher selling prices for some of our National School Curriculum based educational materials; and

- Commencement of our online publishing, which also contributed to the growth in our gross profit margin. The gross profit margin from our online publishing operations at 48.4% for the FYE 31 August 2011 was higher compared to our overall gross profit margin of 41.4% for the FYE 31 August 2011. Despite the higher gross profit margin, its contribution to our gross profit was RM0.3 million from a revenue of RM0.6 million.

**FYE 31 August 2012 compared to FYE 31 August 2011**

Our Group's gross profit registered a growth of 8.5% or approximately RM2.1 million, from RM24.8 million in FYE 31 August 2011 to RM26.9 million in FYE 31 August 2012. This was in line with the increase in our revenue which recorded a similar growth of 8.0% compared to FYE 31 August 2011. The growth in our gross profit was mainly attributed to the following reasons:

- Increase in our gross profit from educational publishing representing a growth of 5.2% for the FYE 31 August 2012. Within educational publishing, our supplementary educational materials was the main contributor to the growth. It grew by 3,400.0% from approximately RM24,000 for the FYE 31 August 2011 to RM0.8 million for the FYE 31 August 2012. This was mainly due to the increase in sales of existing and new products;

- Gross profit from our distribution of applied learning products increased from RM1.0 million for the FYE 31 August 2011 to RM2.0 million for the FYE 31 August 2012. The growth was in tandem with our increase in sales from this segment particularly LEGO Education robotics; and

- Gross profit from our online educational products increased from RM0.3 million for the FYE 31 August 2011 to RM0.7 million for the FYE 31 August 2012. This was mainly attributed to the improvement in sales from new launch of two (2) products, namely i-Teach and i-Learn.

Gross profit from our National School Curriculum based educational materials for secondary levels of education recorded a drop of 2.9% for the FYE 31 August 2012. The decline was mainly due to lower gross profit from secondary school textbooks, assessment books and revision guides for PMR and SPM. However, the drop of 2.9% was offset by the improvement in primary educational materials, which recorded a growth of 7.9%.

For the FYE 31 August 2012, our gross profit margin of 41.5% was similar to our gross profit margin of FYE 31 August 2011 at 41.4%. Nevertheless, gross profit margin of supplementary educational materials and online publishing registered noticeable growth as follows:

- Gross profit margin of supplementary educational materials increased from 40.7% for the FYE 31 August 2011 to 51.9% for the FYE 31 August 2012. This was mainly due to a higher number of our new range of products were given out as samples for promotional and marketing purposes during FYE 31 August 2011; and

- Gross profit margin of our online publishing increased from 48.4% for the FYE 31 August 2011 to 57.7% in FYE 31 August 2012. This was largely due to additional discount given by our technology partner in October 2011 as a result of a lower than anticipated sales for the first batch of our newly launched products as well as the sales of higher margin online educational resources.

However, the gross profit margin growth in the supplementary educational materials and online publishing segments was mainly offset by lower gross profit margin in the following:

- Decrease in gross profit margin from National School Curriculum based educational materials for secondary levels of education. This was mainly due to decrease in gross profit margin of revision guides for PMR and past year examination paper for SPM; and

- Decrease in gross profit margin from other activities. This was mainly due to increase in sales of lower margin activities such as trading of paper and decrease in sales of higher margin activities such as distribution of third party publications.

**FYE 31 August 2013 compared to FYE 31 August 2012**

Our Group's gross profit registered a growth of 19.3% or approximately RM5.2 million, from RM26.9 million in FYE 31 August 2012 to RM32.1 million in FYE 31 August 2013. The growth in our gross profit was mainly attributed to the following reasons:

- Increase in our gross profit from educational publishing representing a growth of 23.0% for the FYE 31 August 2013. This was mainly due to increase in sales of workbooks for primary and secondary levels of education as well as model test papers for SPM and textbooks for secondary levels of education. In addition, gross profit increase in educational publishing was also due to increase in sales of our new online educational product, iPBS.

Gross profit from supplementary educational materials, distribution of applied learning products and others declined by approximately RM441,000, RM375,000 and RM68,000 respectively. The decline was mainly due to overall decrease in sales of these segments as well as lower gross profit margins recorded for these segments as explained below.

Our gross profit margin registered a slight decrease by 0.3 percentage point from 41.5% in FYE 31 August 2012 to 41.2% in FYE 31 August 2013. The decrease in gross profit margin was mainly from:

- National School Curriculum based educational materials: This was largely the result of a write down of RM1.2 million of inventory for our past year examination papers for 2010, 2011 and 2012. In addition, our direct labour costs also increased as a result of increased activities to meet peak season requirements. We also made a provision for returns against sales of RM1.5 million for our National School Curriculum based educational materials (with a gross profit impact of approximately RM0.8 million). Nevertheless, the decrease in gross profit margin of National School Curriculum based educational materials was partially offset by the higher selling prices for our workbooks for primary and secondary levels of education;

- Supplementary educational materials, some of which were used as promotional items for marketing purposes;

- Distribution of applied learning products, which was mainly due to higher costs ineurred from the organisation of World Robot Olympiad 2012; and

- Others, which were mainly due to a decrease in sales of higher margin products namely third party publications.

However, the decrease in gross profit margin of the above segments was partially offset by the increase in the gross profit margin of our online educational resources, which recorded a gross profit margin of 61.4% in FYE 31 August 2013 as compared to 57.7% in FYE 31 August 2012. This was the result of the launch of our new online educational product, iPBS, which commands a higher gross profit margin as compared to our other online educational resources. Nevertheless, the increased profit margin from iPBS was also partially offset by the lower margin recorded for i-Learn due to bulk discount provided for the supply and implementation of i-Learn under the i-TR1M project as well as provision for returns against sales of approximately RM0.5 million (with a gross profit impact of approximately RM0.3 million).

**FPE 28 February 2014 compared to FPE 28 February 2013**

Our Group's gross profit registered a decline of 2.7% or approximately RM0.6 million from RM22.2 million in FPE 28 February 2013 to RM21.6 million in FPE 28 February 2014. The decrease in our gross profit was mainly attributed to the following reasons:

- Gross profit from our print National School Curriculum based educational materials decreased from RM19.9 million for the FPE 28 February 2013 to RM19.5 million for the FPE 28 February 2014. This was due to a decrease in sales for secondary education materials mainly PMR educational materials such as revision guides, assessment books, model test papers and textbooks from non-PMR educational materials, as well as past year examination papers for UPSR, PMR and SPM; and

- Decrease in gross profit from our online publishing segment mainly due to uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy. In February 2014, the school based assessment was suspended by the Ministry of Education and the modified version of PBS was implemented in April 2014. Subsequently in April 2014, we have launched new products, namely iPBS (PPPM)/iPS (DSKP) based on the modified version of PBS.

Nevertheless, the decrease in our gross profit is partially offset by the following:

- Gross profit of approximately RM2.2 million in FPE 28 February 2014 derived from the Pearson titles as a result of the acquisition of the publishing rights, production files and stocks of educational materials from Pearson Malaysia. Please refer to Section 5.1 of this Prospectus for further details on the acquisition of the publishing rights and production files from Pearson Malaysia; and

- Increase in gross profit derived from our supplementary educational materials and distribution of applied learning products, which increased by approximately RM1.0 million and RM0.3 million for the FPE 28 February 2014 respectively compared to FPE 28 February 2013.

Our gross profit margin improved from 44.5% for the FPE 28 February 2013 to 49.2% for the FPE 28 February 2014. The improvement in our gross profit margin was mainly attributed to the following:

- National School Curriculum based educational materials: This was largely due a decline in sales of the lower margin products namely past year examination papers for UPSR, PMR and SPM. During FPE 28 February 2014, the selling prices for revision guides and workbooks of primary and secondary education were higher compared to FPE 28 February 2013. In addition, our range of readers for primary levels of education also recorded higher gross profit margin. This was mainly due to higher average selling price as well as lower per unit cost of printing and transportation as we printed and sold higher volumes of our new range of readers to our customers;

- Among our print publishing segment, educational materials of Pearson titles recorded a relatively high gross profit margin of 69.4% for the FPE 28 February 2014. Of this, gross profit margin of Pearson titles for post-secondary, secondary and primary education was 76.1%, 65.6% and 71.7% respectively. The sales of the Pearson titles commenced in September 2013; and

- Gross profit margin from our distribution of applied learning products improved marginally from 50.0% for the FPE 28 February 2013 to 50.6% for the FPE 28 February 2014.

The increase in our gross profit margin is partly offset by the decrease in gross profit margin from our online publishing, where gross profit margin of the said products declined from 60.5% for the FPE 28 February 2013 to gross loss margin of 137.3%. This was mainly due to the decrease in sales and high sales returns for our iPBS online educational products due to uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy during the financial period under review.

Within print publishing, gross profit margin of our supplementary educational materials also decreased from 54.3% for FPE 28 February 2013 to 48.0% for FPE 28 February 2014. This was mainly attributed to higher sales of logbooks to facilitate teaching and learning process, which has a lower gross profit margin compared to other supplementary educational materials.

**(iii) Gross Profit by Geographical Markets**

It is not possible to undertake an analysis of gross profit by geographical markets because our expenses such as cost of sales including salaries and wages, material and royalty costs, cannot be meaningfully apportioned according to geographical markets.

### 12.2.3 Analysis of Operating Expenses

| | <----------Audited----------> | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | < ---------- FYE 31 August ---------- > | | | | | | | |
| **Operating expenses** | **2010** | | **2011** | | **2012** | | **2013** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Administrative | 5,922 | 55.6 | 6,857 | 55.2 | 7,311 | 56.9 | 9,365 | 60.9 |
| Distribution | 4,492 | 42.2 | 5,216 | 42.0 | 5,245 | 40.8 | 5,535 | 36.0 |
| Others | 243 | 2.3 | 341 | 2.7 | 296 | 2.3 | 476 | 3.1 |
| **Total** | **10,657** | **100.0^** | **12,414** | **100.0^** | **12,852** | **100.0** | **15,376** | **100.0** |

| | **Unaudited** | | **Audited** | |
|---|---|---|---|---|
| | <---------- FPE 28 February----------> | | | |
| **Operating expenses** | **2013** | | **2014** | |
| | **RM'000** | **%** | **RM'000** | **%** |
| Administrative | 4,632 | 61.2 | 5,176 | 48.4 |
| Distribution | 2,753 | 36.4 | 3,294 | 30.8 |
| Others | 181 | 2.4 | 2,222 | 20.8 |
| **Total** | **7,566** | **100.0** | **10,692** | **100.0** |

*Note:*

^ *Total does not add-up due to rounding.*

Administrative expenses mainly consist of salaries and wages and other staff related costs, depreciation, director fees, remuneration and bonuses, utilities, insurance, staff accommodation, printing and stationery, upkeep of office and office equipment, warehouse maintenance, communication expenses, postage, security charges, company event and listing expenses.

Distribution costs mainly consist of salaries and wages and other staff related costs, travelling expenses, robotics competition and workshop expenses, upkeep of motor vehicles, expenses on exhibitions, roadshows, book fairs and launching of online educational resources, advertisements, road tax and insurance, sales incentives and business canvassing charges.

Other operating expenses mainly consist of allowance for doubtful debts, audit fees, realised losses on foreign exchange, quit rent and assessment charges, donations, travelling expenses, professional and management fees, impairment of goodwill and loss on property, plant and equipment, stamping, subscription, incorporation and filing fees, sundry expenses, bank charges, meeting expenses, underprovision of sales returns, impairment of intangible assets and various other operating expenses.

Our operating expenses as a proportion of revenue decreased marginally on a period-to-period basis amounting to 22.7%, 20.7%, 19.8% and 19.7% for FYE 31 August 2010, 2011, 2012 and 2013. However, it increased to 24.3% as a proportion of our revenue in FPE 28 February 2014.

**FYE 31 August 2011 compared to FYE 31 August 2010**

Our operating expenses which consist of administrative expenses, distribution costs, and other operating expenses increased by 15.9% or approximately RM1.7 million from RM10.7 million in FYE 31 August 2010 to RM12.4 million in FYE 31 August 2011. This was mainly due to increase in salary and wages and other staff related costs as a result of salary increments and increase in number of staff, depreciation due to new additions of motor vehicles, road tax and insurance as a result of new additions of motor vehicles as well as directors' bonuses.

**FYE 31 August 2012 compared to FYE 31 August 2011**

Our operating expenses which consist of administrative expenses, distribution costs and other operating expenses increased by 4.0% or approximately RM0.5 million, from RM12.4 million in FYE 31 August 2011 to RM12.9 million in FYE 31 August 2012. This was mainly due to increase in salary and wages and other staff related costs as a result of salary increments and increase in number of staff, depreciation due to new additions of motor vehicles, book fair expenses due to marketing and promotion of new products published by Sasbadi Online and Orbit Buku during their first year of operations. However, the increase in these operating expenses was partially offset by the decrease in some other operating expenses, mainly travelling expenses which recorded a decline of approximately RM0.2 million.

**FYE 31 August 2013 compared to FYE 31 August 2012**

Our operating expenses which consist of administrative expenses, distribution costs and other operating expenses increased by 19.4% or approximately RM2.5 million, from RM12.9 million in FYE 31 August 2012 to RM15.4 million in FYE 31 August 2013. This was mainly due to the increase in salary and wages as well as other staff related costs as a result of salary increments and increase in the number of staff, director fees, depreciation due to new additions of motor vehicles, upkeep of office due to repair and maintenance, tinting works as well as installation of new signage, company event organised for business associates and staff members, upkeep of motor vehicles, listing expenses and allowance for doubtful debts. Allowance of doubtful debts increased from approximately RM2,000 to approximately RM108,000.

**FPE 28 February 2014 compared to FPE 28 February 2013**

Our operating expenses which consist of administrative expenses, distribution costs and other operating expenses increased by 40.8% or approximately RM3.1 million, from RM7.6 million in FPE 28 February 2013 to RM10.7 million in FPE 28 February 2014. This was mainly due to underprovision of sales returns, increase in directors' remuneration, increase in salary for distribution staff, impairment of intangible assets as well as increase in travelling expenses. Our Group recorded an underprovision of sales returns amounting to RM1.3 million in FPE 28 February 2014. There was no underprovision of sales returns recorded in FPE 28 February 2013. Directors' remuneration increased from RM0.6 million in FPE 28 February 2013 to RM1.5 million in FPE 28 February 2014. Our Group recognised RM0.3 million as impairment of intangible assets in FPE 28 February 2014 as a result of the acquisition of the publishing rights and production files from Pearson Malaysia in 2013.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

### 12.2.4 Other Operating Income

| Other operating income | <Audited> FYE 31 August 2010 RM'000 | % | 2011 RM'000 | % | 2012 RM'000 | % | 2013 RM'000 | % |
|---|---|---|---|---|---|---|---|---|
| Gain on disposal of property, plant and equipment | 32 | 10.7 | 72 | 19.8 | 533 | 65.6 | 131 | 16.3 |
| Royalty income | 65 | 21.7 | 62 | 17.0 | 42 | 5.2 | 486 | 60.3 |
| Management fee income | 45 | 15.0 | 85 | 23.4 | 45 | 5.5 | - | - |
| Sales of written-off stocks | 158 | 52.7 | 144 | 39.6 | 192 | 23.6 | 185 | 23.0 |
| Sponsorship income | - | - | - | - | - | - | 5 | 0.6 |
| **Total** | **300** | **100.0^** | **364^** | **100.0^** | **812** | **100.0^** | **806^** | **100.0^** |

| Other operating income | Unaudited <FPE 28 February> 2013 RM'000 | % | Audited 2014 RM'000 | % |
|---|---|---|---|---|
| Gain on disposal of property, plant and equipment | - | - | - | - |
| Royalty income | - | - | - | - |
| Management fee income | - | - | - | - |
| Sales of written-off stocks | 153 | 100.0 | 94 | 100.0 |
| Sponsorship income | - | - | - | - |
| **Total** | **153** | **100.0** | **94** | **100.0** |

*Note:*

^ *Total does not add-up due to rounding.*

Other operating income comprises gains on disposal of property, plant and equipment, royalty income, management fee income, sponsorship income and sales of written-off stocks as scrap. For the FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014, other operating income accounted for 0.6%, 0.6%, 1.3%, 1.0% and 0.2% of our total revenue respectively.

**FYE 31 August 2011 compared to FYE 31 August 2010**

Our other operating income increased from RM0.3 million in FYE 31 August 2010 to RM0.4 million in FYE 31 August 2011. This was mainly due to higher gains on disposal of property, plant and equipment and increase in management fee income compared to FYE 31 August 2010. Management fee income is mainly derived from the consultation in relation to publishing advisory to The Malaya Press Sdn Bhd.

**FYE 31 August 2012 compared to FYE 31 August 2011**

In FYE 31 August 2012, our Group recorded a higher level of other operating income of RM0.8 million as compared with RM0.4 million in FYE 31 August 2011. This was mainly due to higher gains on disposal of property, plant and equipment, i.e. motor vehicles, and sales of written-off stocks as scrap.

**FYE 31 August 2013 compared to FYE 31 August 2012**

In FYE 31 August 2013, other operating income recorded a slight decline of RM6,000 from RM812,000 in FYE 31 August 2012 to RM806,000 in FYE 31 August 2013. This was mainly due to lower gains on disposal of property, plant and equipment, i.e motor vehicles, partly offset by the increase in royalty income.

**FPE 28 February 2014 compared to FPE 28 February 2013**

In FPE 28 February 2014, other operating income recorded a decline of approximately RM59,000 from RM153,000 in FPE 31 February 2013 to RM94,000 in FPE 28 February 2014. This was mainly due to lower sales of written-off stocks as scrap.

### 12.2.5 Finance Costs

| | <----------Audited----------> | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | < ---------- FYE 31 August ---------- > | | | | | | | |
| **Finance costs** | **2010** | | **2011** | | **2012** | | **2013** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Bank charges | 21 | 16.7 | 15 | 30.6 | 27 | 45.8 | 37 | 50.7 |
| Finance lease interest | 26 | 20.6 | 19 | 38.8 | 21 | 35.6 | 26 | 35.6 |
| Bank overdraft interest | 40 | 31.7 | 12 | 24.5 | 9 | 15.3 | 10 | 13.7 |
| Term loan interest | 39 | 31.0 | 3 | 6.1 | 1 | 1.7 | - | - |
| **Total** | **126** | **100.0** | **49** | **100.0** | **59^** | **100.0^** | **73** | **100.0** |

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

| Finance costs | Unaudited <---------- FPE 28 February 2013 | | Audited ----------> 2014 | |
|---|---|---|---|---|
| | RM'000 | % | RM'000 | % |
| Bank charges | 7 | 28.0 | 65 | 38.2 |
| Finance lease interest | 13 | 52.0 | 13 | 7.6 |
| Bank overdraft interest | 5 | 20.0 | 93 | 54.7 |
| Term loan interest | - | - | - | - |
| **Total** | **25** | **100.0** | **170^** | **100.0^** |

*Note:*

^ *Total does not add-up due to rounding.*

Finance costs are mainly interest charged for bank facilities and accounted for 0.3%, 0.1%, 0.1%, 0.1% and 0.4% of our total revenue for FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014 respectively.

**FYE 31 August 2011 compared to FYE 31 August 2010**

In FYE 31 August 2011, our Group recorded a lower level of finance costs of approximately RM49,000 as compared to RM0.1 million for FYE 31 August 2010. This was mainly due to a lower level of credit facilities utilised during the year to fund our operations in FYE 31 August 2011. Our reduction in the utilisation of borrowings and credit facilities was supported by sufficient cash flow generated from our operations.

**FYE 31 August 2012 compared to FYE 31 August 2011**

In FYE 31 August 2012, our Group recorded a higher level of finance costs of approximately RM59,000 as compared with approximately RM49,000 for FYE 31 August 2011. This was mainly due to higher bank charges during the year.

**FYE 31 August 2013 compared to FYE 31 August 2012**

In FYE 31 August 2013, our Group recorded higher finance costs of approximately RM73,000 as compared to approximately RM59,000 for FYE 31 August 2012. This was mainly due to higher bank charges during the year.

**FPE 28 February 2014 compared to FPE 28 February 2013**

In FPE 28 February 2014, our Group recorded higher finance costs of approximately RM0.2 million as compared to approximately RM25,000 for FPE 28 February 2013. This was mainly due to higher bank charges and interest for our bank overdraft during the financial period under review.

### 12.2.6 Income Tax Expenses

| Income tax expenses | <----------Audited----------> <---------- FYE 31 August ----------> 2010 % | 2011 % | 2012 % | 2013 % | Unaudited FPE 28 February 2013 % | Audited FPE 28 February 2014 % |
|---|---|---|---|---|---|---|
| Effective tax rate | 26.4 | 26.8 | 26.9 | 27.8 | 27.5 | 26.6 |
| Malaysia statutory tax rate | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |

Income tax expenses comprise the current year's provision for taxation, under or overprovision of taxation in the previous financial year and deferred taxation.

**FYE 31 August 2011 compared to FYE 31 August 2010**

For FYE 31 August 2011, our Group registered an increase in income tax expense by RM1.3 million to RM3.5 million as compared to RM2.2 million in FYE 31 August 2010. The increase in income tax expense was largely due to an increase in PBT for FYE 31 August 2011. Nevertheless, our income tax expense for the FYE 31 August 2011 represented an effective tax rate of 26.8%, which was higher than the Malaysia statutory tax rate of 25.0%. This was mainly due to non-deductible expenses for tax purposes such as depreciation which were restricted for tax purposes as well as deferred tax assets not recognised.

**FYE 31 August 2012 compared to FYE 31 August 2011**

For FYE 31 August 2012, our Group registered an increase in income tax expense by approximately RM0.5 million to RM4.0 million, as compared to RM3.5 million in the previous financial year. The increase in income tax expenses was partly due to an increase in PBT as well as non-deductible expenses such as depreciation and under provision of deferred taxation in prior years.

**FYE 31 August 2013 compared to FYE 31 August 2012**

For FYE 31 August 2013, our Group registered an increase in income tax expense by approximately RM0.9 million to RM4.9 million, as compared to RM4.0 million in FYE 31 August 2012. The increase in income tax expenses was mainly due to an increase in PBT while the higher effective tax rate of 27.8% was mainly due to non-deductible expenses namely depreciation.

**FPE 28 February 2014 compared to FPE 28 February 2013**

For FPE 28 February 2014, our Group registered a decrease in income tax expense by approximately RM1.2 million to RM2.9 million, as compared to RM4.1 million in FPE 28 February 2013. The decrease in income tax expense was mainly due to a decrease in PBT while the lower effective tax rate of 26.6% was mainly due to over provision of taxation in prior financial period.

### 12.2.7 Interest Income

**FYE 31 August 2011 compared to FYE 31 August 2010**

Our interest income increased from approximately RM177,000 in FYE 31 August 2010 to approximately RM223,000 in FYE 31 August 2011. This was due to increase in interest income from liquid investments as a result of increase in placement for liquid investments.

**FYE 31 August 2012 compared to FYE 31 August 2011**

Our interest income decreased from approximately RM223,000 in FYE 31 August 2011 to approximately RM92,000 in FYE 31 August 2012. This was due to a decrease in interest income from liquid investments as a result of withdrawal of our liquid investments for payment of royalties during the financial year.

**FYE 31 August 2013 compared to FYE 31 August 2012**

Our interest income increased from approximately RM92,000 in FYE 31 August 2012 to approximately RM173,000 in FYE 31 August 2013. This was mainly due to interest income from our liquid investments.

**FPE 28 February 2014 compared to FPE 28 February 2013**

Our interest income decreased from approximately RM145,000 in FPE 28 February 2013 to approximately RM55,000 in FPE 28 February 2014. This was mainly due to decrease in interest income from liquid investments as a result of withdrawal of our liquid investments for the acquisition of the publishing rights and production files, stocks of educational materials and paper from Pearson Malaysia amounting to RM7.7 million. Please refer to Section 5.1 of this Prospectus for further details on the acquisition of the publishing rights and production files, stocks of educational materials and paper from Pearson Malaysia.

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### 12.2.8 Analysis of PBT and PAT

#### (i) PBT by Companies

The breakdown of our Group's PBT by companies is as follows:

| | <----------Audited----------> | | | | | | | | Unaudited | | Audited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | <---------- FYE 31 August ----------> | | | | | | | | <----------FPE 28 February----------> | | | |
| **PBT** | **2010** | | **2011** | | **2012** | | **2013** | | **2013** | | **2014** | |
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Sasbadi | 8,253 | 100.1 | 13,267 | 102.5 | 14,783 | 99.2 | 15,775 | 89.3 | 14,421 | 96.5 | 9,158 | 83.7 |
| Maya Press | (2) | # | (2) | # | (4) | # | (4) | # | (4) | # | (3) | # |
| Orbit Buku | (5) | (0.1) | (560) | (4.3) | 53 | 0.4 | (310) | (1.8) | (181) | (1.2) | 261 | 2.4 |
| Sasbadi Online | n.a. | n.a. | 253 | 2.0 | 82 | 0.6 | 3,075 | 17.4 | 1,272 | 8.5 | (499) | (4.6) |
| Malaysian Book Promotions | (1) | # | (3) | # | (4) | # | (11) | (0.1) | (5) | # | 2,114 | 19.3 |
| Sasbadi Holdings | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | (862) | (4.9) | (564) | (3.8) | (93) | (0.9) |
| MBP Publications | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Sasbadi Learning Solutions | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| | 8,246^ | 100.0 | 12,955 | 100.1^ | 14,910 | 100.1^ | 17,663 | 100.0^ | 14,940^ | 100.0 | 10,936^ | 100.0^ |
| Less: Consolidation adjustment | - | - | (13) | (0.1) | (12) | (0.1) | - | - | - | - | - | - |
| **Total** | **8,246** | **100.0** | **12,942** | **100.0** | **14,898** | **100.0** | **17,663** | **100.0** | **14,940^** | **100.0** | **10,936^** | **100.0** |

***Notes:***

*n.a.* *Not applicable.*
^ *Total does not add-up due to rounding.*
\# *Insignificant proportion.*

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

| | <----------Audited----------> | | | | Unaudited | Audited |
|---|---|---|---|---|---|---|
| | < ---------- FYE 31 August ---------- > | | | | <----------FPE 28 February------> | |
| **PBT margin** | **2010** | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *%* | *%* | *%* | *%* | *%* | *%* |
| Sasbadi | 17.6 | 22.4 | 23.6 | 22.0 | 30.4 | 22.9 |
| Maya Press | n.c. | n.c. | n.c. | n.c | n.c | n.c |
| Orbit Buku | n.c. | (518.5) | 4.5 | (66.0) | (101.1) | 32.0 |
| Sasbadi Online | n.a. | 41.2 | 7.0 | 53.1 | 53.5 | (514.4) |
| Malaysian Book Promotions | n.c. | n.c. | n.c. | n.c | n.c | 49.9 |
| Sasbadi Holdings | n.a. | n.a. | n.a. | n.c | n.c | n.c |
| MBP Publications | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Sasbadi Learning Solutions | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Total** | **17.5** | **21.6** | **23.0** | **22.7** | **29.9** | **24.9** |

***Notes:***

*n.c.* *Not computable.*
*n.a.* *Not applicable.*

**FYE 31 August 2011 compared to FYE 31 August 2010**

Based on the foregoing factors, our Group's PBT increased by 57.3% or approximately RM4.7 million, from RM8.2 million in FYE 31 August 2010 to RM12.9 million in FYE 31 August 2011. PBT margin for FYE 31 August 2011 also improved from 17.5% in FYE 31 August 2010 to 21.6% in FYE 31 August 2011.

**FYE 31 August 2012 compared to FYE 31 August 2011**

Based on the foregoing factors, our Group's PBT increased by 15.5% or approximately RM2.0 million, from RM12.9 million in FYE 31 August 2011 to RM14.9 million in FYE 31 August 2012. PBT margin for FYE 31 August 2012 recorded a slight increase from 21.6% in FYE 31 August 2011 to 23.0% in FYE 31 August 2012.

**FYE 31 August 2013 compared to FYE 31 August 2012**

Based on the foregoing factors, our Group's PBT increased by 18.8% or approximately RM2.8 million, from RM14.9 million in FYE 31 August 2012 to RM17.7 million in FYE 31 August 2013. PBT margin for FYE 31 August 2013 recorded a slight decrease from 23.0% in FYE 31 August 2012 to 22.7% in FYE 31 August 2013.

**FPE 28 February 2014 compared to FPE 28 February 2013**

Based on the foregoing factors, our Group's PBT declined by 26.8% or approximately RM4.0 million, from RM14.9 million in FPE 28 February 2013 to RM10.9 million in FPE 28 February 2014. PBT margin for FPE 28 February 2013 recorded a decline from 29.9% in FPE 28 February 2013 to 24.9% in FPE 28 February 2014.

**(ii) Analysis of PAT**

**FYE 31 August 2011 compared to FYE 31 August 2010**

Based on the foregoing factors, our Group's PAT consequently increased by 55.7% or approximately RM3.4 million, from RM6.1 million in FYE 31 August 2010 to RM9.5 million in FYE 31 August 2011, which was in line with the increase in our PBT.

**FYE 31 August 2012 compared to FYE 31 August 2011**

Based on the foregoing factors, our Group's PAT consequently increased by 14.7% or approximately RM1.4 million, from RM9.5 million in FYE 31 August 2011 to RM10.9 million in FYE 31 August 2012.

**FYE 31 August 2013 compared to FYE 31 August 2012**

Based on the foregoing factors, our Group's PAT increased by 17.4% or approximately RM1.9 million, from RM10.9 million in FYE 31 August 2012 to RM12.8 million in FYE 31 August 2013.

**FPE 28 February 2014 compared to FPE 28 February 2013**

Based on the foregoing factors, our Group's PAT declined by 25.9% or approximately RM2.8 million, from RM10.8 million in FPE 28 February 2013 to RM8.0 million in FPE 28 February 2014.

**(iii) PBT and PAT by Business Activities and Geographical Markets**

It is not possible to undertake an analysis of PBT and PAT by business activities and geographical markets because our expenses such as administration, distribution expenses and other operating expenses cannot be meaningfully apportioned according to business activities and geographical markets.

### 12.2.9 Factors and Trends Affecting Future Financial Condition and Results

Save as disclosed in Section 12.2.10 of this Prospectus, factors that may cause our future financial condition and operation results to differ significantly are as follows:

(a) Performance of the education sector focusing on primary and secondary schools as disclosed in the IMR report set out in Section 7 of this Prospectus;

(b) Socio-economic performance such as gross domestic product, per capita income, household expenditure and population growth, will ultimately increase the demand for our products and services;

(c) Government initiatives as reflected in the Malaysia Education Blueprint 2013-2025, the Government Transformation Programme Roadmap, the Economic Transformation Programme, the 10$^{th}$ Malaysia Plan and federal government expenditure on education and training will spur growth in targeted segments of the educational market as disclosed in the IMR report set out in Section 7 of this Prospectus;

(d) Growth in reading culture will continue to drive the industry and create business opportunities for our products and services; and

(e) Our competitive advantages and key strengths will provide a platform for continuing growth including:

(i) Brand awareness;

(ii) Established track record;

(iii) Extensive distribution network;

(iv) Large customer base;

(v) Diversity in product range;

(vi) In-house content development;

(vii) Availability of large range of publications;

(viii) Economies of scale; and

(ix) Experienced management and editorial personnel.

Details of our competitive advantages are set out in Section 6.1(c) of this Prospectus.

### 12.2.10 Significant Factors Materially Affecting Our Group Operations and Financial Results

In addition to the factors and trends set-out in Section 12.2.9 of this Prospectus, some of the following factors that may have an impact on our operations and financial results are as follows:

**(a) Business Growth and Expansion**

Our financial results are dependent on our business growth and expansion mainly from markets in Malaysia. Our revenue grew from RM47.0 million for the FYE 31 August 2010 to RM78.0 million for the FYE 31 August 2013. This represented an average annual growth rate of 18.4%.

For FPE 28 February 2014, our revenue declined by 12.0% or RM6.0 million, from RM50.0 million in FPE 28 February 2013 to RM44.0 million in FPE 28 February 2014.

**(b) Diversity in Product Range**

We publish a diverse range of educational materials including printed and online educational resources, and general title books. This diversity enables us to meet a wide range of educational needs of our end-users namely students and teachers.

Within printed educational materials, we provide both National School Curriculum based and supplementary educational materials. Our National School Curriculum based educational materials for primary and secondary (including post-secondary) schools mainly include textbooks, revision guides, workbooks, assessment books, model test papers and readers covering various topics and subjects. Our supplementary educational materials mainly include a range of children's books, teaching guides, language guides, glossaries and logbooks. Children's books mainly include fiction and informational books such as educational comics, illustrated storybooks and illustrated reference books.

Our online educational resources include cloud-based teaching and learning content, tools and platforms.

Apart from educational materials, we also publish a range of general title books by Malaysian authors.

Our range of applied learning products from LEGO Education, Pitsco and National Instruments are part of the hands-on learning tools that we provide to students.

**(c) Demand for the Educational Publishing Industry**

Some of the consideration factors that will have impact on the overall educational publishing industry are as follows:

- Per capita income: The increase in the affluence of Malaysia, which can be represented by per capita income, will generally mean greater affordability and higher consumer spending on print materials in general as well as educational materials;
- Population growth: Growth in Malaysia's population will provide the impetus for demand for general publications as well as educational publications;
- Enrolment in schools: Performance in student enrolment in schools will directly affect the demand for educational materials as students are the main end-users of these materials;
- Number of schools: An increasing number of schools may generally represent a better access to formal education, which would in turn improve the enrolment rate of schools in Malaysia;

- Number of teachers: As educational materials are used as part of teaching materials in schools, growth in the number of teachers may also create demand for teaching and learning materials; and

- Educational indicators: Literacy and student enrolment rates are some of the indicators of demand for educational materials, which will ultimately affect the Educational Publishing Industry.

(*Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor*)

**(d) Fluctuations in Price of Paper**

Paper is a major raw material used in our business operations. It constitutes the bulk of our direct operating costs. For the FYE 31 August 2013 and FPE 28 February 2014, paper materials contributed 43.9% and 42.8% to our total purchases of materials, services and products respectively.

As paper is a commodity, it is subjected to fluctuations in world paper prices. Paper prices are affected by various factors, notably, prices of raw materials including virgin pulp and pulp from used/recycled paper as well as demand and supply conditions. In the event of a sustained increase in the price of paper, there is a risk that we may be unable to pass the price increase to our customers, or if we do, we may not be price competitive. Under such scenarios, paper price increases may adversely affect our financial performance.

We also keep a certain level of inventory of paper for our Group's needs for up to six (6) months, especially when paper prices are on the uptrend. In instances of a downtrend in paper prices, our Group would adopt a prudent approach by restraining from stocking up on our paper. In the event of a drop in the price of paper, we would be using relatively more expensive inventory paper compared to publishers that purchase paper on the spot market. If our competitors drop their publication prices as a result of lower paper costs, we may not be able to act promptly or, if we drop our publication prices, it may affect our profit margin. Similarly, in the event price of paper were to increase, we would be using relatively cheaper inventory paper compared to publishers that purchase paper on the spot market. Nevertheless, all publishers will be equally affected by fluctuations in the price of paper. As such, it is unlikely for any one (1) publisher to have a sustained cost advantage over other publishers.

Over the past four (4) FYE 31 August 2010 to 2013 as well as FPE 28 February 2014, we have not experienced any material impact on our profitability arising from fluctuations in paper prices. This is substantiated by our continued growth and positive PBT of RM8.2 million, RM12.9 million, RM14.9 million and RM17.7 million for FYE 31 August 2010, 2011, 2012 and 2013 respectively, as well as positive PBT of RM10.9 million for FPE 28 February 2014. However, there is no assurance that our operating results may not be affected by fluctuations in paper prices in the future.

**(e) Abolishment of National Examinations**

In Malaysia, the majority of educational materials are examination oriented, targeted at students preparing to undertake national examinations such as Primary School Achievement Test (UPSR - Ujian Pencapaian Sekolah Rendah), Lower Secondary Assessment (PMR - Penilaian Menengah Rendah) and the Malaysian Certificate of Education (SPM - Sijil Pelajaran Malaysia). As of January 2014, the PMR examination has been abolished with 2013 being the last year of centralised examinations for Form 3 students. As such, publishers may face lower demand for educational materials for PMR.

Based on the circular by the Ministry of Education on 31 March 2014, PMR will be replaced by Form 3 Assessment (PT3 – Pentaksiran Tingkatan 3) whereby the results of the PT3 will be used as a basis for admission of students into certain types of schools and streaming of students for upper secondary levels of education.

(*Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor*)

In the same announcement by the Ministry of Education, the Document of Performance Standard (DSP – Dokumen Standard Prestasi), which are guidelines used by teachers to assess and report on students' achievements, has been simplified into a Student Learning Progress Guide (PPPM – Panduan Perkembangan Pembelajaran Murid). This guideline will form part of the School-Based Assessment (PBS) that will be effective for students in Year 1, 2 and 3 under primary levels of education and Form 1, 2 and 3 under lower secondary levels of education for the academic year of 2014.

In April 2014, our Group has published a new series of PBS educational materials based on PPPM. Also, in June 2014, our Group has launched new series of model test papers based on the PT3 format for lower secondary levels of education. In addition, our Group is also in the midst of publishing new series of assessment books and revision guides based on the PT3 format. Our educational materials which were originally published under our PMR series remain relevant as general revision materials for teachers and students alike.

Nonetheless, there can be no assurance that the abolishment of national examinations will not have a material adverse impact on our business performance.

**(f) Changes in National Curriculum and Educational Policies**

We are principally a publisher of educational materials focusing on primary and secondary school education based on the Malaysian National School Curriculum. In the event of a change in curriculum or educational policies such as medium of instruction, publishing business like ours may not be able to react quickly to such changes.

However, changes to the Malaysian National School Curriculum are announced ahead of time, and this would usually allow sufficient time for our Group to realign our business activities. An example of such changes is the reversion of Mathematics and Science to be taught in Bahasa Malaysia instead of English, and the introduction of KSSM to replace KBSM in 2017.

A change in curriculum is generally positive for publishers, as it would encourage end-users to buy new educational materials when the older publications are made obsolete by the new curriculum. An example is the new KSSR curriculum incorporating school based assessment and national examination namely UPSR. This curriculum change may stimulate demand for additional purchases of educational materials, such as revision materials, during the academic year.

Publishers with a ready pool of experienced writers and editors with the appropriate subject matter and language skills would be in a better position to quickly adapt to changes in curriculum to minimise any adverse impact, and at the same time benefit from first-mover advantage or fast-to-market.

(*Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor*).

Our Group has an experienced management and editorial team with the capabilities to develop National School Curriculum based and supplementary educational materials in a timely manner to meet any new National School Curriculum requirements and educational policies. Our Group has published various National School Curriculum based educational materials, including textbooks, in Bahasa Malaysia and English for primary and secondary levels of education as well as some in Chinese for national-type schools (Chinese). With these capabilities, we are able to react quickly to changes in national curriculum and educational policies. Please refer to Section 6.1(c) of this Prospectus for further details of our Group's competitive advantages and key strengths.

However, there can be no assurance that changes in curriculum and educational policies may not have material adverse impact on our business in the future.

**(g) Growing Trend towards Online Publishing**

Under the Household Use of the Internet Survey 2011 conducted by the Malaysian Communications and Multimedia Commission (MCMC), it was estimated that 63.5% of households used the internet for educational purposes as compared to 46.0% in 2009. With the aim of improving the quality of learning across Malaysia, the Malaysian Government has commenced the implementation of 1BestariNet, which provides high speed internet access and virtual learning environment for 10,000 schools nationwide. The increased usage of online learning materials may threaten and reduce the usage of print educational materials, hence posing a risk to the industry.

In line with the growing trend of learning via online medium, educational publishers that are involved in print publication should consider diversifying into or strengthening their online publishing as a complementary business activity. There are synergies between print and online publishing as the same content and material can be used for both medium of publishing. In addition, digital publications including online publications can be more engaging and interactive, which could be useful for publishers to create brand loyalty among consumers.

(*Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor*)

For the FYE 31 August 2013 and FPE 28 February 2014, print publishing of educational materials accounted for 82.6% and 92.9% of our total revenue respectively. As such, a growing trend towards online publishing may affect our business.

To keep up with the developments towards on-line learning, our Group has embarked on online publishing since 2011. Our online educational resources include cloud-based teaching and learning content, tools and platforms. Our online publishing revenue has increased by 866.7% from approximately RM0.6 million in FYE 31 August 2011 to approximately RM5.8 million in FYE 31 August 2013. For FPE 28 February 2014, we have recorded online publishing revenue of approximately RM83,000 (after netting off sales returns of approximately RM0.6 million mainly due to sales returns for our iPBS online educational products). In line with our emphasis on growing the online publishing, we will continue to develop and introduce new online educational resources in the future. This is expected to grow in the coming years, while our print publishing operations will continue to meet the existing demands in the market.

In recognition of our online educational resources, we had, on 2 April 2013, successfully secured an MOU with YGMB to offer and support an online tutorial programme with self-assessment for 20,000 candidates of UPSR and SPM for 2013 in selected schools in Perak Darul Ridzuan. This was undertaken under i-TR1M (Interaktif Tuisyen Rakyat 1Malaysia), a government education initiative. This involved the supply and implementation of our online educational resources, namely i-Learn. Under the said MOU, our Group had billed YGMB on a quarterly basis based on a fixed schedule. The MOU was valid until end of 2013.

Nevertheless, despite our online efforts, there can be no assurance that the growing trends towards online publishing will not materially impact on our business.

**(h) Industry Outlook**

The outlook of the Educational Publishing Industry is dependent on the following factors:

- Performance of the education sector focusing on primary and secondary schools;
- Government initiatives;
- Population, income and expenditure; and
- Economic conditions.

Please refer to Sections 6.18.2 and 7 of this Prospectus for further details on the industry outlook.

**(i) Competition**

We face competition from existing competitors as well as potential new entrants in the educational publishing industry.

The barriers to entry into the educational publishing industry are relatively low based on capital requirements as most functions within the process of transforming a manuscript into the end-product may be outsourced to third parties.

The entry cost for online publishing is even lower as there are no printing costs involved compared to print publishing. In addition, distribution costs for online publishing are minimal as it is made available through the internet. As such, competition within the educational publishing industry may increase.

However, while set-up costs may be low, operating costs are considerably higher. This is due to the need to pay professional staff as well as to extend credit terms to resellers and retailers. In addition, there is a long lead time between obtaining manuscripts and transforming them into final products suitable for sales to consumers. All these factors would pose barriers to entry for new entrants. Furthermore, a more established publisher with a strong brand name, a wide distribution network whilst enjoying economies of scale, would be in a stronger position to compete in the market.

*(Source: Independent Assessment of the Educational Publishing Industry Focusing on National School Curriculum in Malaysia prepared by Vital Factor)*

We leverage on our competitive strengths such as our established track record, brand awareness, extensive distribution network, large customer base, diversity in product range, in-house content development, availability of large range of publications, economies of scale as well as our experienced management and editorial personnel as set out in Section 6.1(c) of this Prospectus. While we continuously strive to maintain and adopt appropriate strategies to remain competitive, there can be no assurance that a change in the competitive environment would not have a material adverse impact on our business and financial performance.

**(j) Impact of Inflation**

For FYE 31 August 2010 to 2013 and FPE 28 February 2014, our Group's financial performance was not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business and performance.

**(k) Impact of Interest Rates**

For FYE 31 August 2010 to 2013 and FPE 28 February 2014, finance costs incurred on interest bearing bank borrowings were relatively low and our results were not adversely affected by interest rate fluctuations. This is substantiated by the fact that our Group's pro forma gearing ratio after Incorporation of Subsidiaries, Dividend Payment and Acquisitions but before our IPO and utilisation of proceeds stood at 0.15 times as at FPE 28 February 2014. Notwithstanding the above, any interest rate hike will affect businesses and hence, we will monitor and plan for alternative financing options should the need arise.

**(l) Government/ Economic/ Fiscal/ Monetary Policies**

Risks relating to Government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 4 of this Prospectus. To the best of our knowledge, save for the risks disclosed in Section 4 of this Prospectus, there are no Government, economic, fiscal or monetary policies or factors that may have a material impact on our profitability and financial position.

**(m) Foreign Exchange Fluctuations**

For FYE 31 August 2013 and FPE 28 February 2014, 5.5% and 9.3% of our purchases of materials, services and products were transacted in USD respectively. In addition, 0.5% of our revenue for FYE 31 August 2013 was transacted in USD and Brunei Dollar. There was no revenue transacted in USD for FPE 28 February 2014, whilst we have recorded minimal negative revenue in Brunei Dollar in the financial period under review as a result of sales returns from the Brunei market. Due to the transactions in foreign currencies being not material, fluctuations in foreign exchange rates will not have a material impact on our purchases as well as revenue. For FYE 31 August 2013 and FPE 28 February 2014, we did not experience any material losses arising from foreign exchange transactions. As at LPD, we do not have any hedging policy in relation to foreign exchange exposure and our payment method is mainly dependent on the prevailing foreign exchange rates.

Nevertheless, we will continue to monitor our foreign currency exposure and take necessary steps to minimise exchange rate exposure whenever deemed appropriate.

**12.2.11 Liquidity and capital resources**

**(i) Working capital**

Our business has been financed via a combination of internal and external sources of funds. The internal sources comprises our shareholders' equity and cash generated from our operations while the external sources are the various credit facilities extended to us by financial institutions.

Our principal utilisations of funds have been used for our business growth and operations. As at 28 February 2014, we had bank deposits and cash and bank balances of RM17.7 million and borrowings of RM9.2 million, before taking into consideration the Dividend Payment and proceeds to be raised from the Public Issue. After taking into consideration the Dividend Payment, proceeds to be raised from the Public Issue and utilisation of proceeds, we have bank deposits and cash and bank balances of RM24.5 million while our borrowings remain at RM9.2 million. Further details of our Group's bank deposits and cash and bank balances, and borrowings are disclosed in Sections 11.2 and 12.2.11(ii) and (iii) of this Prospectus.

Further, as at 28 February 2014, we had banking facilities available to our Group amounting to RM13.0 million, of which approximately RM4.0 million has yet to be utilised.

Our Directors are of the opinion that, after taking into consideration the cash and bank balances, the expected funds to be generated from operating activities, amounts available under our existing banking facilities, new banking facilities which may be granted to our Group and the proceeds expected to be raised from the Public Issue, our Group will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

**(ii) Cash flows**

The following is a summary of our Group's pro forma cash flow for FPE 28 February 2014 based on the pro forma consolidated statement of cash flows *(prior to the Dividend Payment, IPO and utilisation of proceeds)* and should be read in conjunction with the Independent Reporting Accountant's Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus.

| | **Audited <-- FPE 28 February 2014-> RM'000** |
|---|---|
| Net cash generated from operating activities | 3,156 |
| Net cash used in investing activities | (6,153) |
| Net cash generated from financing activities | 584 |
| Net decrease in cash and cash equivalents | (2,413) |
| Cash and cash equivalents at beginning of financial period | 12,044 |
| **Cash and cash equivalents at end of financial period*** | **9,631** |

***Note:***

* *Components of cash and cash equivalents:*

| | **As at 28 February 2014 RM'000** |
|---|---|
| *Deposits placed with a licensed bank* | 39 |
| *Cash and bank balances* | 17,641 |
| *Bank overdraft* | (8,049) |
| | 9,631 |

Our Directors are of the opinion that there is no economic restriction on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and are therefore confident that we can meet our cash obligations.

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The following is a summary of Sasbadi Group's (i.e. Sasbadi and its subsidiaries) cash flows for FYE 31 August 2010 to 2013 and FPE 28 February 2014 (Note: Please refer to Section 6.2.4 of the Accountants' Report set out in Section 13 of this Prospectus for further details on the cash flows):

| | <----------Audited----------> | | | | |
|---|---|---|---|---|---|
| | <---------- FYE 31 August ----------> | | | | FPE 28 February |
| | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 |
| Net cash generated from operating activities | 10,944 | 13,708 | 3,199 | 17,144 | 3,156 |
| Net cash used in investing activities | (593) | (2,087) | (433) | (1,217) | (6,153) |
| Net cash (used in)/generated from financing activities | (12,693) | (12,114) | (1,843) | (16,417) | 584 |
| Net (decrease)/ increase in cash and cash equivalents | (2,342) | (493) | 923 | (490) | (2,413) |
| Cash and cash equivalents at beginning of financial year/period | 14,446 | 12,104 | 11,611 | 12,534 | 12,044 |
| **Cash and cash equivalents at end of financial year/period** | **12,104** | **11,611** | **12,534** | **12,044** | **9,631** |

Brief commentaries on Sasbadi Group's cash flows for FYE 31 August 2010 to 2013 and FPE 28 February 2014 are as follows:

**FYE 31 August 2010**

***Net cash generated from operating activities***

For FYE 31 August 2010, we generated operating cash flows before working capital changes amounting to RM9.3 million. After adjusting for net inflow of RM2.2 million from working capital changes, income tax paid of RM0.7 million, interest paid of approximately RM40,000 and interest received of RM0.2 million, we generated net cash from operating activities of RM10.9 million. Working capital changes arose from increase in inventories of RM3.7 million, decrease in trade and other receivables, and other assets of RM8.5 million and decrease in trade and other payables of RM2.6 million.

***Net cash ased in investing activities***

For FYE 31 August 2010, the net cash used in our investing activities amounted to RM0.6 million. This was attributed to the purchase of property, plant and equipment amounting to RM0.6 million and acquisition of Malaysian Book Promotions, net of cash and cash equivalents acquired of approximately RM21,000 partially offset by proceeds from disposal of property, plant and equipment amounting to approximately RM32,000.

***Net cash used in financing activities***

For FYE 31 August 2010, the net cash used in financing activities amounted to RM12.7 million. During the financial year, we repaid bank borrowings of RM1.1 million, interest of approximately RM0.1 million and dividends in specie of RM11.5 million.

**FYE 31 August 2011**

***Net cash generated from operating activities***

For FYE 31 August 2011, we generated operating cash flows before working capital changes amounting to RM14.0 million. After adjusting for net inflow of RM1.8 million from working capital changes, income tax paid of RM2.4 million, interest paid of approximately RM12,000 and interest received of RM0.2 million, we generated net cash from operating activities of RM13.7 million. Working capital changes arose from increase in inventories of RM3.9 million, decrease in trade and other receivables, and other assets of RM1.9 million and increase in trade and other payables of RM3.8 million.

***Net cash used in investing activities***

For FYE 31 August 2011, the net cash used in our investing activities amounted to RM2.1 million. This was attributed to the purchase of property, plant and equipment amounting to RM2.2 million (mainly for the purchase of motor vehicles), partially offset by proceeds from disposal of property, plant and equipment amounting to RM0.1 million.

***Net cash used in financing activities***

For FYE 31 August 2011, the net cash used in financing activities amounted to RM12.1 million. During the financial year, we paid bank borrowings of RM0.3 million, interest of approximately RM21,000 and dividends in specie of RM12.2 million. Our Group also generated proceeds from issuance of shares amounting to RM0.4 million.

**FYE 31 August 2012**

***Net cash generated from operating activities***

For FYE 31 August 2012, we generated operating cash flows before working capital changes amounting to RM15.9 million. After adjusting for net outflow of RM9.2 million from working capital changes, income tax paid of RM3.6 million, interest paid of approximately RM10,000 and interest received of RM0.1 million, we generated net cash from operating activities of RM3.2 million. Working capital changes arose from increase in inventories of RM3.8 million, increase in trade and other receivables, and other assets of RM1.9 million and decrease in trade and other payables of RM3.5 million.

For FYE 31 August 2012, the net cash generated from operating activities of RM3.2 million is lower than that of FYE 31 August 2011 of RM13.7 million mainly due to the following:

- Cash used arising from increase in trade and other receivables, and other assets of RM1.9 million in FYE 31 August 2012, mainly due to prepayments of royalties to YGMB for the reprinting, distribution, marketing and sales of past year examination papers, as compared to cash generated from decrease in trade and other receivables, and other assets of RM1.9 million in FYE 31 August 2011; and

- Cash used arising from decrease in trade and other payables of RM3.5 million in FYE 31 August 2012, mainly due to the decrease in trade payables as a result of less purchases of paper made during the end of FYE 31 August 2012 vis-a-vis the end of FYE 31 August 2011, as compared to cash generated arising from increase in trade and other payables of RM3.8 million in FYE 31 August 2011.

***Net cash used in investing activities***

For FYE 31 August 2012, the net cash used in our investing activities amounted to RM0.4 million. This was attributed to the purchase of property, plant and equipment amounting to RM1.0 million, partially offset by proceeds from disposal of property, plant and equipment amounting to RM0.6 million.

***Net cash used in financing activities***

For FYE 31 August 2012, the net cash used in financing activities amounted to RM1.8 million. During the financial year, we paid bank borrowings of RM0.3 million, interest of approximately RM22,000 and dividends in specie of RM1.6 million.

**FYE 31 August 2013**

***Net cash generated from operating activities***

For FYE 31 August 2013, we generated operating cash flows before working capital changes amounting to RM21.2 million. After adjusting for net outflow of RM6,000 from working capital changes, income tax paid of RM4.2 million, interest paid of approximately RM10,000 and interest received of approximately RM0.2 million, we generated net cash from operating activities of RM17.1 million. Working capital changes arose from decrease in inventories of RM6.5 million, increase in trade and other receivables, and other assets of RM7.1 million and increase in trade and other payables of RM0.6 million.

For FYE 31 August 2013, the net cash generated from operating activities of RM17.1 million is higher than that of FYE 31 August 2012 of RM3.2 million mainly due to the following:

- Higher PBT generated in FYE 31 August 2013 at RM18.5 million as compared to FYE 31 August 2012 at RM14.9 million;

- Cash generated arising from decrease in inventories of RM6.5 million in FYE 31 August 2013 as compared to cash used arising from increase in inventories of RM3.8 million in FYE 31 August 2012;

- Cash generated arising from increase in trade and other payables of RM0.6 million in FYE 31 August 2013 as compared to cash used arising from decrease in trade and other payables of RM3.5 million in FYE 31 August 2012.

This was partly offset by the increase in cash used arising from increase in trade and other receivables and other assets from RM1.9 million in FYE 31 August 2012 to RM7.1 million in FYE 31 August 2013.

***Net cash used in investing activities***

For FYE 31 August 2013, the net cash used in our investing activities amounted to RM1.2 million. This was attributed to the purchase of property, plant and equipment amounting to RM1.3 million, partially offset by proceeds from disposal of property, plant and equipment amounting to RM0.1 million.

***Net cash used in financing activities***

For FYE 31 August 2013, the net cash used in financing activities amounted to RM16.4 million. During the financial year, we repaid finance lease liabilities of RM0.3 million, interest of approximately RM26,000 and cash dividends of RM16.1 million.

**FPE 28 February 2014**

***Net cash generated from operating activities***

For FPE 28 February 2014, we generated operating cash flows before working capital changes amounting to RM15.5 million. After adjusting for net outflow of RM10.4 million from working capital changes, income tax paid of RM1.9 million, interest paid of approximately RM0.1 million and interest received of approximately RM55,000, we generated net cash from operating activities of RM3.2 million. Working capital changes arose from increase in inventories of RM0.9 million, increase in trade and other receivables, and other assets of RM14.5 million and increase in trade and other payables of RM5.0 million.

***Net cash used in investing activities***

For FPE 28 February 2014, the net cash used in our investing activities amounted to RM6.2 million. This was attributed to the purchase of property, plant and equipment amounting to RM0.7 million and purchase of the publishing rights and production files for a list of titles from Pearson Malaysia for RM5.5 million.

***Net cash generated from financing activities***

For FPE 28 February 2014, the net cash generated from financing activities amounted to RM0.6 million. This was attributed to proceeds obtained from banking facilities of RM0.7 million and repayment of banking facilities of RM0.1 million and interest payment of approximately RM13,000.

**(iii) Borrowings**

As at 28 February 2014, our Group had a total outstanding bank borrowings of RM9.2 million, all of which are interest-bearing, secured and denominated in RM. The details of the total outstanding bank borrowings as at 28 February 2014 are set out below:

| | | <----------Audited----------> | | |
|---|---|---|---|---|
| | | <---------- As at 28 February 2014----------> | | |
| | Note | Payable within Twelve (12) Months RM'000 | Payable after Twelve (12) Months RM'000 | Total RM'000 |
| Finance lease liabilities | (i) | 165 | 247 | 412 |
| Bank overdraft | | 8,049 | - | 8,049 |
| Bankers' acceptances | | 730 | - | 730 |
| **Total** | | **8,944** | **247** | **9,191** |
| Gearing* | | | | 0.15 |

*Notes:*

*(i) Finance lease liabilities were for the hire purchase of motor vehicles.*

* *Calculated based on pro forma shareholders' funds after Incorporation of Subsidiaries, Dividend Payment and Acquisitions but before our IPO and utilisation of proceeds.*

As at 28 February 2014, our interest bearing borrowings amounted to RM9.2 million, of which RM0.4 million were obtained for our hire purchase of motor vehicles and RM8.8 million were obtained for working capital purposes. The repayment of the hire purchase will be in accordance with the repayment terms in the hire purchase agreements using our internally generated funds. As at 28 February 2014, the effective interest rate for our bank borrowings ranged from 4.4% to 8.1%.

The details of the finance lease liabilities as at 28 February 2014 are as follows:

| Type of Financial Instruments | Tenure | Interest Rates | Balance as at 28 February 2014 RM'000 |
|---|---|---|---|
| Finance lease liabilities | - 36 months installment commencing 1 July 2011 | 4.81% | 16 |
| | - 36 months installment commencing 11 September 2011 | 5.58% | 50 |
| | - 60 months installment commencing 24 September 2012 | 4.43% | 346 |
| | | | 412 |

As at LPD, our Group does not have any non-interest bearing borrowings or foreign borrowings. We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during FYE 31 August 2010 to 2013 as well as FPE 28 February 2014 and up to LPD.

As at LPD, neither our Company nor any of our subsidiary companies is in breach of any terms and conditions or covenants associated with the credit arrangement or bank borrowings which can materially affect our financial position and results or business operations or the investments by holders of our securities.

Currently, our Group does not have any interest rate hedging policy. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings where necessary. We will monitor the movement in interest rates and will take the necessary steps to minimise interest rate risk when appropriate, such as implementing a hedging policy. However, no assurance can be given that any future significant movements in interest rates would not have a material adverse impact on our business, operating results and financial position.

**(iv) Treasury policies and objectives**

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. The goal of our funding policy is to obtain the most suitable type of financing and favourable cost of funding. The goal of our treasury policy is to maintain sufficient working capital to finance our operations, coupled with maintaining adequate credit facilities to meet projected commitments arising from our operational expenditure and financial liabilities.

The normal credit terms granted to our Group by our suppliers range from 30 days to 90 days due to the good relationship which we have established with our suppliers. Our Group's borrowings from financial institutions are finance lease liabilities for our purchases of motor vehicles, and bankers' acceptance and bank overdraft for working capital purposes. In addition, our Group has in place banking facilities amounting to RM13.0 million as at LPD, of which approximately RM8.0 million and RM0.2 million in the form of bank overdraft and bank guarantees respectively, have been utilised by our Group. Please refer to Section 12.2.11(viii) of this Prospectus for further details on our Group's bank guarantees.

The decision to either utilise internally generated funds or banking facilities to finance our operations depends on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

### (v) Financial instruments for hedging purposes

For FYE 31 August 2013 and FPE 28 February 2014, 5.5% and 9.3% of our purchases of materials, services and products were transacted in USD. In addition, 0.5% of our revenue for FYE 31 August 2013 was transacted in USD and Brunei Dollar. There was no revenue transacted in USD for FPE 28 February 2014, whilst we have recorded minimal negative revenue in Brunei Dollar in the financial period under review as a result of the sales returns from the Brunei market. Due to the transactions in foreign currencies being not material, fluctuations in foreign exchange rates will not have a material impact on our purchases as well as revenue.

In this regard, as at LPD, our Group does not hold any financial instruments for hedging purposes.

### (vi) Capital expenditure and divestment

Our Group's material capital expenditure for the past four (4) FYE 31 August 2010 to 2013, FPE 28 February 2014 and up to LPD was as follows:

| | <---------- Audited ----------> | | | | | Unaudited |
|---|---|---|---|---|---|---|
| | FYE 31 August* | | | | FPE 28 February* | Up to |
| **Investments** | **2010** | **2011** | **2012** | **2013** | **2014** | **LPD*** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Motor vehicles | 259 | 2,329 | 1,309 | 1,116 | 463 | 365 |
| Office equipment, furniture and fittings | 102 | 213 | 42 | 65 | 170 | 4 |
| Computers | 235 | 174 | 135 | 167 | 20 | 3 |
| Renovation | 8 | - | - | - | - | - |
| | **604** | **2,716** | **1,486** | **1,348** | **653** | **372** |

*Note:*

* *The value of capital expenditure in the table above is presented based on the costs incurred.*

Our material capital expenditure during FYE 31 August 2010 to 2013, FPE 28 February 2014 and up to LPD comprised capital expenditure on motor vehicles, office equipment, furniture and fittings, computers and renovation.

Our Group's material divestments for the past four (4) FYE 31 August 2010 to 2013, FPE 28 February 2014 and up to LPD were as follows:

| | <---------- Audited ----------> | | | | | Unaudited |
|---|---|---|---|---|---|---|
| | FYE 31 August# | | | | FPE 28 February# | Up to |
| **Divestments** | **2010** | **2011** | **2012** | **2013** | **2014** | **LPD #** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Motor vehicles | * | 57 | 25 | * | - | - |

*Notes:*

\# *The value of the capital divestments in the table above is presented based on the net book value of the assets at the point of divestments.*

* *The net book value of these divestments are nil.*

As at LPD, our Group does not have any material capital expenditures or divestments that are currently in progress.

**(vii) Material capital commitments**

As at LPD, save as disclosed in Section 3.6 of this Prospectus, our Board is not aware of any material capital commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results / position.

**(viii) Material Contingent Liabilities**

Save as disclosed below, as at LPD, our Board is not aware of any material contingent liabilities, which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable:

| | Notes | RM'000 |
|---|---|---|
| Bank guarantees obtained by Sasbadi to Ministry of Education | (a) | 229[(b)] |

***Notes:***

*(a) As part of the agreements with the Ministry of Education, Sasbadi has issued performance bond in the form of bank guarantees to the Ministry of Education for the service provided for the supply of text books and applied learning products.*

*(b) The performance bond issued by Sasbadi in the form of bank guarantees to the Ministry of Education for applied learning products amounting to approximately RM59,000 has expired in April 2014. As at LPD, our Group is in the midst of seeking to discharge the said bank guarantees.*

**(ix) Material litigation, claims or arbitration**

As at LPD, neither our Company nor our Group is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our Group. Our Board has no knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Company or our Group.

**(x) Key financial ratios**

**Trade Receivables**

A summary of our Group's trade receivables for the four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 is set out below:

| | < Audited > | | | | |
|---|---|---|---|---|---|
| | < FYE 31 August > | | | | FPE 28 February |
| | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 |
| Trade receivables | 10,556 | 12,218 | 12,463 | 19,141 | 34,049 |
| Revenue | 47,012 | 59,961 | 64,821 | 77,964 | 43,992 |
| Trade receivables turnover period (days) | 82 | 74 | 70 | 90 | 140 |

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

The normal credit period generally granted to our customers is between 60 days and 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history and credit worthiness while new customers are subject to our credit verification process. Our trade receivables turnover period for the past four (4) FYE 31 August 2010 to 2013 is within our Group's credit period granted to our customers. Nevertheless, our trade receivables turnover period increased from 70 days in FYE 31 August 2012 to 90 days in FYE 31 August 2013. The increase was largely contributed by slower payment for iPBS, which was a new product launched in the later part of FYE 31 August 2013.

For the FPE 28 February 2014, our trade receivables turnover period was 140 days. The increase was mainly attributed to the higher sales during the peak sales period of December and January. In addition, our revenue for the FPE 28 February 2014 of approximately RM44.0 million is net of provision for sales returns of approximately RM6.7 million. For comparison, the provision for sales returns was RM1.5 million for FYE 31 August 2013.

As at 28 February 2014, the net trade receivables of our Group amounted to approximately RM34.0 million which can be analysed as follows:

| | <-----Within Credit Period (days) -----> | | | <----Exceeding Credit Period (days) ----> | | |
|---|---|---|---|---|---|---|
| | **0 – 30** | **31 – 60** | **61 –90** | **91 – 120** | **Over 120** | **Total** |
| Trade receivables (RM'000) | 8,297 | 9,449 | 11,160 | 1,731 | 3,836 | 34,473 |
| Less: Allowance for impairment (RM'000) | - | - | - | - | (424) | (424) |
| Net trade receivables (RM'000) | 8,297 | 9,449 | 11,160 | 1,731 | 3,412 | 34,049 |
| Percentage of total net trade receivables (%) | 24.4 | 27.8 | 32.8 | 5.1 | 10.0 | 100.0^ |
| Subsequent collections/credit notes up to LPD (RM'000) | (1,921) | (5,277) | (8,724) | (1,327) | (542) | (17,792)^ |
| Net trade receivables net of subsequent collections/credit notes (RM'000) | 6,376 | 4,172 | 2,436 | 404 | 2,870 | 16,257^ |
| Percentage of net trade receivables net of subsequent collections/credit notes to total net trade receivables (%) | 18.7 | 12.3 | 7.2 | 1.2 | 8.4 | 47.7^ |
| Revenue (RM'000) | | | | | | 43,992 |
| Percentage of net trade receivables net of subsequent collections/credit notes to revenue (%) | 14.5 | 9.5 | 5.5 | 0.9 | 6.5 | 37.0^ |

***Note:***

^ *Total does not add-up due to rounding.*

Up to LPD, of the net trade receivables outstanding as at 28 February 2014 of RM34.0 million, RM12.9 million has been collected while credit notes totalling RM4.9 million have been issued mainly for early payments, incentive discounts and stock returns, of which RM3.2 million was in relation to stock returns. In this regard, the value of net trade receivables as at 28 February 2014 that are still outstanding as at LPD was approximately RM16.3 million, Our Directors are of the opinion that the remaining trade receivables of RM16.3 million are recoverable after taking into consideration the long term relationship between most of these customers and our Group, and various credit control measures being implemented by us to minimise customer default.

**Trade Payables**

A summary of our Group's trade payables for the four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 is set out below:

| | < Audited > | | | | |
|---|---|---|---|---|---|
| | < FYE 31 August > | | | | FPE 28 February |
| | 2010 RM'000 | 2011 RM'000 | 2012 RM'000 | 2013 RM'000 | 2014 RM'000 |
| Trade payables | 2,303 | 4,948 | 1,981 | 2,009 | 4,976 |
| Cost of sales | 28,460 | 35,143 | 37,916 | 45,831 | 22,343 |
| Trade payables turnover period (days) | 30 | 51 | 19 | 16 | 40 |

The normal credit period granted to our Group by our suppliers ranges from 30 days to 90 days.

For the FYE 31 August 2010 and 2011, our trade payables turnover periods were approximately 30 days and 51 days, which were within the credit periods that were granted to us. Our Group normally proceeds with payment approximately 30 days after the date of invoice for purchases of main materials, specifically paper materials.

As for the FYE 31 August 2012 and 2013, our trade payables turnover periods were 19 days and 16 days respectively as a result of our prompt payment practice in order to secure timely and consistent supply of materials as well as maintaining good relationships with our suppliers. In addition, there were less purchases of paper made during the end of FYE 31 August 2012 and 2013.

For the FPE 28 February 2014, our trade payables turnover period was 40 days, which was within the normal credit period granted to us. The increase was mainly attributed to higher purchases of materials and services to cater for the expected high demand for our products in the first half of calendar year of 2014.

As at 28 February 2014, the trade payables of our Group amounted to approximately RM5.0 million which can be analysed as follows:

| | <-Within Credit Period (days)-> | | | <-Exceeding Credit Period (days) -> | | |
|---|---|---|---|---|---|---|
| | **0 – 30** | **31 – 60** | **61 –90** | **91 – 120** | **Over 120** | **Total** |
| Trade payables (RM'000) | 1,280 | 2,563 | 1,053 | 37 | 41 | 4,976^ |
| Percentage of total trade payables (%) | 25.7 | 51.5 | 21.2 | 0.7 | 0.8 | 100.0^ |
| Subsequent payments up to LPD (RM'000) | (858) | (1,324) | (821) | (4) | # | (3,007) |
| Trade payables net of subsequent payments (RM'000) | 422 | 1,239 | 232 | 33 | 41 | 1,969^ |
| Percentage of trade payables net of subsequent payments to total trade payables (%) | 8.5 | 24.9 | 4.7 | 0.7 | 0.8 | 39.6 |

***Notes:***

^ *Total does not add-up due to rounding.*
\# *Insignificant amount.*

Up to LPD, a total of RM3.0 million of the trade payables outstanding as at 28 February 2014 has been paid, which represents 60.4% of the trade payables outstanding on that date. The amount of trade payables as at 28 February 2014 that are still outstanding as at LPD was approximately RM2.0 million.

**Inventory**

A summary of our Group's inventory for the four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 is set out below:

| | < ---------- Audited ---------- > | | | | |
|---|---|---|---|---|---|
| | < ---------- FYE 31 August ---------- > | | | | **FPE 28 February** |
| | **2010** | **2011** | **2012** | **2013** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Inventory | 13,722 | 17,663 | 21,492 | 15,033 | 15,952 |
| Cost of sales | 28,460 | 35,143 | 37,916 | 45,831 | 22,343 |
| Inventory turnover period (days) | 176 | 183 | 207 | 120 | 129 |

Our Group's inventory turnover period was on an increasing trend over the three (3) financial years between FYE 31 August 2010 and 2012. For the FYE 31 August 2011, the main factors for the increase were due to introduction of our new series of revision guides and workbooks as well as our new online products where we had made an initial bulk purchase of printed access code cards from our technology partner. Each of these cards contains a unique access code for subscribers to gain access to our online educational resources. For the FYE 31 August 2012, our stocks for paper increased by RM2.7 million or 82.7% compared to FYE 31 August 2011. However, in FYE 31 August 2013, our inventory turnover period decreased to 120 days. This was mainly due to a decrease in our stocks for paper by RM3.7 million or 61.0%, workbooks and revision guides by RM1.7 million or 27.8% as compared to FYE 31 August 2012 as well as write down of RM1.2 million of inventory for our past year examination papers for 2010, 2011 and 2012.

For the FPE 28 February 2014, our inventory turnover period was approximately 129 days, which was mainly attributed to an increase in inventory of our workbooks and revision guides. The inventory of the said products increased from RM6.7 million as at FYE 31 August 2013 to RM8.3 million as at FPE 28 February 2014, which was to cater for the expected demand in the first half of calendar year of 2014. However, our stock for paper declined from RM2.4 million as at FYE 31 August 2013 to RM1.8 million as at FPE 28 February 2014.

### 12.2.12 Trend Analysis

As at LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this Section and Sections 3, 4 and 6 of this Prospectus;

(ii) material commitment for capital expenditure, other than as set out in Section 12.2.11 (vii) of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and in Section 4 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits save for those that have been disclosed in this Section, industry overview as set out in Section 7 of this Prospectus and future plans and strategies as set out in Section 6.18.1 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Section 4 of this Prospectus; and

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this Section and in Section 4 of this Prospectus.

## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

### 12.3 Order book

Order book is not relevant to our business operations as we do not receive long-term orders from our customers. Our business is commonly based on confirmed purchase orders from our customers.

### 12.4 Dividend Policy

Upon Listing, our Board intends to adopt the policy of recommending up to fifty percent (50%) of the profit attributable to the owners of our Company in each financial year to be distributed as dividends to allow our shareholders to participate in the profits of our Group. However, our ability to declare dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds which are not required to be retained to fund our business.

Our Board will consider the following factors that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(i) The level of cash and level of indebtedness;

(ii) Required and expected interest expense, cash flow, our profits and return on equity and retained earnings;

(iii) Our expected results of operations and future level of operations; and

(iv) Our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above. There can be no assurance as to whether dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

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## 12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

### 12.5 CAPITALISATION AND INDEBTEDNESS

The following information shall be read in conjunction with the the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus and the Accountants' Report set out in Sections 11.4 and 13 of this Prospectus respectively.

The following table shows our Group's cash and cash equivalents, capitalisation and indebtedness:

(i) based on our pro forma financial position as at 28 February 2014 after Incorporation of Subsidiaries, Dividend Payment and Acquisitions; and

(ii) as adjusted for the proceeds arising from our Public Issue and utilisation of proceeds.

| | **Pro forma As at 28 February 2014 ^** | **After Public Issue#** |
|---|---|---|
| | **RM'000** | **RM'000** |
| Cash and cash equivalents | 9,180 | 24,538 |
| **Indebtedness** | | |
| ***Short term borrowings (Due within 12 months)*** | | |
| **Secured and unguaranteed** | | |
| Finance lease liabilities | 165 | 165 |
| **Secured and guaranteed** | | |
| Bank overdraft | 8,049 | 8,049 |
| Bankers' acceptances | 730 | 730 |
| ***Long term borrowings (Due after 12 months)*** | | |
| **Secured and unguaranteed** | | |
| Finance lease liabilities | 247 | 247 |
| Total indebtedness | 9,191 | 9,191 |
| Shareholders' equity | 63,172 | 86,337 |
| **Total capitalisation and indebtedness** | **72,363** | **95,528** |

*Notes:*

^ *Based on the pro forma financial information after taking into account the Incorporation of Subsidiaries, Dividend Payment and Acquisitions but before the Public Issue and utilisation of IPO proceeds.*

\# *Based on the pro forma financial information after taking into account the Incorporation of Subsidiaries, Dividend Payment, Acquisitions, proceeds from our Public Issue and utilisation of IPO proceeds.*

The indebtedness shown in the table above is fully denominated in RM and interest-bearing in nature. Please refer to Section 12.2.11 (iii) of this Prospectus for further details on our Group's indebtedness.

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KPMG

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47810 Petaling Jaya
Selangor Darul Ehsan

9 June 2014

Dear Sirs

# Accountants' Report

## 1. Introduction

This report has been prepared by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") issued in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Sasbadi Holdings on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied upon for any other purposes.

## 2. General information

### 2.1 Background

Sasbadi Holdings was incorporated in Malaysia under the Companies Act, 1965 as a private limited liability company under the name of Sasbadi Holdings Sdn. Bhd. on 30 October 2012. The Company changed its status from a private limited liability company into a public limited liability company on 15 March 2013 and since then, assumed the name of Sasbadi Holdings Berhad.

Sasbadi Holdings is principally engaged in investment holding activities. The principal activities of Sasbadi Holdings' wholly-owned subsidiaries acquired under the Listing Scheme, namely Sasbadi Sdn. Bhd. ("Sasbadi"), Malaysian Book Promotions Sdn. Bhd. ("Malaysian Book Promotions"), Maya Press Sdn. Bhd. ("Maya Press"), Orbit Buku Sdn. Bhd. ("Orbit Buku"), Sasbadi Online Sdn. Bhd. ("Sasbadi Online") (collectively referred to as "Sasbadi Group"), and its newly incorporated subsidiaries, Sasbadi Learning Solutions Sdn. Bhd. ("Sasbadi Learning Solutions") and MBP Publications Sdn. Bhd. ("MBP Publications") are disclosed in Section 4.1 of this Accountants' Report.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.





## 2.2 Share capital

Sasbadi Holdings was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and fully paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

On 13 March 2013, a share split has taken place, subdividing the authorised share capital of RM100,000 into 200,000 ordinary shares of RM0.50 each ("Shares") and issued and fully paid-up share capital of RM2.00 into 4 ordinary shares of RM0.50 each.

Following the completion of the Acquisitions as set out in Section 3.2, the authorised share capital of the Sasbadi Holdings has been increased to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each, of which RM52,900,000 comprising 105,800,000 Shares have been issued and credited as fully paid. Upon completion of the listing of and quotation for the entire issued and paid-up share capital of Sasbadi Holdings on the Main Market of Bursa Securities, the issued and paid-up share capital will be increased to RM63,500,000 comprising 127,000,000 ordinary shares of RM0.50 each.

## 2.3 Incorporation of Subsidiaries

Sasbadi Holdings had incorporated and subscribed for 999 ordinary shares of RM1.00 each and subsequently acquired 1 ordinary share of RM1.00 from a third party for a consideration of RM1.00 per share in each of the following entities:-

| No. | Name of Subsidiary | Date of incorporation | Issued and paid-up share capital | Total consideration paid |
|---|---|---|---|---|
| 1. | MBP Publications | 28 March 2014 | RM1,000 comprising 1,000 ordinary shares of RM1.00 each | RM1,000 |
| 2. | Sasbadi Learning Solutions | 3 April 2014 | RM1,000 comprising 1,000 ordinary shares of RM1.00 each | RM1,000 |

# 3. Listing Scheme

## 3.1 Dividend Payment

Prior to acquisitions of subsidiaries by Sasbadi Holdings as set out in Section 3.2 of this Accountants' Report, Sasbadi had distributed dividends of RM2.5 million and RM6.0 million ("Dividend Payment") to its existing shareholders on 3 April 2014 and 16 May 2014 respectively.

## 3.2 Acquisitions of Subsidiaries

On 19 May 2014, Sasbadi Holdings had acquired the entire issued and paid-up share capital in Sasbadi comprising 2,400,000 ordinary shares of RM1.00 each from the Offerors as vendors ("Law King Hui, Lee Swee Hang and Lee Eng Sang collectively") for a total purchase consideration of RM52,899,998 satisfied by the issuance of 105,799,996 new Sasbadi Holdings Shares at an issue price of RM0.50 per share credited as fully paid.

In addition, Sasbadi Holdings acquired the following Subsidiaries from Sasbadi:

a. the entire issued and paid-up share capital in Maya Press comprising 2 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 and reflected as amount owing by Sasbadi Holdings to Sasbadi;





## 3. Listing Scheme

### 3.2 Acquisitions of Subsidiaries (continued)

b. the entire issued and paid-up share capital in Orbit Buku comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 and reflected as amount owing by Sasbadi Holdings to Sasbadi;

c. the entire issued and paid-up share capital in Malaysian Book Promotions comprising 75,005 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM77,754 and reflected as amount owing by Sasbadi Holdings to Sasbadi; and

d. the entire issued and paid-up share capital in Sasbadi Online comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM277,919 and reflected as amount owing by Sasbadi Holdings to Sasbadi.

Subsequent to the incorporation of new subsidiaries and acquisitions of subsidiaries, the new group structure for Sasbadi Holdings and its subsidiaries (Sasbadi, Maya Press, Orbit Buku, Malaysian Book Promotions, Sasbadi Online, Sasbadi Learning Solutions and MBP Publications (collectively known as "the Subsidiaries") (hereinafter referred to as "the Group") is shown in Section 4.

### 3.3 Initial Public Offering

#### 3.3.1 Public Issue

Public issue of 21,200,000 new Sasbadi Holdings Shares, representing approximately 16.7% of the enlarged and paid-up share capital of 127,000,000 Shares, at RM1.19 per Share ("Public Issue") to be allocated in the following manner:

**(a) Public ("Public Tranche")**

6,350,000 Public Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital, have been reserved for application by the Public, of which at least 50.0% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

**(b) Eligible Directors, employees and persons who have contributed to the success of the Group ("Pink Form Tranche")**

5,700,000 Public Issue Shares, representing approximately 4.5% of the enlarged issued and paid-up share capital, have been reserved for application by the eligible Directors, employees and persons who have contributed to the success of the Group.

**(c) Selected Investors via Placement ("Placement Tranche")**

9,150,000 Public Issue Shares, representing approximately 7.2% of the enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

### 3.3.2 Offer for Sale

The Offerors will offer up to 35,950,000 existing Sasbadi Holdings Shares, representing approximately 28.3% of the enlarged issued and paid-up share capital of 127,000,000 Shares, at RM1.19 per share ("Offer Shares") to be allocated in the following manner:

(i) **Bumiputra Investors approved by the Ministry of International Trade and Industry ("MITI Tranche")**

Up to 12,700,000 Offer Shares, representing up to 10.0% of the enlarged issued and paid-up share capital, to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI"); and

(ii) **Selected Investors via Placement ("Non-MITI Tranche")**

Up to 23,250,000 Offer Shares, representing up to approximately 18.3% of the enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

## 3.4 Vendors' Shareholdings Reorganisation ("Reorganisation")

The Vendors of Sasbadi will undertake a reorganisation exercise involving the transfer of 25,400,000 Sasbadi Holdings Shares which they received from the Acquisition of Sasbadi to Karya Kencana Sdn. Bhd. ("Karya Kencana"), an investment holding company substantially owned by the Vendors ("Reorganisation"). In this regard, the Vendors have entered into a conditional share sale agreement with Karya Kencana for the Reorganisation for a purchase consideration of RM30,226,000. The purchase consideration will be satisfied via issuance of 99,000 new ordinary shares of RM1.00 each in Karya Kencana at par value and the balance will remain as amount owing from Karya Kencana to the Vendors.

Details of the Reorganisation are as follows:

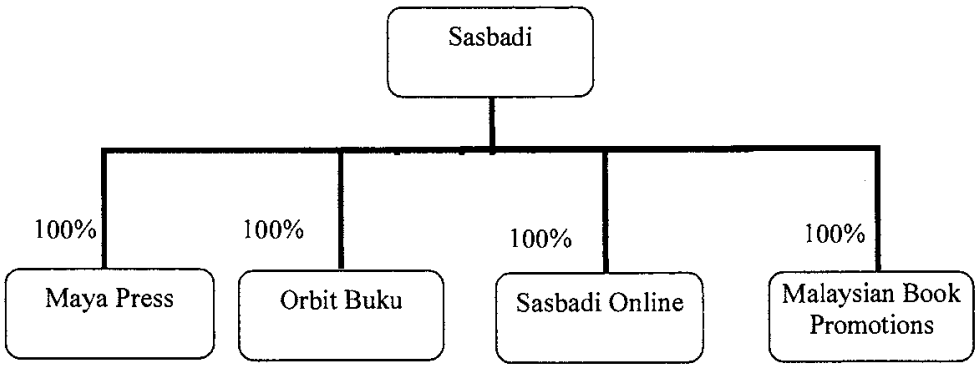
| Vendor | No. of Shares to be transferred under the Reorganisation | To be satisfied via | |
|---|---|---|---|
| | | Ordinary shares of RM1.00 each in Karya Kencana | Amount owing by Karya Kencana to the Vendors RM |
| Law King Hui | 12,700,000 | 49,500 | 15,063,500 |
| Lee Swee Hang | 6,350,000 | 24,750 | 7,531,750 |
| Lee Eng Sang | 6,350,000 | 24,750 | 7,531,750 |
| Total | **25,400,000** | **99,000** | **30,127,000** |

## 3.5 Listing and quotation

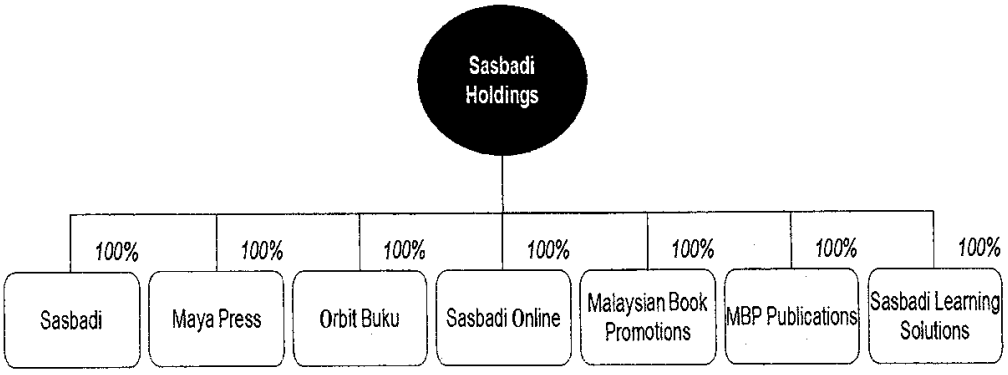
The entire enlarged issued and paid-up share capital of RM63,500,000 comprising 127,000,000 Shares will be admitted to the Official List of Bursa Securities.

## 4. Group structure

Prior to the Acquisitions of Subsidiaries by Sasbadi Holdings, the structure of Sasbadi Group was as follows:-




Subsequent to the Incorporation of Subsidiaries and Acquisitions of Sasbadi Group by Sasbadi Holdings, the Group structure is as follows:-







## 4.1 Information on subsidiaries

Sasbadi Holdings' subsidiaries are incorporated in Malaysia as private limited liability companies under the Companies Act, 1965 and domiciled in Malaysia. The subsidiaries of Sasbadi Holdings as at the date of this report and their principal activities are as follows:

| Name of subsidiary | Date of incorporation | Equity ownership interest | <----Share capital----> Authorised | Issued and fully paid-up | Principal activities |
|---|---|---|---|---|---|
| | | % | RM | RM | |
| Sasbadi | 3 May 1985 | 100 | 5,000,000 | 2,400,000 | Publisher of printed educational materials, distribution of applied learning products and trading of paper |
| Orbit Buku | 19 March 2010 | 100 | 100,000 | 10,000 | Publisher of supplementary educational materials |
| Sasbadi Online | 5 July 2011 | 100 | 100,000 | 10,000 | Publisher of online educational resources |
| Maya Press # | 3 July 2002 | 100 | 100,000 | 2 | Imprint for general titles |
| Malaysian Book Promotions# | 4 August 1994 | 100 | 100,000 | 75,005 | Publishing and distribution of printed educational materials and organiser of book fairs and exhibitions |
| MBP Publications# | 28 March 2014 | 100 | 400,000 | 1,000 | Imprint for printed educational materials |
| Sasbadi Learning Solutions# | 3 April 2014 | 100 | 400,000 | 1,000 | Dormant |

# Not audited by member firms of KPMG International.





## 5. Financial statements and auditors

The financial year end of the Group is 31 August for all relevant years. The financial statements for the 6 months financial period ended 28 February 2014 are prepared solely in connection with the Company's proposed listing of and quotation for its entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

The auditors who audited the financial statements of the Company and its subsidiaries are as follows:

| Name of entity | FYE/FPE | Auditors | Auditors' Report |
|---|---|---|---|
| Sasbadi | FYE 31 August 2010 | KPMG | Appendix I |
| | FYE 31 August 2011 | KPMG | Appendix I |
| | FYE 31 August 2012 | KPMG | Appendix I |
| | FYE 31 August 2013 | KPMG | Appendix I |
| | FPE 28 February 2014 | KPMG | Appendix I |
| Orbit Buku | FPE 31 August 2010 | YYC & CO. (formerly known as S.F.YAP & CO) | Appendix II |
| | FYE 31 August 2011 | KPMG | Appendix II |
| | FYE 31 August 2012 | KPMG | Appendix II |
| | FYE 31 August 2013 | KPMG | Appendix II |
| | FPE 28 February 2014 | KPMG | Appendix II |
| Sasbadi Online | FPE 31 August 2011 | KPMG | Appendix III |
| | FYE 31 August 2012 | KPMG | Appendix III |
| | FYE 31 August 2013 | KPMG | Appendix III |
| | FPE 28 February 2014 | KPMG | Appendix III |
| Maya Press | FPE 31 August 2010 | YYC & CO. | Appendix IV |
| | FYE 31 August 2011 | YYC & CO. | Appendix IV |
| | FYE 31 August 2012 | YYC & CO. | Appendix IV |
| | FYE 31 August 2013 | YYC & CO. | Appendix IV |
| | FPE 28 February 2014 | YYC & CO. | Appendix IV |
| Malaysian Book Promotions | FYE 31 December 2010 | W.K. LEE & CO. | Appendix V |
| | FPE 31 August 2011 | W.K. LEE & CO. | Appendix V |
| | FYE 31 August 2012 | W.K. LEE & CO. | Appendix V |
| | FYE 31 August 2013 | W.K. LEE & CO. | Appendix V |
| | FPE 28 February 2014 | W.K. LEE & CO. | Appendix V |
| Sasbadi Holdings Berhad | FPE 31 August 2013 | KPMG | Appendix VI |
| | FPE 28 February 2014 | KPMG | Appendix VI |

MBP Publications and Sasbadi Learning Solutions were incorporated on 28 March 2014 and 3 April 2014 respectively, hence no audited financial statements are available at the date of this report.





## 5. Financial statements and auditors (continued)

The auditors' reports of all audited financial statements for the relevant financial years/periods under review were not subject to any qualification, modification or disclaimer of opinion except for the auditors' reports on the financial statements of Maya Press for the financial periods/years ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 which contained an emphasis of matters paragraph as disclosed below:

**Maya Press**

*Financial period ended 31 August 2010*

Without qualifying our opinion, we draw attention to Note 2 (basis of preparation), the Company incurred a loss after taxation of RM2,135.00 for the financial period ended 31st August 2010 and has a deficit in shareholders' equity of RM15,727.00. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its directors and shareholders.

*Financial year ended 31 August 2011*

Without qualifying our opinion, we draw attention to Note 2 (basis of preparation), the Company incurred a loss after taxation of RM2,062.80 for the financial year ended 31st August 2011 and has a capital deficiency of RM17,789.80. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its directors and shareholders.

*Financial year ended 31 August 2012*

Without qualifying our opinion, we draw attention to Note 2 (basis of preparation), the Company incurred a loss after taxation of RM3,518.60 for the financial year ended 31st August 2012 and has a capital deficiency of RM21,308.40. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its directors and shareholders.





## 5. Financial statements and auditors (continued)

**Maya Press (continued)**

*Financial year ended 31 August 2013*

Without qualifying our opinion, we draw attention to Note 2, the Company incurred a loss after taxation of RM4,143.00 for the financial year ended 31st August 2013 and has a capital deficiency of RM25,451.40. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its Directors and shareholders.

*Financial period ended 28 February 2014*

Without qualifying our opinion, we draw attention to Note 2, the Company incurred a loss after taxation of RM3,432.25 for the financial period ended 28th February 2014 and has a capital deficiency of RM28,883.65. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its Directors and shareholders.

There were no audited financial statements prepared and issued subsequent to the financial period ended 28 February 2014 for all the companies in the Group.

## 5.1 Accounting policies and standards

The accounting policies adopted in the preparation of this report are set out in Section 7 and are consistent with the accounting policies adopted by Sasbadi Group in the latest audited financial statements. The same policies are adopted by Sasbadi Holdings.

The financial information presented in this report is based on the audited financial statements of Sasbadi Holdings and of its Subsidiaries, which have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia except for the audited financial statements for the 6 months ended 28 February 2014 which have been prepared in accordance with MFRSs and IFRSs.

There were no changes in the significant accounting policies adopted by Sasbadi Group during the periods covered in this report.





## 5.2 Dividends

The dividends declared and paid by Sasbadi in respect of the relevant financial years under review were as follows:

| | RM per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2010** | | | |
| Interim 2010 (single tier) | 5.75 | 11,500 * | 23 July 2010 |
| **2011** | | | |
| Interim 2011 (single tier) | 5.10 | 12,240 * | 23 July 2011 |
| **2012** | | | |
| First interim 2012 (single tier) | 0.65 | 1,560 * | 23 July 2012 |
| Second interim 2012 (net of tax) | 0.21 | 500 ^ | 6 December 2012 |
| Third interim 2012 (net of tax) | 2.08 | 5,000 ^ | 14 January 2013 |
| Fourth interim 2012 (net of tax) | 4.43 | 10,625 ^ | 26 March 2013 |
| | | 17,685 | |
| **2014** | | | |
| First interim 2014 (single tier) | 1.04 | 2,500 # | 3 April 2014 |
| Second interim 2014 (single tier) | 2.50 | 6,000 # | 16 May 2014 |
| | | 8,500 | |

* These are single tier dividends paid in specie by way of offsetting against the advances to the Directors.

^ These are dividends declared but not yet paid as at 31 August 2012.

\# These are dividends declared and paid after 28 February 2014.

No final dividend was paid or declared by Sasbadi during the relevant financial years under review.

The other subsidiaries did not pay or declare any dividend during the relevant financial years/periods under review.





## 6. Financial statements

As Sasbadi Holdings was incorporated on 30 October 2012, there are no consolidated financial statements for the Group for the financial years ended 31 August 2010, 31 August 2011, and 31 August 2012. The audited statement of financial position as at 31 August 2013 and 28 February 2014 of Sasbadi Holdings is shown in Section 6.1. The audited financial statements for the financial years ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 of Sasbadi Group are shown in Section 6.2.

Certain figures and disclosures for the financial years presented have been reclassified and/or extended, as compared to the original statutory accounts, as follows:

(i) Reclassification of single tier dividends paid in specie by way of offsetting against the advances to the Directors from "operating activities" to "financing activities" in the statement of cash flows; and
(ii) Extended disclosure on notes to the financial statements for:
  (a) Prepayment of royalties made for the licence to reprint, distribute, market and sell past year examination papers of UPSR, PMR, STAM and SPM;
  (b) Reversal of inventories write-down for financial year ended 31 August 2010; and
  (c) Trade receivables due from a company in which certain Directors have interests.

As MBP Publications and Sasbadi Learning Solutions were incorporated on 28 March 2014 and 3 April 2014 respectively, hence, there are no financial statements for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014. The unaudited statement of financial position of MBP Publications and Sasbadi Learning Solutions as at 28 March 2014 and 3 April 2014 respectively are shown in Sections 6.3 and 6.4 respectively.





## 6.1 Sasbadi Holdings Berhad

### 6.1.1 Statement of financial position

| | Section | 31.08.2013 RM | 28.02.2014 RM |
|---|---|---|---|
| **Assets** | | | |
| Prepayments | | 175,386 | 192,872 |
| Cash and cash equivalents | | 2 | 2 |
| **Total assets** | | 175,388 | 192,874 |
| **Equity** | | | |
| Share capital | 6.1.5 | 2 | 2 |
| Accumulated losses | | (862,294) | (955,138) |
| **Total equity attributable to owners of the Company** | | (862,292) | (955,136) |
| Liabilities | | | |
| Payables and accruals | 6.1.6 | 1,037,680 | 1,148,010 |
| **Total equity and liabilities** | | 175,388 | 192,874 |

### 6.1.2 Statement of profit or loss and other comprehensive income

| | Section | 30.10.2012 to 31.08.2013 RM | 01.09.2013 to 28.02.2014 RM |
|---|---|---|---|
| Administrative expenses | | (862,294) | (92,844) |
| **Loss before tax** | 6.1.7 | (862,294) | (92,844) |
| Tax expense | 6.1.8 | - | - |
| **Loss for the period and total comprehensive expense for the period** | | (862,294) | (92,844) |





## 6.1 Sasbadi Holdings Berhad

### 6.1.3 Statement of changes in equity

| | Share capital RM | Accumulated losses RM | Total RM |
|---|---|---|---|
| **At 30 October 2012 (date of incorporation)** | 2 | - | 2 |
| Loss for the period/total comprehensive expense for the period | - | (862,294) | (862,294) |
| **At 31 August 2013/1 September 2013** | 2 | (862,294) | (862,292) |
| Loss for the period/total comprehensive expense for the period | - | (92,844) | (92,844) |
| **At 28 February 2014** | 2 | (955,138) | (955,136) |
| | Note 6.1.5 | | |

### 6.1.4 Statement of cash flows

| | 30.10.2012 to 31.08.2013 RM | 01.09.2013 to 28.02.2014 RM |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before tax | (862,294) | (92,844) |
| Operating loss before changes in working capital | (862,294) | (92,844) |
| Changes in working capital: | | |
| Prepayments | (175,386) | (17,486) |
| Payables and accruals | 1,037,680 | 110,330 |
| **Net cash used in operating activities** | - | - |
| Net increase in cash and bank balances | - | - |
| Cash and bank balances at date of incorporation/ beginning of the financial period | 2 | 2 |
| **Cash and bank balances at end of the financial period** | 2 | 2 |





## 6.1 Sasbadi Holdings Berhad

## Notes to the consolidated financial statements (continued)

### 6.1.5 Share capital

| | Amount 31.08.2013 RM | Number of Shares 31.08.2013 RM | Amount 28.02.2014 RM | Number of Shares 28.02.2014 RM |
|---|---|---|---|---|
| Ordinary shares of RM0.50 each | | | | |
| Authorised | 100,000 | 200,000 | 100,000 | 200,000 |
| Issued and fully paid | 2 | 4 | 2 | 4 |

As the date of incorporation, the Company issued subscribers' shares representing 2 ordinary shares of RM1.00 each at par for cash with an authorised share capital of 100,000 ordinary shares of RM1.00 each.

On 13 March 2013, the authorised share capital of the Company of 100,000 ordinary shares of RM1.00 each were subdivided into 200,000 ordinary shares of RM0.50 each. The issued and paid-up share capital of the Company of 2 ordinary shares of RM1.00 each were subdivided into 4 ordinary shares of RM0.50 each on the same date.

### 6.1.6 Payables and accruals

| | 31.08.2013 RM | 28.02.2014 RM |
|---|---|---|
| **Non-trade** | | |
| Amount due to a related party | 1,035,680 | 1,109,877 |
| Accrued expenses | 2,000 | 38,133 |
| | 1,037,680 | 1,148,010 |

### 6.1.7 Loss before tax

| | 30.10.2012 to 31.08.2013 RM | 01.09.2013 to 28.02.2014 RM |
|---|---|---|
| Loss before tax is arrived at after charging: | | |
| Auditors' remuneration | 10,000 | 10,000 |
| Expenses in relation to proposed listing exercise | 852,294 | 85,375 |





## 6.1 Sasbadi Holdings Berhad

## Notes to the consolidated financial statements (continued)

### 6.1.8 Tax expense

| | 30.10.2012 to 31.08.2013 RM | 01.09.2013 to 28.02.2014 RM |
|---|---|---|
| Total income tax expense | - | - |
| **Reconciliation of tax expense** | | |
| Loss for the period | (862,294) | (92,844) |
| Total income tax expense | - | - |
| Loss excluding tax | (862,294) | (92,844) |
| Tax at Malaysian tax rate of 25% | (215,574) | (23,211) |
| Non-deductible expenses | 215,574 | 23,211 |
| Tax expense | - | - |

### 6.1.9 Financial instruments

**(i) Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as loans and receivables and other financial liabilities measured at amortised cost.

| | Carrying amount | |
|---|---|---|
| | 31.08.2013 RM | 28.02.2014 RM |
| **Financial assets categorised as loans and receivables:** | | |
| Cash and bank balances | 2 | 2 |
| **Financial liabilities measured at amortised cost:** | | |
| Payables and accruals | 1,037,680 | 1,148,010 |

**(ii) Financial risks management objectives and policies**

The Company has exposure to the following financial risks:

(a) credit risk arising from cash and bank balances; and
(b) liquidity risk from other payables

The Directors are of the view that the above risks are not significant.





## 6.1 Sasbadi Holdings Berhad

## Notes to the consolidated financial statements (continued)

### 6.1.9 Financial instruments (continued)

**(iii) Fair values of financial instruments**

The carrying amounts of cash and bank balances and payables and accruals approximate fair values due to the relative short term nature of these financial instruments.

### 6.1.10 Capital management

The Company's capital is represented by its total equity in the statement of financial position. The Directors monitor the adequacy of capital on an ongoing basis and seek continuous financial support from a related party, where necessary.

There is no external capital requirement imposed on the Company.

### 6.1.11 Related parties

#### 6.1.11.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if 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 Company and the party are subject to common control or common significant influence. 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 Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The Company has a related party relationship with its Directors and a company in which certain Directors have control.

#### 6.1.11.2 Transactions with key management personnel

There were no transactions with key management personnel during the financial period.

#### 6.1.11.3 Other related party transactions

The amount due to a related party, being a company controlled by certain Directors, is disclosed in Section 6.1.6.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries

### 6.2.1 Consolidated statement of financial position

| | Section | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Property, plant and equipment | **6.2.5** | 21,885 | 23,189 | 28,591 | 28,023 | 27,650 |
| Goodwill | | 20 | 20 | - | - | - |
| Other investments | | 37 | 37 | 37 | 37 | 37 |
| Intangible assets | **6.2.6** | - | - | - | - | 5,225 |
| **Total non-current assets** | | 21,942 | 23,246 | 28,628 | 28,060 | 32,912 |
| Inventories | **6.2.7** | 13,722 | 17,663 | 21,492 | 15,033 | 15,952 |
| Trade and other receivables, and other assets | **6.2.8** | 14,514 | 12,379 | 12,780 | 21,000 | 35,573 |
| Prepayments | **6.2.9** | - | 200 | 1,725 | 584 | 464 |
| Current tax assets | | 1,990 | 926 | 411 | 154 | 318 |
| Cash and cash equivalents | **6.2.10** | 12,104 | 11,611 | 12,534 | 12,044 | 17,680 |
| **Total current assets** | | 42,330 | 42,779 | 48,942 | 48,815 | 69,987 |
| **Total assets** | | 64,272 | 66,025 | 77,570 | 76,875 | 102,899 |
| **Equity** | | | | | | |
| Share capital | | 2,000 | 2,400 | 2,400 | 2,400 | 2,400 |
| Reserves | | 53,876 | 51,112 | 48,487 | 62,104 | 70,227 |
| **Total equity attributable to owners of Sasbadi** | **6.2.11** | 55,876 | 53,512 | 50,887 | 64,504 | 72,627 |
| **Liabilities** | | | | | | |
| Borrowings | **6.2.12** | 88 | 324 | 546 | 297 | 247 |
| Deferred tax liabilities | **6.2.13** | 2,533 | 2,517 | 3,811 | 4,040 | 2,975 |
| **Total non-current liabilities** | | 2,621 | 2,841 | 4,357 | 4,337 | 3,222 |
| Borrowings | **6.2.12** | 243 | 254 | 266 | 249 | 8,944 |
| Trade and other payables | **6.2.14** | 5,532 | 9,370 | 5,919 | 6,533 | 11,486 |
| Provisions | **6.2.15** | - | - | - | 1,061 | 4,149 |
| Dividends payable | | - | - | 16,125 | - | - |
| Current tax liabilities | | - | 48 | 16 | 191 | 2,471 |
| **Total current liabilities** | | 5,775 | 9,672 | 22,326 | 8,034 | 27,050 |
| **Total liabilities** | | 8,396 | 12,513 | 26,683 | 12,371 | 30,272 |
| **Total equity and liabilities** | | 64,272 | 66,025 | 77,570 | 76,875 | 102,899 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries

### 6.2.2 Consolidated statement of profit or loss and other comprehensive income

| | | <----------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|---|
| | Section | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| Revenue | | 47,012 | 59,961 | 64,821 | 77,964 | 43,992 |
| Cost of sales | | (28,460) | (35,143) | (37,916) | (45,831) | (22,343) |
| **Gross profit** | | 18,552 | 24,818 | 26,905 | 32,133 | 21,649 |
| Other operating income | | 300 | 364 | 812 | 806 | 94 |
| Distribution costs | | (4,492) | (5,216) | (5,245) | (5,535) | (3,294) |
| Administrative expenses | | (5,922) | (6,857) | (7,311) | (8,502) | (5,083) |
| Other operating expenses | | (243) | (341) | (296) | (475) | (2,222) |
| **Operating profit** | | 8,195 | 12,768 | 14,865 | 18,427 | 11,144 |
| Interest income | | 177 | 223 | 92 | 173 | 55 |
| Finance costs | | (126) | (49) | (59) | (74) | (170) |
| Profit before tax | | 8,246 | 12,942 | 14,898 | 18,526 | 11,029 |
| Income tax expense | 6.2.19 | (2,176) | (3,466) | (4,006) | (4,909) | (2,906) |
| **Profit for the financial year/period** | 6.2.16 | 6,070 | 9,476 | 10,892 | 13,617 | 8,123 |
| **Other comprehensive income, net of tax** | | | | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | | | | |
| **Revaluation of property, plant and equipment** | 6.2.17 | 4,172 | - | 4,168 | - | - |
| **Total comprehensive income for the financial year/period** | | 10,242 | 9,476 | 15,060 | 13,617 | 8,123 |
| **Basic earnings per ordinary share (sen)** | | 303.50 | 394.83 | 453.83 | 567.38 | 338.45 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries

### 6.2.3 Consolidated statement of changes in equity

| | Section | *Non-distributable* Share capital RM'000 | *Non-distributable* Revaluation reserve RM'000 | *Distributable* Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 1 September 2009** | | 2,000 | 3,000 | 52,134 | 57,134 |
| Revaluation of property, plant and equipment | | - | 4,172 | - | 4,172 |
| Other comprehensive income for the financial year | **6.2.17** | - | 4,172 | - | 4,172 |
| Profit for the financial year | | - | - | 6,070 | 6,070 |
| Total comprehensive income for the financial year | | - | 4,172 | 6,070 | 10,242 |
| Dividends to owners of Sasbadi | **6.2.20** | - | - | (11,500) | (11,500) |
| **At 31 August 2010/ 1 September 2010** | | 2,000 | 7,172 | 46,704 | 55,876 |
| Profit and total comprehensive income for the financial year | | - | - | 9,476 | 9,476 |
| Issue of ordinary shares | | 400 | - | - | 400 |
| Dividends to owners of Sasbadi | **6.2.20** | - | - | (12,240) | (12,240) |
| Total transactions with owners of Sasbadi | | 400 | - | (12,240) | (11,840) |
| **At 31 August 2011/ 1 September 2011** | | 2,400 | 7,172 | 43,940 | 53,512 |
| Revaluation of property, plant and equipment | | - | 4,168 | - | 4,168 |
| Other comprehensive income for the financial year | **6.2.17** | - | 4,168 | - | 4,168 |
| Profit for the financial year | | - | - | 10,892 | 10,892 |
| Total comprehensive income for the financial year | | - | 4,168 | 10,892 | 15,060 |
| Dividends to owners of Sasbadi | **6.2.20** | - | - | (17,685) | (17,685) |
| **At 31 August 2012** | | 2,400 | 11,340 | 37,147 | 50,887 |
| | | **Section 6.2.11.1** | **Section 6.2.11.2** | **Section 6.2.11.3** | |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries

### 6.2.3 Consolidated statement of changes in equity (continued)

| | Section | *Non-distributable* Share capital RM'000 | Revaluation reserve RM'000 | *Distributable* Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 1 September 2012** | | 2,400 | 11,340 | 37,147 | 50,887 |
| Profit /total comprehensive income for the financial year | | - | - | 13,617 | 13,617 |
| **At 31 August 2013/ 1 September 2013** | | 2,400 | 11,340 | 50,764 | 64,504 |
| Profit /total comprehensive income for the financial period | | - | - | 8,123 | 8,123 |
| **At 28 February 2014** | | 2,400 | 11,340 | 58,887 | 72,627 |
| | | **Section 6.2.11.1** | **Section 6.2.11.2** | **Section 6.2.11.3** | |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries

### 6.2.4 Consolidated statement of cash flows

| | | <----------Financial year ended ----------> | | | | 6 months ended |
|---|---|---|---|---|---|---|
| | Section | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| **Cash flows from operating activities** | | | | | | |
| Profit before tax | | 8,246 | 12,942 | 14,898 | 18,526 | 11,029 |
| Adjustments for: | | | | | | |
| Amortisation of intangible assets | | - | - | 20 | - | 275 |
| Depreciation on property, plant and equipment | | 1,184 | 1,355 | 1,618 | 1,916 | 1,026 |
| Gain on disposal of property, plant and equipment | | (32) | (72) | (533) | (131) | - |
| Impairment loss on: | | | | | | |
| - Property, plant and equipment | | 20 | - | - | - | - |
| Interest expense | | 105 | 33 | 32 | 36 | 106 |
| Interest income | | (177) | (223) | (92) | (173) | (55) |
| Provision for sales returns | | - | - | - | 1,061 | 3,088 |
| Operating profit before changes in working capital | | 9,346 | 14,035 | 15,943 | 21,235 | 15,469 |
| Changes in working capital: | | | | | | |
| Inventories | | (3,726) | (3,941) | (3,829) | 6,459 | (919) |
| Trade and other receivables, and other assets | | 8,500 | 1,935 | (1,926) | (7,079) | (14,453) |
| Trade and other payables | | (2,646) | 3,839 | (3,452) | 614 | 4,952 |
| Cash generated from operations | | 11,474 | 15,868 | 6,736 | 21,229 | 5,049 |
| Income taxes paid net of refund | | (667) | (2,371) | (3,619) | (4,248) | (1,855) |
| Interest paid | | (40) | (12) | (10) | (10) | (93) |
| Interest received | | 177 | 223 | 92 | 173 | 55 |
| **Net cash generated from operating activities** | | 10,944 | 13,708 | 3,199 | 17,144 | 3,156 |
| **Cash flows from investing activities** | | | | | | |
| Purchase of property, plant and equipment | (i) | (604) | (2,216) | (991) | (1,348) | (653) |
| Proceeds from disposal of property, plant and equipment | | 32 | 129 | 558 | 131 | - |
| Acquisition of a subsidiary, net of cash and cash equivalents acquired | | (21) | - | - | - | - |
| Purchase of publication rights | | - | - | - | - | (5,500) |
| **Net cash used in investing activities** | | (593) | (2,087) | (433) | (1,217) | (6,153) |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries

### 6.2.4 Consolidated statement of cash flows (continued)

| | Section | <----------Financial year ended ----------> 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 6 months ended 28.2.2014 RM'000 |
|---|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | | |
| Interest paid | | (65) | (21) | (22) | (26) | (13) |
| Repayment of finance leases liabilities | | (245) | (193) | (240) | (266) | (133) |
| Repayment of term loans | | (883) | (60) | (21) | - | - |
| Proceeds from issuance of share capital | | - | 400 | - | - | - |
| Drawdown of bankers' acceptances | | - | - | - | - | 730 |
| Dividends paid | 6.2.20 | (11,500) | (12,240) | (1,560) | (16,125) | - |
| **Net cash (used in)/generated from financing activities** | | (12,693) | (12,114) | (1,843) | (16,417) | 584 |
| **Net (decrease)/increase in cash and cash Equivalents** | | (2,342) | (493) | 923 | (490) | (2,413) |
| Cash and cash equivalents at beginning of the financial year/period | | 14,446 | 12,104 | 11,611 | 12,534 | 12,044 |
| **Cash and cash equivalents at end of the financial year/period** | (ii) | 12,104 | 11,611 | 12,534 | 12,044 | 9,631 |

*(i) Cash and cash equivalents*

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

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| Cash and bank balances | 3,639 | 3,537 | 2,456 | 6,977 | 17,641 |
| Deposit placed with a licensed bank | 85 | - | 39 | 39 | 39 |
| Liquid investments | 8,380 | 8,074 | 10,039 | 5,028 | - |
| Bank overdraft – secured | - | - | - | - | (8,049) |
| | 12,104 | 11,611 | 12,534 | 12,044 | 9,631 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements
### 6.2.5 Property, plant and equipment

| | 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 |
|---|---|---|---|---|---|---|---|---|
| *Cost/Valuation* | | | | | | | | |
| At 1 September 2009 | 450 | 3,168 | 12,372 | 7,018 | 1,499 | 260 | 831 | 25,598 |
| Additions | - | - | - | 259 | 102 | 8 | 235 | 604 |
| Disposals | - | - | - | (83) | - | - | - | (83) |
| Adjustment on revaluation | (150) | 4,232 | (327) | - | - | - | - | 3,755 |
| At 31 August 2010 | 300 | 7,400 | 12,045 | 7,194 | 1,601 | 268 | 1,066 | 29,874 |
| *Representing items at:* | | | | | | | | |
| Cost | - | - | - | 7,194 | 1,601 | 268 | 1,066 | 10,129 |
| Directors' valuation | 300 | 7,400 | 12,045 | - | - | - | - | 19,745 |
| At 31 August 2010 | 300 | 7,400 | 12,045 | 7,194 | 1,601 | 268 | 1,066 | 29,874 |
| At 1 September 2010 | 300 | 7,400 | 12,045 | 7,194 | 1,601 | 268 | 1,066 | 29,874 |
| Additions | - | - | - | 2,329 | 213 | - | 174 | 2,716 |
| Disposals | - | - | - | (287) | - | - | - | (287) |
| At 31 August 2011 | 300 | 7,400 | 12,045 | 9,236 | 1,814 | 268 | 1,240 | 32,303 |
| *Representing items at:* | | | | | | | | |
| Cost | - | - | - | 9,236 | 1,814 | 268 | 1,240 | 12,558 |
| Directors' valuation | 300 | 7,400 | 12,045 | - | - | - | - | 19,745 |
| At 31 August 2011 | 300 | 7,400 | 12,045 | 9,236 | 1,814 | 268 | 1,240 | 32,303 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)
### 6.2.5 Property, plant and equipment (continued)

| | 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 |
|---|---|---|---|---|---|---|---|---|
| *Cost/Valuation (continued)* | | | | | | | | |
| At 1 September 2011 | 300 | 7,400 | 12,045 | 9,236 | 1,814 | 268 | 1,240 | 32,303 |
| Additions | - | - | - | 1,309 | 42 | - | 135 | 1,486 |
| Disposals | - | - | - | (3,196) | - | - | - | (3,196) |
| Write-off | - | - | - | - | (312) | - | (339) | (651) |
| Adjustment on revaluation | (2) | 3,150 | 1,505 | - | - | - | - | 4,653 |
| At 31 August 2012 | 298 | 10,550 | 13,550 | 7,349 | 1,544 | 268 | 1,036 | 34,595 |
| *Representing items at:* | | | | | | | | |
| Cost | - | - | - | 7,349 | 1,544 | 268 | 1,036 | 10,197 |
| Directors' valuation | 298 | 10,550 | 13,550 | - | - | - | - | 24,398 |
| At 31 August 2012 | 298 | 10,550 | 13,550 | 7,349 | 1,544 | 268 | 1,036 | 34,595 |
| At 1 September 2012 | 298 | 10,550 | 13,550 | 7,349 | 1,544 | 268 | 1,036 | 34,595 |
| Additions | - | - | - | 1,116 | 65 | - | 167 | 1,348 |
| Disposals | - | - | - | (586) | - | - | - | (586) |
| At 31 August 2013 | 298 | 10,550 | 13,550 | 7,879 | 1,609 | 268 | 1,203 | 35,357 |
| *Representing items at:* | | | | | | | | |
| Cost | - | - | - | 7,879 | 1,609 | 268 | 1,203 | 10,959 |
| Directors' valuation | 298 | 10,550 | 13,550 | - | - | - | - | 24,398 |
| At 31 August 2013 | 298 | 10,550 | 13,550 | 7,879 | 1,609 | 268 | 1,203 | 35,357 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)
### 6.2.5 Property, plant and equipment (continued)

| | 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 |
|---|---|---|---|---|---|---|---|---|
| *Cost/Valuation (continued)* | | | | | | | | |
| At 1 September 2013 | 298 | 10,550 | 13,550 | 7,879 | 1,609 | 268 | 1,203 | 35,357 |
| Additions | - | - | - | 463 | 170 | - | 20 | 653 |
| At 28 February 2014 | 298 | 10,550 | 13,550 | 8,342 | 1,779 | 268 | 1,223 | 36,010 |
| *Representing items at:* | | | | | | | | |
| Cost | - | - | - | 8,342 | 1,779 | 268 | 1,223 | 11,612 |
| Directors' valuation | 298 | 10,550 | 13,550 | - | - | - | - | 24,398 |
| At 28 February 2014 | 298 | 10,550 | 13,550 | 8,342 | 1,779 | 268 | 1,223 | 36,010 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)
### 6.2.5 Property, plant and equipment (continued)

| | Condominiums RM'000 | Leasehold land RM'000 | Buildings RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Computers RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| ***Depreciation and impairment loss*** | | | | | | | | |
| At 1 September 2009 | 211 | 223 | 1,069 | 5,287 | 876 | 195 | 814 | 8,675 |
| Depreciation for the financial year | 4 | 53 | 247 | 688 | 126 | 7 | 59 | 1,184 |
| Disposals | - | - | - | (83) | - | - | - | (83) |
| Impairment loss | 20 | - | - | - | - | - | - | 20 |
| Adjustment on revaluation | (215) | (276) | (1,316) | - | - | - | - | (1,807) |
| Accumulated depreciation | - | - | - | 5,892 | 1,002 | 202 | 873 | 7,969 |
| Accumulated impairment loss | 20 | - | - | - | - | - | - | 20 |
| At 31 August 2010/ 1 September 2010 | 20 | - | - | 5,892 | 1,002 | 202 | 873 | 7,989 |
| Depreciation for the financial year | 4 | 145 | 294 | 664 | 136 | 7 | 105 | 1,355 |
| Disposals | - | - | - | (230) | - | - | - | (230) |
| Accumulated depreciation | 4 | 145 | 294 | 6,326 | 1,138 | 209 | 978 | 9,094 |
| Accumulated impairment loss | 20 | - | - | - | - | - | - | 20 |
| At 31 August 2011 | 24 | 145 | 294 | 6,326 | 1,138 | 209 | 978 | 9,114 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)
### 6.2.5 Property, plant and equipment (continued)

| | Cunduminiums RM'000 | Leasehold land RM'000 | Buildings RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Computers RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| ***Depreciation and impairment loss (continued)*** | | | | | | | | |
| At 1 September 2011 | 24 | 145 | 294 | 6,326 | 1,138 | 209 | 978 | 9,114 |
| Depreciation for the financial year | 4 | 145 | 294 | 858 | 146 | 7 | 164 | 1,618 |
| Disposals | - | - | - | (3,171) | - | - | - | (3,171) |
| Write-off | - | - | - | - | (312) | - | (339) | (651) |
| Adjustment on revaluation | (28) | (290) | (588) | - | - | - | - | (906) |
| Accumulated depreciation | - | - | - | 4,013 | 972 | 216 | 803 | 6,004 |
| Accumulated impairment loss | - | - | - | - | - | - | - | - |
| At 31 August 2012/ 1 September 2012 | - | - | - | 4,013 | 972 | 216 | 803 | 6,004 |
| Depreciation for the financial year | 4 | 215 | 339 | 1,053 | 146 | 7 | 152 | 1,916 |
| Disposals | - | - | - | (586) | - | - | - | (586) |
| Accumulated depreciation | 4 | 215 | 339 | 4,480 | 1,118 | 223 | 955 | 7,334 |
| Accumulated impairment loss | - | - | - | - | - | - | - | - |
| At 31 August 2013 | 4 | 215 | 339 | 4,480 | 1,118 | 223 | 955 | 7,334 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)
### 6.2.5 Property, plant and equipment (continued)

| | Condominiums RM'000 | Leasehold land RM'000 | Buildings RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Renovation RM'000 | Computers RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| ***Depreciation and impairment loss (continued)*** | | | | | | | | |
| At 1 September 2013 | 4 | 215 | 339 | 4,480 | 1,118 | 223 | 955 | 7,334 |
| Depreciation for the financial period | 2 | 108 | 169 | 605 | 72 | 5 | 65 | 1,026 |
| Accumulated depreciation | 6 | 323 | 508 | 5,085 | 1,190 | 228 | 1,020 | 8,360 |
| Accumulated impairment loss | - | - | - | - | - | - | - | - |
| At 28 February 2014 | 6 | 323 | 508 | 5,085 | 1,190 | 228 | 1,020 | 8,360 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)
### 6.2.5 Property, plant and equipment (continued)

| | 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 |
|---|---|---|---|---|---|---|---|---|
| *Carrying amounts* | | | | | | | | |
| At 31 August 2010/ 1 September 2010 | 280 | 7,400 | 12,045 | 1,302 | 599 | 66 | 193 | 21,885 |
| At 31 August 2011/ 1 September 2011 | 276 | 7,255 | 11,751 | 2,910 | 676 | 59 | 262 | 23,189 |
| At 31 August 2012/ 1 September 2012 | 298 | 10,550 | 13,550 | 3,336 | 572 | 52 | 233 | 28,591 |
| At 31 August 2013/ 1 September 2013 | 294 | 10,335 | 13,211 | 3,399 | 491 | 45 | 248 | 28,023 |
| 28 February 2014 | 292 | 10,227 | 13,042 | 3,257 | 589 | 40 | 203 | 27,650 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.5 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 Sasbadi Group. The lease period of the leasehold land expires on 21 November 2061.

***Revaluation***

The condominiums, leasehold land and buildings are stated at Directors' valuation which is supported by the professional valuation done in December 2012 by an external independent valuation company, City Valuers & Consultants Sdn. Bhd. on the open market basis.

Had the leasehold land, condominiums 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/period are as follows:

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| Leasehold land | 2,435 | 2,388 | 2,342 | 2,296 | 2,271 |
| Condominiums | 288 | 279 | 270 | 261 | 256 |
| Buildings | 7,498 | 7,320 | 7,142 | 6,964 | 6,874 |
| | 10,221 | 9,987 | 9,754 | 9,521 | 9,401 |

***Finance lease liabilities***

Included in property, plant and equipment are motor vehicles acquired under finance lease arrangements with an aggregate carrying amount of RM1,054,000 (31 August 2013: RM1,239,000; 31 August 2012: RM1,570,000; 31 August 2011: RM1,429,000; 31 August 2010: RM569,000).

***Security***

Land and buildings with an aggregate carrying amount of RM23,269,000 (31 August 2013: RM23,630,000; 31 August 2012: RM24,185,000; 31 August 2011: RM19,086,000; 31 August 2010: RM19,525,000) were charged to banks as security for term loans (see Section 6.2.12) and banking facilities granted to Sasbadi Group.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.5 Property, plant and equipment (continued)

**Fair value information**
Fair value of properties are categorised as follows:

| 28 February 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Group** | | | | |
| Leasehold land | - | - | 10,227 | 10,227 |
| Condominiums | - | - | 292 | 292 |
| Buildings | - | - | 13,042 | 13,042 |
| | - | - | 23,561 | 23,561 |

**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 properties 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 property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

**Transfer between Level 1 and 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial period ended 28 February 2014.

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the property.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.5 Property, plant and equipment (continued)

**Fair value information (continued)**

**Level 3 fair value (continued)**

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

| Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity. | Recent transactions of similar properties at or near reporting date with similar land usage, land size and location.<br><br>The characteristics, merits and disadvantages of these properties are noted and diligent adjustments thereof are then made by valuer to reflect the differences and to arrive at the value of the property. | The estimated fair value would increase (decrease) if recent transactions of similar properties at or near reporting date with similar land usage, land size and location were higher (lower). |

**Valuation processes applied by the Group for Level 3 fair value**

The fair values of properties are determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the locations and categories of properties being valued. Changes in Level 3 fair values are analysed by the management every 4 to 5 years, or at shorter intervals if the fair values of the properties are expected to differ materially from their carrying values, after obtaining valuation report from the valuation company.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.6 Intangible assets

| | Note | Intellectual properties RM' 000 |
|---|---|---|
| **Cost** | | |
| At 1 September 2009/ 31 August 2010/ 31 August 2011/ 31 August 2012/ 31 August 2013/ | | - |
| Additions | 6.2.6.1 | 5,500 |
| At 28 February 2014 | | 5,500 |
| **Amortisation and impairment loss** | | |
| At 1 September 2009/ 31 August 2010/ 31 August 2011/ 31 August 2012/ 31 August 2013/ | | - |
| Amortisation for the period | 6.2.6.1 | 275 |
| At 28 February 2014 | | 275 |
| **Carrying amount** | | |
| At 1 September 2009/ 31 August 2010/ 31 August 2011/ 31 August 2012/ 31 August 2013 | | - |
| At 28 February 2014 | | 5,225 |

#### *6.2.6.1 Intellectual properties*

The carrying amount of intellectual properties represents the acquisition of the publishing rights and production files from Pearson Malaysia Sdn. Bhd. Sasbadi Group has amortised the intellectual properties over 10 years as the management estimates that the intellectual properties can be used for commercial activities for a duration of 10 years.

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.7 Inventories

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| Raw materials | 3,958 | 3,295 | 6,075 | 2,367 | 1,842 |
| Finished goods | 9,764 | 14,368 | 15,417 | 12,666 | 14,110 |
| | 13,722 | 17,663 | 21,492 | 15,033 | 15,952 |
| *Recognised in profit or loss:* | | | | | |
| Inventories recognised as cost of sales | 18,820 | 22,713 | 25,261 | 32,127 | 18,569 |
| Write-down to net realisable value | - | - | - | 1,001 | - |
| Reversal of write-down | (1,959) | (854) | (46) | - | (541) |

*Reversal of write-down*

The reversal of write-down amounting to RM1,959,000 for the financial year ended 31 August 2010 was mainly due to the changes in the Directors' estimation on the shelf life for revision books and reference materials from 2 years to 3 years.

### 6.2.8 Trade and other receivables, and other assets

| | Section | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|---|
| **Trade** | | | | | | |
| Trade receivables | 6.2.8.1 | 11,198 | 12,952 | 12,581 | 19,367 | 34,473 |
| Less: Allowance for impairment losses | 6.2.8.2 | (642) | (734) | (118) | (226) | (424) |
| | | 10,556 | 12,218 | 12,463 | 19,141 | 34,049 |
| **Non-trade** | | | | | | |
| Other receivables and deposits | 6.2.8.3 | 3,958 | 161 | 317 | 1,859 | 1,524 |
| | | 14,514 | 12,379 | 12,780 | 21,000 | 35,573 |

**6.2.8.1** Included in trade receivables of the Group as at 31 August 2013 was RM2,791,000 respectively due from a company controlled by a close family member of a Director of the Company. During the period under review, the close family member of the Director ceased to have control in the company.

**6.2.8.2** During the financial year, trade receivables amounting to Nil (2013: Nil; 2012: RM618,000; 2011: Nil; 2010: Nil) have been written off against the allowance for impairment losses.

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.8 Trade and other receivables, and other assets (continued)

**6.2.8.3** Included in other receivables and deposits were :

(i) amounts due from Directors of Nil (31 August 2013: Nil; 31 August 2012: Nil; 31 August 2011: RM24,000; 31 August 2010: RM3,735,000). The amounts due from Directors were unsecured, interest free and repayable on demand.

(ii) RM1,100,000 (31 August 2013: RM1,032,000; 31 August 2012: Nil; 31 August 2011: Nil; 31 August 2010: Nil) due from a company with common Directors.

### 6.2.9 Prepayments

Included in prepayments as at 31 August 2012 were royalties amounted to RM1,490,000 paid in advance to Yayasan Guru Malaysia Berhad for the license to reprint, distribute, market and sell past year examination papers of UPSR, PMR, STAM and SPM. There were no prepayments of the same nature in the other financial years/period under review.

### 6.2.10 Cash and cash equivalents

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| Cash and bank balances | 3,639 | 3,537 | 2,456 | 6,977 | 17,641 |
| Deposit placed with a licensed bank | 85 | - | 39 | 39 | 39 |
| Liquid investments | 8,380 | 8,074 | 10,039 | 5,028 | - |
| | 12,104 | 11,611 | 12,534 | 12,044 | 17,680 |

The Directors regard liquid investments as cash and cash equivalents when they are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in fair value.

### 6.2.11 Capital and reserves

#### 6.2.11.1 Share capital

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| Authorised: | | | | | |
| Ordinary shares of RM1 each | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Issued and fully paid: | | | | | |
| Ordinary shares of RM1 each | | | | | |
| At beginning of year/period | 2,000 | 2,000 | 2,400 | 2,400 | 2,400 |
| Issued during the financial year | - | 400 | - | - | - |
| At end of year/period | 2,000 | 2,400 | 2,400 | 2,400 | 2,400 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.11 Capital and reserves (continued)

#### 6.2.11.1 Share capital (continued)

**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 Sasbadi.

In the financial year ended 31 August 2011, Sasbadi issued 400,000 new ordinary shares of RM1 each for cash at par for working capital purposes.

#### 6.2.11.2 Revaluation reserve

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

#### 6.2.11.3 Retained earnings

The Finance Act 2007 introduced a single tier company income tax system with effect from 1 January 2008. The remaining Section 108 tax credit available to Sasbadi has lapsed upon expiry of the six-year transitional period on 31 December 2013.

### 6.2.12 Borrowings

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| **Non current** | | | | | |
| Finance lease liabilities | 68 | 324 | 546 | 297 | 247 |
| Term loans - secured | 20 | - | - | - | - |
| | 88 | 324 | 546 | 297 | 247 |
| **Current** | | | | | |
| Finance lease liabilities | 182 | 233 | 266 | 249 | 165 |
| Term loans - secured | 61 | 21 | - | - | - |
| Bankers' acceptances - secured | - | - | - | - | 730 |
| Bank overdraft - secured | - | - | - | - | 8,049 |
| | 243 | 254 | 266 | 249 | 8,944 |
| | 331 | 578 | 812 | 546 | 9,191 |

**Security**:

The term loans, bankers' acceptances and bank overdraft facility are secured by:-
(a) Charge over the land and buildings (see Section 6.2.5); and
(b) Joint and several guarantees by the Directors.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.12 Borrowings (continued)

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

| | Future minimum lease payments RM'000 | Interest RM'000 | Present value of minimum lease payments RM'000 |
|---|---|---|---|
| **31.8.2010** | | | |
| Less than one year | 193 | (11) | 182 |
| Between one and five years | 82 | (14) | 68 |
| | 275 | (25) | 250 |
| **31.8.2011** | | | |
| Less than one year | 256 | (23) | 233 |
| Between one and five years | 349 | (25) | 324 |
| | 605 | (48) | 557 |
| **31.8.2012** | | | |
| Less than one year | 291 | (25) | 266 |
| Between one and five years | 605 | (59) | 546 |
| | 896 | (84) | 812 |
| **31.8.2013** | | | |
| Less than one year | 273 | (24) | 249 |
| Between one and five years | 332 | (35) | 297 |
| | 605 | (59) | 546 |
| **28.2.2014** | | | |
| Less than one year | 183 | (18) | 165 |
| Between one and five years | 276 | (29) | 247 |
| | 459 | (47) | 412 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.13 Deferred tax liabilities

**Recognised deferred tax liabilities**

Deferred tax liabilities are attributable to the following:

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| **Property, plant and equipment** | | | | | |
| - Capital allowance | 225 | 208 | 150 | 410 | 339 |
| - Revaluation | 2,308 | 2,309 | 3,661 | 3,630 | 3,586 |
| Provisions | - | - | - | - | (950) |
| | 2,533 | 2,517 | 3,811 | 4,040 | 2,975 |

Movement in temporary differences during the financial years/period:

| | | <----------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|---|
| | Section | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| Property, plant and equipment - Capital allowance | | | | | | |
| At beginning of year/period | | 119 | 225 | 208 | 150 | 410 |
| Recognised in profit or loss | | 106 | (17) | (58) | 260 | (71) |
| At end of year/period | | 225 | 208 | 150 | 410 | 339 |
| Property, plant and equipment - Revaluation | | | | | | |
| At beginning of year/period | | 938 | 2,308 | 2,309 | 3,661 | 3,630 |
| Recognised in profit or loss | | (20) | 1 | (39) | (31) | (44) |
| Recognised directly in equity | 6.2.17 | 1,390 | - | 1,391 | - | - |
| At end of year/period | | 2,308 | 2,309 | 3,661 | 3,630 | 3,586 |
| Provisions | | | | | | |
| At beginning of year/period | | - | - | - | - | - |
| Recognised in profit or loss | | - | - | - | - | (950) |
| At end of year/period | | - | - | - | - | (950) |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.13 Deferred tax liabilities (continued)

**Unrecognised deferred tax assets**

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

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| Unutilised tax losses | - | 629 | 575 | 779 | 914 |
| Property, plant and equipment | - | 5 | (5) | (54) | (62) |
| Other deductible temporary differences | - | - | - | 81 | 110 |
| | - | 634 | 570 | 806 | 962 |

The unutilised tax losses and deductible temporary differences of subsidiaries do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is uncertain if future taxable profit will be available against which the subsidiaries can utilise the benefits.

### 6.2.14 Trade and other payables

| | Section | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|---|
| **Trade** | | | | | | |
| Trade payables | | 2,303 | 4,948 | 1,981 | 2,009 | 4,976 |
| **Non-trade** | | | | | | |
| Other payables and accrued expenses | 6.2.14.1 | 3,229 | 4,422 | 3,938 | 4,524 | 6,510 |
| | | 5,532 | 9,370 | 5,919 | 6,533 | 11,486 |

**6.2.14.1** Included in other payables and accrued expenses of the Group are accrued royalties expenses of RM5,552,000 (31 August 2013: RM3,426,000; 31 August 2012: RM3,176,000; 31 August 2011: RM3,582,000; 31 August 2010: RM2,696,000).

Included in other payables and accrued expenses of the Group at 31 August 2013 were amounts due to Directors of RM227,000.

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.15 Provisions

In the previous financial year, the Group has set up 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.

| | RM'000 |
|---|---|
| **Sales returns** | |
| At 1 September 2009/ 31 August 2010/ 31 August 2011/ 31 August 2012 | - |
| Provisions made during the year | 1,061 |
| At 31 August 2013/ 1 September 2013 | 1,061 |
| Provisions made during the period | 3,088 |
| At 28 February 2014 | 4,149 |

### 6.2.16 Profit for the financial year/period

| | <--------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|
| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| **Profit for the financial year/period is arrived at after charging:** | | | | | |
| Auditors' remuneration | | | | | |
| Audit services | | | | | |
| Auditors of Sasbadi | 35 | 60 | 90 | 90 | 93 |
| Other auditors | 2 | 2 | 3 | 3 | 4 |
| Amortisation of intangible assets | - | - | - | - | 275 |
| Depreciation on property, plant and equipment | 1,184 | 1,355 | 1,618 | 1,916 | 1,026 |
| Impairment loss on: | | | | | |
| - Goodwill | - | - | 20 | - | - |
| - Property, plant and equipment | 20 | - | - | - | - |
| - Trade receivables | 80 | 92 | 9 | 130 | 198 |
| Inventories write down | - | - | - | 1,001 | - |
| Personnel expenses (including key management personnel): | | | | | |
| - Contribution to Employees Provident Fund | 881 | 1,034 | 1,222 | 1,322 | 850 |
| - Wages, salaries and others | 8,267 | 9,652 | 10,106 | 11,896 | 7,513 |
| Provision for sales returns | - | - | - | 1,061 | 3,088 |
| Rental of hostel and warehouse | 139 | 149 | 155 | - | - |
| Realised foreign exchange loss | - | - | 78 | 63 | 39 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.16 Profit for the financial year/period (continued)

| | <---------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|
| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| **and after crediting:** | | | | | |
| Interest income | 177 | 223 | 92 | 173 | 55 |
| Gain on disposal of property, plant and equipment | 32 | 72 | 533 | 131 | - |
| Reversal of impairment loss on trade receivables | - | - | 7 | 22 | - |
| Reversal of inventories written down | 1,959 | 854 | 46 | - | 541 |

### 6.2.17 Other comprehensive income

| | Before tax RM'000 | Tax expense RM'000 | Net of tax RM'000 |
|---|---|---|---|
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| **Financial year ended 31 August 2010** | | | |
| Revaluation of property, plant and equipment | 5,562 | (1,390) | 4,172 |
| **Financial year ended 31 August 2011** | | | |
| Revaluation of property, plant and equipment | - | - | - |
| **Financial year ended 31 August 2012** | | | |
| Revaluation of property, plant and equipment | 5,559 | (1,391) | 4,168 |
| **Financial year ended 31 August 2013** | | | |
| Revaluation of property, plant and equipment | - | - | - |
| **6 months period ended 28 February 2014** | | | |
| Revaluation of property, plant and equipment | - | - | - |

### 6.2.18 Key management personnel compensation

| | <----------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|
| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| Directors' remuneration: | | | | | |
| - Fees | 200 | 200 | 200 | 218 | 230 |
| - Other emoluments | 1,289 | 1,060 | 1,047 | 1,437 | 1,362 |
| | 1,489 | 1,260 | 1,247 | 1,655 | 1,592 |

The estimated monetary value of Directors' benefit-in-kind of the Group and of the Company are RM39,000 (2013: RM78,000; 2012:RM76,000; 2011: RM80,000; 2010: RM80,000).

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.19 Income tax expense

| | <----------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|
| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| **Recognised in profit or loss** | | | | | |
| Current tax expense | | | | | |
| - current year | 2,194 | 3,580 | 4,148 | 4,941 | 3,696 |
| - (over)/under provision in prior years | (104) | (98) | (45) | (261) | 275 |
| | 2,090 | 3,482 | 4,103 | 4,680 | 3,971 |
| Deferred tax expense | | | | | |
| - Origination and reversal of temporary differences | 24 | (55) | (181) | (1) | (754) |
| - Under/(over) provision in prior years | 82 | 38 | 123 | 261 | (267) |
| Crystallisation of deferred tax liability on revaluation surplus of properties | (20) | 1 | (39) | (31) | (44) |
| | 86 | (16) | (97) | 229 | (1,065) |
| | 2,176 | 3,466 | 4,006 | 4,909 | 2,906 |
| Reconciliation of effective tax expense: | | | | | |
| Profit before tax | 8,246 | 12,942 | 14,898 | 18,526 | 11,029 |
| Income tax using Malaysian tax rate of 25% | 2,061 | 3,236 | 3,725 | 4,632 | 2,757 |
| Effect of lower tax rate* | (25) | (37) | (31) | (50) | (38) |
| Non-deductible expenses | 183 | 215 | 289 | 299 | 184 |
| Effect of deferred tax assets not recognised | - | 111 | - | 59 | 39 |
| Utilisation of deferred tax assets not recognised | - | - | (16) | - | - |
| | 2,219 | 3,525 | 3,967 | 4,940 | 2,942 |
| Crystallisation of deferred tax liability on revaluation surplus of properties | (21) | 1 | (39) | (31) | (44) |
| (Over)/Under provision in prior years | (22) | (60) | 78 | - | 8 |
| Income tax expense | 2,176 | 3,466 | 4,006 | 4,909 | 2,906 |

* 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.

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.20 Dividends

Dividends recognised are:

| | RM per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| **2010** | | | |
| Interim 2010 (single tier) | 5.75 | 11,500 | 23 July 2010* |
| **2011** | | | |
| Interim 2011 (single tier) | 5.10 | 12,240 | 23 July 2011* |
| **2012** | | | |
| First interim 2012 (single tier) | 0.65 | 1,560 | 23 July 2012* |
| Second interim 2012 (net of tax) | 0.21 | 500 | 6 December 2012^ |
| Third interim 2012 (net of tax) | 2.08 | 5,000 | 14 January 2013^ |
| Fourth interim 2012 (net of tax) | 4.43 | 10,625 | 26 March 2013^ |
| | | 17,685 | |

* These are single tier dividends paid in specie by way of offsetting against the advances to the Directors.

^ These are dividends declared but not yet paid as at 31 August 2012.

Dividends declared and paid after 28 February 2014 are as follows:

| | RM per share | Total amount RM'000 | Date of payment |
|---|---|---|---|
| First interim 2014 (single tier) | 1.04 | 2,500 | 3 April 2014 |
| Second interim 2014 (single tier) | 2.50 | 6,000 | 16 May 2014 |
| | | 8,500 | |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments

Sasbadi Group's reportable segments are organised in accordance with the Group entities, which are the Group's strategic business units. The strategic business units offer products to different markets and are managed separately because they require different 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 Section 4.1.

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 is 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/period to acquire property, plant and equipment, and intangible assets other than goodwill.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

| | Sasbadi Sdn. Bhd. RM'000 | Sasbadi Online Sdn. Bhd. RM'000 | Orbit Buku Sdn. Bhd. RM'000 | Maya Press Sdn. Bhd. RM'000 | Malaysian Book Promotions Sdn. Bhd. RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 August 2010** | | | | | | |
| **Segment profit/(loss)** | 9,387 | - | (1) | (2) | (5) | 9,379 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| Revenue from external customers | 47,012 | - | - | - | - | 47,012 |
| Not included in the measure of segment profit but provided to Group Managing Director: | | | | | | |
| Depreciation and amortisation | (1,184) | - | - | - | - | (1,184) |
| Finance costs | (126) | - | - | - | - | (126) |
| Income tax expense | (2,176) | - | - | - | - | (2,176) |
| Interest income | 177 | - | - | - | - | 177 |
| **Segmental assets** | 64,275 | - | 1 | 2 | 89 | 64,367 |
| Included in the measure of segment assets are: | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 604 | - | - | - | - | 604 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

| | Sasbadi Sdn. Bhd. RM'000 | Sasbadi Online Sdn. Bhd. RM'000 | Orbit Buku Sdn. Bhd. RM'000 | Maya Press Sdn. Bhd. RM'000 | Malaysian Book Promotions Sdn. Bhd. RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 August 2011** | | | | | | |
| **Segment profit/(loss)** | 14,449 | 240 | (560) | (2) | (3) | 14,124 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| Revenue from external customers | 59,275 | 611 | 75 | - | - | 59,961 |
| Inter-company revenue | 28 | 3 | 33 | - | - | 64 |
| Not included in the measure of segment profit but provided to Group Managing Director: | | | | | | |
| Depreciation and amortisation | (1,355) | - | - | - | - | (1,355) |
| Finance costs | (49) | - | - | - | - | (49) |
| Income tax expense | (3,466) | - | - | - | - | (3,466) |
| Interest income | 223 | - | - | - | - | 223 |
| **Segmental assets** | 64,139 | 2,544 | 963 | 2 | 92 | 67,740 |
| Included in the measure of segment assets are: | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 2,709 | - | 7 | - | - | 2,716 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

| | Sasbadi Sdn. Bhd. RM'000 | Sasbadi Online Sdn. Bhd. RM'000 | Orbit Buku Sdn. Bhd. RM'000 | Maya Press Sdn. Bhd. RM'000 | Malaysian Book Promotions Sdn. Bhd. RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 August 2012** | | | | | | |
| **Segment profit/(loss)** | 16,369 | 82 | 53 | (4) | (4) | 16,496 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| Revenue from external customers | 62,535 | 1,135 | 1,151 | - | - | 64,821 |
| Inter-company revenue | 160 | 29 | 29 | - | - | 218 |
| Not included in the measure of segment profit but provided to Group Managing Director: | | | | | | |
| Depreciation and amortisation | (1,618) | - | - | - | - | (1,618) |
| Finance costs | (59) | - | - | - | - | (59) |
| Income tax expense | (3,991) | (15) | - | - | - | (4,006) |
| Interest income | 92 | - | - | - | - | 92 |
| **Segmental assets** | 76,932 | 2,904 | 1,348 | 23 | 81 | 81,288 |
| Included in the measure of segment assets are: | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 1,485 | - | 1 | - | - | 1,486 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

| | Sasbadi Sdn. Bhd. RM'000 | Sasbadi Online Sdn. Bhd. RM'000 | Orbit Buku Sdn. Bhd. RM'000 | Maya Press Sdn. Bhd. RM'000 | Malaysian Book Promotions Sdn. Bhd. RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 August 2013** | | | | | | |
| **Segment profit/(loss)** | 17,574 | 3,092 | (309) | (4) | (1) | 20,352 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| Revenue from external customers | 71,744 | 5,755 | 465 | - | - | 77,964 |
| Inter-company revenue | 36 | 33 | 5 | - | - | 74 |
| Not included in the measure of segment profit but provided to Group Managing Director: | | | | | | |
| Depreciation and amortisation | (1,897) | (18) | (1) | - | - | (1,916) |
| Finance costs | (74) | - | - | | - | (74) |
| Income tax expense | (4,153) | (756) | - | | - | (4,909) |
| Interest income | 173 | - | - | - | - | 173 |
| **Segmental assets** | 74,208 | 7,066 | 960 | 2 | 70 | 82,306 |
| Included in the measure of segment assets are: | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 1,161 | 187 | - | - | - | 1,348 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

| | Sashadi Sdn. Bhd. RM'000 | Sasbadi Online Sdn. Bhd. RM'000 | Orbit Buku Sdn. Bhd. RM'000 | Maya Press Sdn. Bhd. RM'000 | Malaysian Book Promotions Sdn. Bhd. RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **6 months ended 28 February 2014** | | | | | | |
| **Segment profit/(loss)** | 10,554 | (479) | 261 | (3) | 2,112 | 12,445 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| Revenue from external customers | 39,031 | 97 | 816 | - | 4,048 | 43,992 |
| Inter-company revenue | 955 | - | 1 | - | 184 | 1,140 |
| Not included in the measure of segment profit but provided to Group Managing Director: | | | | | | |
| Depreciation and amortisation | (1,281) | (20) | - | - | - | (1,301) |
| Finance costs | (170) | - | - | - | - | (170) |
| Income tax expense | (2,305) | (53) | - | - | (548) | (2,906) |
| Interest income | 55 | - | - | - | - | 55 |
| **Segmental assets** | 99,242 | 5,132 | 1,727 | 2 | 5,214 | 111,317 |
| Included in the measure of segment assets are: | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 6,142 | 11 | - | - | - | 6,153 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

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

| | <----------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|
| | 31.8.2010 | 31.8.2011 | 31.8.2012 | 31.8.2013 | 28.2.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Profit or loss** | | | | | |
| Total profit or loss for reportable segments | 9,379 | 14,124 | 16,496 | 20,352 | 12,445 |
| Elimination of inter-segment profits | - | (1) | (13) | (9) | - |
| Depreciation and amortisation | (1,184) | (1,355) | (1,618) | (1,916) | (1,301) |
| Finance costs | (126) | (49) | (59) | (74) | (170) |
| Interest income | 177 | 223 | 92 | 173 | 55 |
| Consolidated profit before tax | 8,246 | 12,942 | 14,898 | 18,526 | 11,029 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

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

| | External revenue RM'000 | Depreciation and amortisation RM'000 | Finance costs RM'000 | Interest income RM'000 | Segment assets RM'000 | Additions to non-current assets RM'000 |
|---|---|---|---|---|---|---|
| **As at /Financial year ended 31 August 2010** | | | | | | |
| **Total reportable segments** | 47,012 | (1,184) | (126) | 177 | 64,367 | 604 |
| Elimination of inter-segment transactions or balances | - | - | - | - | (95) | - |
| **Consolidated total** | 47,012 | (1,184) | (126) | 177 | 64,272 | 604 |
| **As at /Financial year ended 31 August 2011** | | | | | | |
| **Total reportable segments** | 60,025 | (1,355) | (49) | 223 | 67,740 | 2,716 |
| Elimination of inter-segment transactions or balances | (64) | - | - | - | (1,715) | - |
| **Consolidated total** | 59,961 | (1,355) | (49) | 223 | 66,025 | 2,716 |
| **As at /Financial year ended 31 August 2012** | | | | | | |
| **Total reportable segments** | 65,039 | (1,618) | (59) | 92 | 81,288 | 1,486 |
| Elimination of inter-segment transactions or balances | (218) | - | - | - | (3,718) | - |
| **Consolidated total** | 64,821 | (1,618) | (59) | 92 | 77,570 | 1,486 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

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

| | External revenue RM'000 | Depreciation and amortisation RM'000 | Finance costs RM'000 | Interest income RM'000 | Segment assets RM'000 | Additions to non-current assets RM'000 |
|---|---|---|---|---|---|---|
| **As at /Financial year ended 31 August 2013** | | | | | | |
| **Total reportable segments** | 78,038 | (1,916) | (74) | 173 | 82,306 | 1,348 |
| Elimination of inter-segment transactions or balances | (74) | - | - | - | (5,431) | - |
| **Consolidated total** | 77,964 | (1,916) | (74) | 173 | 76,875 | 1,348 |
| **As at /Financial period ended 28 February 2014** | | | | | | |
| **Total reportable segments** | 45,132 | (1,301) | (170) | 55 | 111,317 | 6,153 |
| Elimination of inter-segment transactions or balances | (1,140) | - | - | - | (8,418) | - |
| **Consolidated total** | 43,992 | (1,301) | (170) | 55 | 102,899 | 6,153 |

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.21 Operating segments (continued)

**Geographic segments**

Sasbadi Group operates primarily in Malaysia and as such, no geographical segment disclosures are made.

**Major customers**

Sasbadi Group has a major customer, with revenue generated for the financial period ended 28 February 2014 amounting to RM3,550,000 (2013: RM8,057,000; 2012: RM6,672,000; 2011: RM5,610,000; 2010: RM4,367,000).

### 6.2.22 Financial instruments

#### 6.2.22.1 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 |
|---|---|---|---|
| **31.8.2010** | | | |
| **Financial assets** | | | |
| Other investments | 37 | - | 37 |
| Trade and other receivables, and other assets | 14,514 | 14,514 | - |
| Cash and cash equivalents | 12,104 | 12,104 | - |
| | 26,655 | 26,618 | 37 |
| **Financial liabilities** | | | |
| Borrowings | (331) | (331) | - |
| Trade and other payables | (5,532) | (5,532) | - |
| | (5,863) | (5,863) | - |
| **31.8.2011** | | | |
| **Financial assets** | | | |
| Other investments | 37 | - | 37 |
| Trade and other receivables, and other assets | 12,379 | 12,379 | - |
| Cash and cash equivalents | 11,611 | 11,611 | - |
| | 24,027 | 23,990 | 37 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.1 Categories of financial instruments (continued)

| | Carrying amount RM'000 | L&R/ (FL) RM'000 | AFS RM'000 |
|---|---|---|---|
| **31.8.2011** | | | |
| **Financial liabilities** | | | |
| Borrowings | (578) | (578) | - |
| Trade and other payables | (9,370) | (9,370) | - |
| | (9,948) | (9,948) | - |
| **31.8.2012** | | | |
| **Financial assets** | | | |
| Other investments | 37 | - | 37 |
| Trade and other receivables, and other assets | 12,780 | 12,780 | - |
| Cash and cash equivalents | 12,534 | 12,534 | - |
| | 25,351 | 25,314 | 37 |
| **Financial liabilities** | | | |
| Borrowings | (812) | (812) | - |
| Trade and other payables | (5,919) | (5,919) | - |
| Dividends payable | (16,125) | (16,125) | - |
| | (22,856) | (22,856) | - |
| **31.8.2013** | | | |
| **Financial assets** | | | |
| Other investments | 37 | - | 37 |
| Trade and other receivables, and other assets | 21,000 | 21,000 | - |
| Cash and cash equivalents | 12,044 | 12,044 | - |
| | 33,081 | 33,044 | 37 |
| **Financial liabilities** | | | |
| Borrowings | (546) | (546) | - |
| Trade and other payables | (6,533) | (6,533) | - |
| | (7,079) | (7,079) | - |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.1 Categories of financial instruments (continued)

| | Carrying amount RM'000 | L&R/ (FL) RM'000 | AFS RM'000 |
|---|---|---|---|
| **28.2.2014** | | | |
| **Financial assets** | | | |
| Other investments | 37 | - | 37 |
| Trade and other receivables, and other assets | 35,573 | 35,573 | - |
| Cash and cash equivalents | 17,680 | 17,680 | - |
| | 53,290 | 53,253 | 37 |
| **Financial liabilities** | | | |
| Borrowings | (9,191) | (9,191) | - |
| Trade and other payables | (11,486) | (11,486) | - |
| | (20,677) | (20,677) | - |

#### 6.2.22.2 Net gains and losses arising from financial instruments

| | <----------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|
| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| Net gain/(loss) on: | | | | | |
| Loans and receivables | 97 | 131 | 90 | 65 | (143) |
| Financial liabilities measured at amortised cost | (126) | (49) | (137) | (137) | (209) |
| | (29) | 82 | (47) | (72) | (352) |

#### 6.2.22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

#### 6.2.22.4 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.

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.4 Credit risk (continued)

##### 6.2.22.4.1 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.

*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 60 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 profiles of trade receivables as at the end of the reporting period were:

| | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **31.8.2010** | | | |
| Not past due | 3,129 | - | 3,129 |
| Past due 1 – 30 days | 1,813 | - | 1,813 |
| Past due 31 – 120 days | 4,232 | - | 4,232 |
| Past due more than 120 days | 2,024 | (642) | 1,382 |
| | 11,198 | (642) | 10,556 |
| **31.8.2011** | | | |
| Not past due | 3,851 | - | 3,851 |
| Past due 1 – 30 days | 1,251 | - | 1,251 |
| Past due 31 – 120 days | 5,951 | - | 5,951 |
| Past due more than 120 days | 1,899 | (734) | 1,165 |
| | 12,952 | (734) | 12,218 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.4.1 Receivables (continued)

*Impairment losses (continued)*

| | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **31.8.2012** | | | |
| Not past due | 3,904 | - | 3,904 |
| Past due 1 – 30 days | 2,654 | - | 2,654 |
| Past due 31 – 120 days | 4,630 | - | 4,630 |
| Past due more than 120 days | 1,393 | (118) | 1,275 |
| | 12,581 | (118) | 12,463 |
| **31.8.2013** | | | |
| Not past due | 5,579 | - | 5,579 |
| Past due 1 – 30 days | 1,905 | - | 1,905 |
| Past due 31 – 120 days | 7,684 | - | 7,684 |
| Past due more than 120 days | 4,199 | (226) | 3,973 |
| | 19,367 | (226) | 19,141 |
| **28.2.2014** | | | |
| Not past due | 17,745 | - | 17,745 |
| Past due 1 – 30 days | 11,160 | - | 11,160 |
| Past due 31 – 120 days | 2,543 | - | 2,543 |
| Past due more than 120 days | 3,025 | (424) | 2,601 |
| | 34,473 | (424) | 34,049 |

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

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| At 1 September 2009/2010/ 2011/2012/2013 | 562 | 642 | 734 | 118 | 226 |
| Impairment loss recognised | 80 | 92 | 9 | 130 | 198 |
| Impairment loss reversed | - | - | (7) | (22) | - |
| Impairment loss written off | - | - | (618) | - | - |
| At 31 August 2010/2011/2012 /2013/ 28 February 2014 | 642 | 734 | 118 | 226 | 424 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.4.1 Receivables (continued)

*Impairment losses (continued)*

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

#### 6.2.22.4.2 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 Sasbadi Group. Transactions involving derivative financial instruments, if any, are with approved financial institutions.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, Sasbadi Group has only invested in money market fund. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The investments and other financial assets are unsecured.

#### 6.2.22.5 Liquidity risk

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

Sasbadi Group maintains a level of cash and cash equivalents and bank 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.

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.5 Liquidity Risk (continued)

*Maturity analysis*

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

| | Carrying amount RM'000 | Contractual interest rate/ coupon % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 5 years RM'000 |
|---|---|---|---|---|---|
| **31.8.2010** | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Term loans | 81 | 7.55-8.05 | 85 | 63 | 22 |
| Finance lease liabilities | 250 | 5.82-7.09 | 275 | 193 | 82 |
| Trade and other payables | 5,532 | - | 5,532 | 5,532 | - |
| | 5,863 | | 5,892 | 5,788 | 104 |
| **31.8.2011** | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Term loans | 21 | 8.35 | 22 | 22 | - |
| Finance lease liabilities | 557 | 4.82-7.09 | 605 | 256 | 349 |
| Trade and other payables | 9,370 | - | 9,370 | 9,370 | - |
| | 9,948 | | 9,997 | 9,648 | 349 |
| **31.8.2012** | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Finance lease liabilities | 812 | 4.43-5.58 | 896 | 291 | 605 |
| Trade and other payables | 5,919 | - | 5,919 | 5,919 | - |
| Dividends payable | 16,125 | - | 16,125 | 16,125 | - |
| | 22,856 | | 22,940 | 22,335 | 605 |
| **31.8.2013** | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Finance lease liabilities | 546 | 4.43-5.58 | 605 | 273 | 332 |
| Trade and other payables | 6,533 | - | 6,533 | 6,533 | - |
| | 7,079 | | 7,138 | 6,806 | 332 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.5 Liquidity risk (continued)

| | Carrying amount RM'000 | Contractual interest rate/ coupon % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 5 years RM'000 |
|---|---|---|---|---|---|
| **28.2.2014** | | | | | |
| *Non-derivative financial liabilities* | | | | | |
| Finance lease liabilities | 412 | 4.43-5.58 | 459 | 183 | 276 |
| Trade and other payables | 11,486 | - | 11,486 | 11,486 | - |
| Bankers' acceptances | 730 | - | 730 | 730 | - |
| Bank overdraft | 8,049 | 8.1 | 8,701 | 8,701 | - |
| | 20,677 | | 21,376 | 21,100 | 276 |

#### 6.2.22.6 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.

#### 6.2.22.6.1 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.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.6.1 Currency risk (continued)

*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:

| | Denominated in *USD* | | | | |
|---|---|---|---|---|---|
| | **31.8.2010** | **31.8.2011** | **31.8.2012** | **31.8.2013** | **28.2.2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Trade payables | 33 | 16 | 135 | 689 | 1,118 |
| **Exposure in statement of financial position** | 33 | 16 | 135 | 689 | 1,118 |

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

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.6.2 Interest rate risk

Sasbadi Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value 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*

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

| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
|---|---|---|---|---|---|
| **Floating rate instruments** | | | | | |
| Liquid investments | 8,380 | 8,074 | 10,039 | 5,028 | - |
| Term loans | (81) | (21) | - | - | - |
| Bank overdraft – secured | - | - | - | - | (8,049) |
| | 8,299 | 8,053 | 10,039 | 5,028 | (8,049) |
| **Fixed rate instruments** | | | | | |
| Finance lease liabilities | (250) | (557) | (812) | (546) | (412) |
| Bankers' acceptances | - | - | - | - | (730) |

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

Sasbadi Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and Sasbadi 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.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.6.2 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** |
| **31.08.2010** | | |
| Floating rate instruments | 67 | (67) |
| Cash flow sensitivity (net) | 67 | (67) |
| **31.08.2011** | | |
| Floating rate instruments | 65 | (65) |
| Cash flow sensitivity (net) | 65 | (65) |
| **31.08.2012** | | |
| Floating rate instruments | 80 | (80) |
| Cash flow sensitivity (net) | 80 | (80) |
| **31.08.2013** | | |
| Floating rate instruments | 38 | (38) |
| Cash flow sensitivity (net) | 38 | (38) |
| **28.02.2014** | | |
| Floating rate instruments | (60) | 60 |
| Cash flow sensitivity (net) | (60) | 60 |





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.7 Fair value information

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

It was not practicable to estimate the fair value of Sasbadi Group's investment in unquoted investments due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

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

| | Carrying amount RM'000 | Fair value RM'000 |
|---|---|---|
| **31.8.2010** | | |
| Finance lease liabilities | (250) | (257) |
| **31.8.2011** | | |
| Finance lease liabilities | (557) | (551) |
| **31.8.2012** | | |
| Finance lease liabilities | (812) | (804) |
| **31.8.2013** | | |
| Finance lease liabilities | (546) | (540) |
| **28.2.2014** | | |
| Finance lease liabilities | (412) | (412) |

*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.

#### 6.2.22.7.1 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.

## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.22 Financial instruments (continued)

#### 6.2.22.7 Fair value of financial instruments (continued)

##### 6.2.22.7.1 Fair value hierarchy (continued)

*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 period. (2013/2012/2011/2010: no transfer in either directions)

*Level 3 fair value*

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

*Interest rates used to determine fair value*

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

| | 31.08.2010 % | 31.08.2011 % | 31.08.2012 % | 31.08.2013 % | 28.02.2014 % |
|---|---|---|---|---|---|
| Finance lease liabilities | 4.66 – 5.68 | 4.82 – 6.08 | 4.43 – 5.58 | 4.43 – 5.58 | 4.43 – 5.58 |

### 6.2.23 Capital management

Sasbadi Group's capital is represented by their total equity in the consolidated statement of financial position. The Directors monitor the adequacy of capital on an ongoing basis.

There is no external capital requirement imposed on Sasbadi Group.





## 6.2 Sasbadi Sdn. Bhd. and its subsidiaries
## Notes to the consolidated financial statements (continued)

### 6.2.24 Related party transactions

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to Sasbadi Group if Sasbadi Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Sasbadi Group and the party are subject to common control or common significant influence. 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 Sasbadi Group either directly or indirectly. The key management personnel include all the Directors of Sasbadi Group, and certain members of senior management of Sasbadi Group.

The balances with related parties are disclosed in Section 6.2.8 and Section 6.2.14; whilst the significant related party transactions of Sasbadi Group, other than key management personnel compensation (see Section 6.2.18), are as follows:

| | <----------Financial year ended----------> | | | | 6 months ended |
|---|---|---|---|---|---|
| | 31.8.2010 RM'000 | 31.8.2011 RM'000 | 31.8.2012 RM'000 | 31.8.2013 RM'000 | 28.2.2014 RM'000 |
| Directors of Sasbadi | | | | | |
| Disposal of motor vehicles | - | - | 78 | - | - |
| Connected persons to Directors of Sasbadi: | | | | | |
| Sales of goods | (299) | (1,457) | (2,046) | (4,130) | (16) |
| Purchases of goods | 2,608 | 1,358 | 363 | 11 | 2 |
| Management fees | (45) | (45) | (45) | - | - |

The abovementioned transactions are entered into with the related parties under negotiated terms.





## 6.3 MBP Publications Sdn. Bhd.

### 6.3.1 Statement of financial position

| | Unaudited as At 28.3.2014 RM |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 1,000 |
| **Total assets** | 1,000 |
| **Equity** | |
| Share capital | 1,000 |
| **Total equity attributable to owners of MBP Publications** | 1,000 |
| **Total equity** | 1,000 |





## 6.4 Sasbadi Learning Solutions Sdn. Bhd.

### 6.4.1 Statement of financial position

| | Unaudited as at 3.4.2014 RM |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 1,000 |
| **Total assets** | 1,000 |
| **Equity** | |
| Share capital | 1,000 |
| **Total equity attributable to owners of Sasbadi Learning Solutions** | 1,000 |
| **Total equity** | 1,000 |

# 7. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in this report.

## (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. Control exists when the Group 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 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.

### (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.

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.





# 7. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

### *(iii) 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. 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.

### *(iv) 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 which 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.





# 7. 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 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 categorises and measures 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.

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.





# 7. Significant accounting policies (continued)

**(c) Financial instruments (continued)**

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

***(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.

***(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 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 the 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 7(i)(i)).





# 7. Significant accounting policies (continued)

**(c) Financial instruments (continued)**

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

***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.

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.

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.





# 7. Significant accounting policies (continued)

**(c) Financial instruments (continued)**

**(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 or 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.





# 7. 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.

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 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 and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

# 7. Significant accounting policies (continued)

**(d) Property, plant and equipment (continued)**

**(i) Recognition and measurement (continued)**

**Property, plant and equipment under the revaluation model**

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. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

**(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, 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.





# 7. Significant accounting policies (continued)

**(d) Property, plant and equipment (continued)**

**(iii) Depreciation (continued)**

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.

**(e) Leased assets**

**(i) Finance lease**

Leases in terms of which the Group 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.





# 7. Significant accounting policies (continued)

**(e) Leased assets (continued)**

**(ii) Operating lease**

Leases where the Group 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.

**(f) Intangible assets**

**(i) Goodwill**

Goodwill arises 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 intellectual properties 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.





# 7. Significant accounting policies (continued)

**(f) Intangible assets (continued)**

**(iv) Amortisation**

Amortisation is based on the cost of an asset less its residual value.

Goodwill and intangible assets with indefinite useful lives are 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 recognised in profit or loss on a straight line basis over the estimated useful live of intangible assets from the date that they are available for use.

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

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

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

**(g) Inventories**

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

The cost of inventories is measured based on the first-in first-out principle 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, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.





# 7. Significant accounting policies (continued)

## (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.

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 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.

# 7. Significant accounting policies (continued)

**(i) Impairment (continued)**

**(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.

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 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 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.





# 7. Significant accounting policies (continued)

**(i) Impairment (continued)**

**(ii) Other assets (continued)**

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 period in which the reversals are recognised.

**(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.





# 7. Significant accounting policies (continued)

**(k) Employee benefits (continued)**

**(ii) State plans**

The Group's contributions to statutory pension funds are charged to profit or loss in the financial period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

**(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.

**(m) Revenue recognition 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 discount 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, and 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.





# 7. Significant accounting policies (continued)

**(m) Revenue recognition and other income (continued)**

**(ii) 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.

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) Income tax**

Income 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.

# 7. Significant accounting policies (continued)

**(o) Tax expense (continued)**

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial period, 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 periods.

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 liabilities and assets 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.

**(p) Earnings per ordinary share**

The Group presents basic and diluted 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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.





# 7. Significant accounting policies (continued)

**(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. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group 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**

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





# 7. Significant accounting policies (continued)

**(s) Fair value measurements**

From 1 September 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that 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.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

# 8. Audited financial statements

No audited financial statements have been prepared in respect of any period subsequent to 28 February 2014 for the Group.

# 9. Events after the reporting period

There were no significant events between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

Yours faithfully,

**KPMG**
AF 0758
Chartered Accountants

Petaling Jaya,
Date: 9 June 2014

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Chartered Accountants
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8, First Avenue, Bandar Utama
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# Independent Auditors' Report to the members of Sasbadi Sdn. Bhd.

(Company No. 139288 - X)
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Sasbadi Sdn. Bhd., which comprise the balance sheets as at 31 August 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 29.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Company No. 139288 - X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and 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 2010 and of their financial performance and cash flows for the year then ended.

**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 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 3 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 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: 2823/04/11(J)
Chartered Accountant

Petaling Jaya,

Date: 31 March 2011

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Chartered Accountants
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# Independent Auditors' Report to the members of Sasbadi Sdn. Bhd.

(Company No. 139288 - X)
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Sasbadi Sdn. Bhd., which comprise the balance sheets as at 31 August 2011 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 33.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Company No. 139288 - X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and 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 2011 and of their financial performance and cash flows for the year then ended.

**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 3 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 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: 2823/04/13(J)
Chartered Accountant

Petaling Jaya,

Date: 26 March 2012

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# Independent Auditors' Report to the members of Sasbadi Sdn. Bhd.

(Company No. 139288-X)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Sasbadi Sdn. Bhd., which comprise the statements of financial position as at 31 August 2012 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 5 to 73.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that 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 and for such internal control as the Directors determine are 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. 139288-X

*Opinion*

In our opinion, the financial statements have been properly 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 2012 and of their financial performance and cash flows for the financial year then ended.

**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 4 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 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: 2823/04/13(J)
Chartered Accountant

Petaling Jaya,

Date: 25 February 2013

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# Independent Auditors' Report to the members of Sasbadi Sdn. Bhd.

(Company No. 139288-X)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Sasbadi Sdn. Bhd., which comprise the statements of financial position as at 31 August 2013 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 5 to 71.

*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.

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Company No. 139288-X

*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 2013 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 4 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 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: 2823/04/15(J)
Chartered Accountant

Petaling Jaya,

Date: 4 December 2013

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

# Independent Auditors' Report to the Board of Directors of Sasbadi Sdn. Bhd.

(Company No. 139288-X)
(Incorporated in Malaysia)

***The Board of Directors***
Sasbadi Sdn. Bhd.
Lot 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor

Dear Sirs,

**Report on the Financial Statements**

We have audited the financial statements of Sasbadi Sdn. Bhd., which comprise the statements of financial position as at 28 February 2014 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 period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 65.

*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 and International Financial Reporting Standards. 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Company No. 139288-X

*Auditors' Responsibility (continued)*

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 28 February 2014 and of their financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

The comparatives for the statements of profit or loss and other comprehensive income, changes in equity and cash flows as well as the comparatives in the notes to the financial statements relating to the period ended 28 February 2013 were extracted and compiled by management from the Group's and the Company's management accounts. We did not perform an audit or review on these comparatives and accordingly, we express no assurance thereon.

This report has been prepared solely for the Board of Directors of the Company in connection with Sasbadi Holdings Berhad's proposed listing of and quotation for its shares on the Main Market of Bursa Malaysia Securities Berhad 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

Petaling Jaya

Date: 9 June 2014

**Appendix II**

S.F.YAP & CO.
(FIRM NO. AF 0055)
CHARTERED ACCOUNTANTS
17 & 19, Jalan Brunei Barat, Pudu
55100 Kuala Lumpur
Tel: 21426689 (8 lines) Fax: 21410957

(A member firm of Malaysian Institute of Accountants)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORBIT BUKU SDN. BHD.**
(Company No: 894135-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **ORBIT BUKU SDN. BHD.**, which comprise the balance sheet as at 31st August 2010, and the income statement, statement of changes in equity and cash flow statement for the period from the date of incorporation to 31st August 2010 then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 14.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*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 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 judgment, 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 company's preparation and fair presentation of the financial statements 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 Company'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 : 894135-W

**Appendix II**

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31st August 2010 and of its financial performance and cash flows for the period then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

S.F.YAP & CO.
NO. AF 0055
CHARTERED ACCOUNTANTS
Kuala Lumpur
Dated : - 8 FEB 2011

YAP SEONG FATT
NO. 398/04/12 (J)
CHARTERED ACCOUNTANT



KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
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# Independent Auditors' Report to the members of Orbit Buku Sdn. Bhd.

(Company No. 894135-W)
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Orbit Buku Sdn. Bhd., which comprise the balance sheet as at 31 August 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 17.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Company No. 894135-W

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matters**

The financial statements of the Company as at and for the period ended 31 August 2010 were audited by another auditor who expressed an unmodified opinion on those statements on 8 February 2011.

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: 2823/04/13(J)
Chartered Accountant

Petaling Jaya,

Date: 26 March 2012

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fax +60 (3) 7721 3399
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# Independent Auditors' Report to the members of Orbit Buku Sdn. Bhd.

(Company No. 894135-W)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Orbit Buku Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 29.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the requirement of Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG
Company No. 894135-W

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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: 2823/04/13(J)
Chartered Accountant

Petaling Jaya,

Date: 25 February 2013

KPMG (Firm No. AF 0758)
Chartered Accountants
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8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

# Independent Auditors' Report to the members of Orbit Buku Sdn. Bhd.

(Company No. 894135-W)
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Orbit Buku Sdn. Bhd., which comprise the statement of financial position as at 31 August 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 28.

*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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Company No. 894135-W

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its financial performance and cash flows for the 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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: 2823/04/15(J)
Chartered Accountant

Petaling Jaya,

Date: 4 December 2013

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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# Independent Auditors' Report to the Board of Directors of Orbit Buku Sdn. Bhd.

(Company No. 894135-W)
(Incorporated in Malaysia)

***The Board of Directors***
Orbit Buku Sdn. Bhd.
Lot 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor

Dear Sirs,

**Report on the Financial Statements**

We have audited the financial statements of Orbit Buku Sdn. Bhd., which comprise the statement of financial position as at 28 February 2014 of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 26.

*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 and International Financial Reporting Standards. 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Company No. 894135-W

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 28 February 2014 and of its financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

The comparatives for the statements of profit or loss and other comprehensive income, changes in equity and cash flows as well as the comparatives in the notes to the financial statements relating to the period ended 28 February 2013 were extracted and compiled by management from the Company's management accounts. We did not perform an audit or review on these comparatives and accordingly, we express no assurance thereon.

KPMG

Company No. 894135-W

**Other Matters (continued)**

This report has been prepared solely to the Board of Directors of the Company in connection with Sasbadi Holdings Berhad's proposed listing of and quotation for its shares on the Main Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**
Firm No: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 9 June 2014

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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# Independent auditors' report to the members of Sasbadi Online Sdn. Bhd.

(Company No. 951383-X)
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Sasbadi Online Sdn. Bhd., which comprise the balance sheet as at 31 August 2011, and the income statement, statement of changes in equity and cash flow statement for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 15.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Company No. 951383-X

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 August 2011 and of its financial performance and cash flows for the financial period then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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: 2823/04/13(J)
Chartered Accountant

Petaling Jaya,

Date: 26 March 2012

KPMG (Firm No. AF 0758)
Chartered Accountants
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47800 Petaling Jaya
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Internet www.kpmg.com.my

# Independent auditors' report to the members of Sasbadi Online Sdn. Bhd.

(Company No. 951383-X)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Sasbadi Online Sdn. Bhd., which comprise the statement of financial position as at 31 August 2012, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 25.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that 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, and for such internal control as the Directors determine are 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Company No. 951383-X

*Opinion*

In our opinion, the financial statements have been properly 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 Company as of 31 August 2012 and of its financial performance and cash flows for the financial year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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: 2823/04/13(J)
Chartered Accountant

Petaling Jaya,

Date: 25 February 2013

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
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47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

# Independent auditors' report to the members of Sasbadi Online Sdn. Bhd.

(Company No. 951383-X)
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of Sasbadi Online Sdn. Bhd., which comprise the statement of financial position as at 31 August 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 29.

*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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Company No. 951383-X

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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: 2823/04/15(J)
Chartered Accountant

Petaling Jaya,

Date: 4 December 2013

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

# Independent Auditors' Report to the Board of Directors of Sasbadi Online Sdn. Bhd.

(Company No. 951383-X)
(Incorporated in Malaysia)

*The Board of Directors*
Sasbadi Online Sdn. Bhd.
Lot 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor

Dear Sirs,

**Report on the Financial Statements**

We have audited the financial statements of Sasbadi Online Sdn. Bhd., which comprise the statement of financial position as at 28 February 2014 of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 25.

*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 and International Financial Reporting Standards. 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Company No. 951383-X

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 28 February 2014 and of its financial performance and cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

The comparatives for the statements of profit or loss and other comprehensive income, changes in equity and cash flows as well as the comparatives in the notes to the financial statements relating to the period ended 28 February 2013 were extracted and compiled by management from the Company's management accounts. We did not perform an audit or review on these comparatives and accordingly, we express no assurance thereon.

Company No. 951383-X

**Other Matters (continued)**

This report has been prepared solely to the Board of Directors of the Company in connection with Sasbadi Holdings Berhad's proposed listing of and quotation for its shares on the Main Market of Bursa Malaysia Securities Berhad 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

Petaling Jaya,

Date: 9 June 2014

**Appendix IV**

**S. F. YAP & CO.**
(FIRM NO. AF 0055)
CHARTERED ACCOUNTANTS
17 & 19, Jalan Brunei Barat, Pudu
55100 Kuala Lumpur
Tel:21426689 (8 lines) Fax:21410957

(A member firm of Malaysian Institute of Accountants)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAYA PRESS SDN. BHD.**
(Company No: 585059 - A )
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of **MAYA PRESS SDN. BHD.**, which comprise the balance sheet as at 31st August 2010, and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 14.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*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 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 judgment, 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 company's preparation and fair presentation of the financial statements 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 Company'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 evideuce we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No: 585059 - A

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31st August 2010 and of its financial performance and cash flows for the period then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

Without qualifying our opinion, we draw attention to the following:-

As stated in Note 2, the Company incurred a loss after taxation of RM2,135.00 for the financial period ended 31st August 2010 and has a deficit in shareholders' equity of RM15,727.00. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its directors and shareholders.

S.F.YAP & CO.
NO. AF 0055
CHARTERED ACCOUNTANTS

YAP SEONG FATT
NO. 398/04/12 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur
Dated : - 8 FEB 2011

**Appendix IV**

S. F. YAP & CO.
(FIRM NO. AF 0055)
CHARTERED ACCOUNTANTS
17 & 19, Jalan Brunei Barat, Pudu
55100 Kuala Lumpur
Tel:21426689 (8 lines) Fax:21410957

(A member firm of Malaysian Institute of Accountants)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAYA PRESS SDN. BHD.**
(Company No: 585059 - A )
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of **MAYA PRESS SDN. BHD.**, which comprise the balance sheet as at 31st August 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 14.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*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 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 judgment, 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 company's preparation and fair presentation of the financial statements 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 Company'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: 585059 - A

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31st August 2011 and of its financial performance and cash flows for the year then ended.

***Emphasis of matter***

Without qualifying our opinion, we draw attention to Note 2, the Company incurred a loss after taxation of RM2,062.80 for the financial year ended 31st August 2011 and has a capital deficiency of RM17,789.80. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its directors and shareholders.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

S.F.YAP & CO.
NO. AF 0055
CHARTERED ACCOUNTANTS

YAP SEONG FATT
NO. 398/04/12 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur
Dated :
12 DEC 2011

585059 A

**YYC & CO.**

CHARTERED ACCOUNTANTS (Firm No.: AF 0055)
(Formerly known as S.F.YAP & CO.)
17 & 19, Jalan Brunei Barat, Off Jalan Pudu, 55100 Kuala Lumpur. T: +60(3)-2142 6689 | F : +60(3)-2141 0957
Website: www.yycadvisors.com

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAYA PRESS SDN. BHD.
(Incorporated in Malaysia)

***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the financial statements of **MAYA PRESS SDN. BHD,** comprise the statements of financial position as at 31st August 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 20.

***Directors' Responsibility for the Financial Statements***

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***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 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 Company's preparation and fair presentation of the financial statements 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 Company'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.

585059 A

**YYC & CO.**

CHARTEREO ACCOUNTANTS (Firm No.: AF 0055)
(Formerly known as S.F.YAP & CO.)
17 & 19, Jalan Brunei Barat, Off Jalan Pudu, 55100 Kuala Lumpur. T: +60(3)-2142 6689 I F : +60(3)-2141 0957
Website: www.yycadvisors.com

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAYA PRESS SDN. BHD.

(continued)

(Incorporated in Malaysia)

***Opinion***

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31st August 2012 and of its financial performance and cash flows for the financial year then ended.

***Emphasis of matter***

Without qualifying our opinion, we draw attention to Note 2, the Company incurred a loss after taxation of RM3,518.60 for the financial year ended 31st August 2012 and has a capital deficiency of RM21,308.40. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its directors and shareholders.

***Report on Other Legal and Regulatory Requirements***

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

***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.

YYC & CO.
(Formerly known as S.F.YAP & CO.)
(NO. AF 0055)
CHARTERED ACCOUNTANTS

YAP SEONG FATT
NO. 898/04/14 (J)
CHARTERED ACCOUNTANTS

Kuala Lumpur,

Dated : - 3 DEC 2012

585059 A

**YYC & CO.**

CHARTERED ACCOUNTANTS (Firm No.: AF 0055)

17 & 19, Jalan Brunei Barat, Off Jalan Pudu, 55100 Kuala Lumpur. T: +60(3)-2142 8689 I F : +60(3)-2141 0857

Website: www.yycadvisors.com

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAYA PRESS SDN. BHD.

(Incorporated in Malaysia)

### *REPORT ON THE FINANCIAL STATEMENTS*

We have auditad the financial statements of **MAYA PRESS SDN. BHD,** comprise the statemants of financial position as at 31st August 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 20.

### *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 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 tha audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidance about the amounts and disclosures in the financial statements. The proceduras 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 Company's preparation and fair prasentation of the financial statements in order to design audit proceduras that are appropriate in the circumstances, but not for the purposa of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policias used and tha 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 sufficiant and appropriate to provide a basis for our audit opinion.

585059 A

**YYC & CO.**

CHARTERED ACCOUNTANTS (Firm No.: AF 0055)

17 & 19, Jalan Brunei Barat, Off Jalan Pudu, 55100 Kuala Lumpur. T: +60(3)-2142 6689 I F : +60(3)-2141 0957

Website: www.yycadvisors.com

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAYA PRESS SDN. BHD.

(Incorporated in Malaysia)

(continued)

***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st August 2013 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

***Emphasis of matter***

Without qualifying our opinion, we draw attention to Note 2, the Company incurred a loss after taxation of RM4,143.00 for the financial year ended 31st August 2013 and has a capital deficiency of RM25,451.40. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its Directors and shareholders.

***Report on Other Legal and Regulatory Requirements***

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

***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.

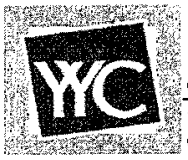
YYC & CO.
(NO. AF 0055)
CHARTERED ACCOUNTANTS

YAP SEONG FATT
NO. 398/04/14 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur,

Dated : - 2 DEC 2013

585059 | A



**YYC & CO.**

CHARTERED ACCOUNTANTS (Firm No.: AF 0055)

17 & 19, Jalan Brunei Barat, Off Jalan Pudu, 55100 Kuala Lumpur. T: +60(3)-2142 6689 I F : +60(3)-2141 0957

Website: www.yycadvisors.com

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAYA PRESS SDN. BHD.

(Incorporated in Malaysia)

### *REPORT ON THE FINANCIAL STATEMENTS*

We have audited the financial statements of **MAYA PRESS SDN. BHD.**, comprise the statements of financial position as at 28th February 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 17.

### *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 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 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 Company's preparation and fair presentation of the financial statements 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 Company'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.

585059 | A

***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 28th February 2014 and of its financial performance and cash flows for the six months financial period then ended in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

*Emphasis of matter*

Without qualifying our opinion, we draw attention to Note 2, the Company incurred a loss after taxation of RM3,432.25 for the six months financial period ended 28th February 2014 and has a capital deficiency of RM28,883.65. The ability of the Company to continue as a going concern is dependent upon future profitable operations, the ability to generate sufficient funds from operation and continued financial support from its Directors and shareholders.

***Report on Other Legal and Regulatory Requirements***

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

***Other Matters***

The comparatives for the statements of comprehensive income, changes in equity and cash flows as well as the comparatives in the notes to the financial statements relating to the period ended 28th February 2013 were extracted and compiled by management from the Company's management accounts. We did not perform an audit or review on these comparatives and accordingly, we express no assurance thereon.

This report has been prepared solely to the Board of Directors of the Company in connection with Sasbadi Holdings Berhad's proposed listing of and quotation for its shares on the Main Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

YYC & CO.
NO. AF 0055
CHARTERED ACCOUNTANTS

YAP SEONG FATT
NO. 398/04/16 (J)
CHARTERED ACCOUNTANT

Kuala Lumpur,

Dated : 09 JUN 2014

W.K. LEE & CO.
Chartered Accountants AF 1147

No. 1 & 1A, 2nd Floor (Room 1), Jalan Ipoh Kecil,
50350 Kuala Lumpur, Wilayah Persekutuan.
Tel : 603-4043 5758 Fax: 603-4043 5755
E-mail: wkleeco@gmail.com



## *INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF*

## MALAYSIAN BOOK PROMOTIONS SDN. BHD. (310517-A)

(Incorporated in Malaysia)

**Report on the financial statements**

We have audited the financial statements of Malaysian Book Promotions Sdn. Bhd., which comprise the balance sheet as at December 31, 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 14.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements that given a true and fair view in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia, and 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 whether the financial statements are free from material

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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of December 31, 2010 and of its financial performance and cash flows for the year then ended.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

**W. K. LEE & CO.**
**No. AF 1147**
**Chartered Accountants**

**LEE WAI KUEN**
**No. 1844/07/12 (J)**
**Chartered Accountant**

Kuala Lumpur
Dated: 0 1 JUN 2011

W.K. LEE & CO.
*Chartered Accountants* AF 1147

No. 1 & 1A, 2nd Floor (Room 1), Jalan Ipoh Kecil,
50350 Kuala Lumpur, Wilayah Persekutuan.
Tel : 603-4043 5758 Fax: 603-4043 5755
E-mail: wkleeco@gmail.com



## *INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF*

## MALAYSIAN BOOK PROMOTIONS SDN. BHD. (310517-A)

(Incorporated in Malaysia)

**Report on the financial statements**

We have audited the financial statements of Malaysian Book Promotions Sdn. Bhd., which comprise the balance sheet as at August 31, 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 13.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements that given a true and fair view in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia, and 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 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of August 31, 2011 and of its financial performance and cash flows for the period then ended.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

**W. K. LEE & CO.**
**No. AF 1147**
**Chartered Accountants**

**LEE WAI KUEN**
**No. 1844/07/12 (J)**
**Chartered Accountant**

Kuala Lumpur
Dated: 08 FEB 2012

W.K. LEE & CO.
*Chartered Accountants* AF 1147

No. 1 & 1A, 2nd Floor (Room 1), Jalan Ipoh Kecil,
50350 Kuala Lumpur, Wilayah Persekutuan.
Tel : 603-4043 5758 Fax: 603-4043 5755
E-mail: wkleeco@gmail.com



*INDEPENDENT AUDITORS' REPORT TO MEMBERS OF*

# MALAYSIAN BOOK PROMOTIONS SDN. BHD. (310517-A)

(Incorporated in Malaysia)

**Report to the financial statements**

We have audited the financial statements of Malaysian Book Promotions Sdn. Bhd., which comprise the statement of financial position as at August 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 17.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as directors determine is necesary 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 whether the finaneial 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 Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Private Entity Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of August 31, 2012 and of its financial performance and cash flows for the year ended.

**Reports on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

**W.K.LEE & CO.**
**No. AF 1147**
**Chartered Accountants**

**LEE WAI KUEN**
**No. 1844/07/14 (J)**
**Chartered Accountants**

Kuala Lumpur
Dated: 25 FEB 2013

W.K. LEE & CO.
Chartered Accountants AF 1147

No. 1 & 1A, 2nd Floor (Room 1), Jalan Ipoh Kecil,
50350 Kuala Lumpur, Wilayah Persekutuan.
Tel : 603-4043 5758 Fax: 603-4043 5755
E-mail: wkleeco@gmail.com



*INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF*

## MALAYSIAN BOOK PROMOTIONS SDN. BHD. (310517-A)

(Incorporated in Malaysia)

**Report on the financial statements**

We have audited the financial statements of Malaysian Book Promotions Sdn. Bhd., which comprise the balance sheet as at August 31, 2013 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 16.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate acounting policies, and making accounting estimates that are reasonable in the circumstances.

*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 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 Company's preparation and fair presentation of the financial statements 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 Company'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.

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*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of August 31, 2013 and of its financial performance and cash flows for the year then ended.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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.

**W. K. LEE & CO.**
**No. AF 1147**
**Chartered Accountants**

**LEE WAI KUEN**
**No. 1844/07/14 (J)**
**Chartered Accountant**

Kuala Lumpur
Dated: 28 NOV 2013

W.K. LEE & CO.
*Chartered Accountants* AF 1147

No. 1 & 1A, 2nd Floor (Room 1), Jalan Ipoh Kecil,
50350 Kuala Lumpur, Wilayah Persekutuan.
Tel : 603-4043 5758 Fax: 603-4043 5755
E-mail: wkleeco@gmail.com



## *INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF*

# MALAYSIAN BOOK PROMOTIONS SDN. BHD. (310517-A)

(Incorporated in Malaysia)

**Report on the financial statements**

We have audited the financial statements of Malaysian Book Promotions Sdn. Bhd., which comprise the balance sheet as at February 28, 2014 and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 17.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate acounting policies, and making accounting estimates that are reasonable in the circumstances.

*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 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 Company's preparation and fair presentation of the financial statements 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 Company'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.

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*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of February 28, 2014 and of its financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

The comparatives for the statements of profit or loss and other comprehensive income, changes in equity and cash flows as well as the comparatives in the notes to the financial statements relating to the period ended February 28, 2013 were extracted and compiled by management from the Company's management accounts. We did perform an audit or review on these comparatives and accordingly, we express no assurance thereon.

This report has been prepared solely to the Board of Directors of the Company in connection with Sasbadi Holdings Berhad's proposed listing of and quotation for its shares on the Main Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**W. K. LEE & CO.**
**No. AF 1147**
**Chartered Accountants**
Kuala Lumpur
Dated: June 09, 2014

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

# 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 statement of financial position as at 31 August 2013 of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 19.

*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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Company No. 1022660-T

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 August 2013 and of its financial performance and cash flows for the financial period 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**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: 2823/04/15(J)
Chartered Accountant

Petaling Jaya,

Date: 4 December 2013

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

# Independent Auditors' Report to the Board of Directors of Sasbadi Holdings Berhad

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

*The Board of Directors*
Sasbadi Holdings Berhad
Lot 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor

Dear Sirs,

**Report on the Financial Statements**

We have audited the financial statements of Sasbadi Holdings Berhad, which comprise the statement of financial position as at 28 February 2014 of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 17.

*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 and International Financial Reporting Standards. 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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Company No. 1022660-T

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 28 February 2014 and of its financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Other Matters**

The comparatives for the statements of profit or loss and other comprehensive income, changes in equity and cash flows as well as the comparatives in the notes to the financial statements relating to the period ended 28 February 2013 were extracted and compiled by management from the Company's management accounts. We did not perform an audit or review on these comparatives and accordingly, we express no assurance thereon.



Company No. 1022660-T

**Other Matters (continued)**

This report has been prepared solely to the Board of Directors of the Company in connection with the Company's proposed listing of and quotation for its shares on the Main Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**
Firm No: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 9 June 2014

## 14. VALUATION CERTIFICATES

CITY VALUERS
AND CONSULTANTS SDN BHD

co no: 98373-K
reg no: VE (1) 0015

Headquarters:
Suites B-9-12, 13 & 13A,
Gateway Corporate Suites,
No 1, Jalan Desa Kiara,
Mont Kiara,
50480 Kuala Lumpur.

tel: 03 6205 2882
fax: 03 6201 9009

Kuching Branch:
tel: 082 23 7746
fax: 082 23 9746

Penang Branch:
tel: 04 397 9889
fax: 04 390 6898

Date : 31st December 2012

Our Ref : V/SEL/1467/2012

Sasbadi Holdings Sdn Bhd
Lot No. 12, Jalan Teknologi 3/4, Section 3
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya

Dear Sirs,

**VALUATION CERTIFICATE**
**FOR SUBMISSION TO THE SECURITIES COMMISSION MALAYSIA**

**THE SUBLEASEHOLD INTEREST WITH AN UNEXPIRED TERM OF 49 YEARS IN LOT PT 9909, HSD 241020, PEKAN BARU SUNGAI BULOH DISTRICT OF PETALING, SELANGOR DARUL EHSAN.**
**(Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya)**

### Term of Reference

This Valuation Certificate of the abovementioned property is prepared on the instruction of Sasbadi Holdings Sdn Bhd (to be known as Sasbadi Holdings Berhad upon conversion into a public company) for the inclusion in Sasbadi Holdings Berhad's prospectus to be dated 7 Jul..2014in relation to the proposed listing and quotation for the enlarged issued and paid up share capital of Sasbadi Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

Sasbadi Holdings Sdn Bhd's interest in the abovementioned subject property is a 60 years sub-lease from 22nd November 2001 to 21st November 2061 held via a Lease Agreement dated 27th February 2002 between the registered owner of the land i.e. the Perbadanan Kemajuan Negeri Selangor (PKNS) who hold the Master Lease on the property via the title H.S. (D) 241020 for a period of 99 years expiring on 18th October 2106 and Sasbadi Sdn Bhd. Sasbadi Sdn Bhd is proposed to be a wholly owned subsidiary of Sasbadi Holdings Sdn Bhd. Sasbadi Sdn Bhd's 60 years leasehold interest in the property has an unexpired term of 49 years as at the date of this valuation.

Our term of reference is to determine the Market Value of Sasbadi Sdn Bhd's unexpired 49 years sub-leasehold interest in the subject property as at 18th December 2012.

### Valuation Standards Compliance

Our valuation is prepared in compliance with the Malaysian Valuation Standards (MVS) issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

### Definition of Market Value

**Market Value** is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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**Date of Inspection**

We inspected the subject property on 18th December 2012.

**Date of Valuation**

The relevant date of valuation of the subject property is 18th December 2012.

**The Subject Property**

The subject property, identified as Lot P.T. 9909, H.S. (D) 241020, Pekan Baru Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan is **a 9,807 square metres (105,562 square feet) parcel of industrial land erected upon with a single storey warehouse building with a 3-storey office cum internal warehouse building annex** located at No. 12, Jalan Teknologi 3/4, Taman Sains Selangor 1 in Kota Damansara, Petaling Jaya, Selangor Darul Ehsan. The buildings and improvements on the land were built by Sasbadi Sdn Bhd in 2005 and completed in 2006 at a cost of RM9,218,481. The buildings provide 3,549 square metres (38,200 square feet) of single-storey warehouse space and 3,600 square metres (38,745 square feet) of 3-storey office cum internal warehouse space.

The buildings are constructed as follows:-

Warehouse

The warehouse building comprises two sections which are constructed of dual pitch and single pitch steel structure with 'I' beam steel columns and rafters. The steel columns and rafters are spaced every 20 feet apart and have a span of 200 feet (with a central steel column at the mid point) in the larger front section and a span of 60 feet in the smaller rear section.

Both sections have a ground to eaves height of 27 feet (8.15 metres). The ground to ridge height is 35 feet (10.66 metres) for the front section and 30 feet (9.15 metres) for the rear section. The external walls are of plastered and painted brick from the ground to 12 feet high with metal deck sheet cladding above to eaves level and metal deck sheet fascia to roof level. The flooring is of hardened reinforced concrete finished with smooth cement render.

Office cum Internal Warehouse

The 3-storey office cum internal warehouse annexe building is situated adjoining the warehouse building on the eastern portion of the site fronting Jalan Teknologi 3/4.

The office section forms half of the ground floor and the whole of the first floor whilst the internal warehouse section forms half of the ground floor and the whole of the 2nd floor. All 3 floors in both sections are fully air-conditioned.

The building is of a modern design with a large facade of glass and alucubond panels. The structure is of reinforced concrete columns and beams with reinforced concrete floors and reinforced concrete flat roof. The typical height per floor is 11 feet for the ground floor and 10 feet for the 1st and 2nd floors.

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CITY VALUERS
AND CONSULTANTS SDN BHD

Valuation Certificate
For submission to the Securities Commission Malaysia

The subleasehold interest with an unexpired term of 49 years in Lot PT 9909, HSD 241020,
Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan.
(Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1, Kota Damansara 47810 Petaling Jaya)
Ref No. V/SEL/1467/2012 Date : 31st December 2012



The external walls are a mix of plastered brickwork cladded with alucubond panels and aluminium framed glass panels. Vertical access within the 3 storeys is provided by a passenger lift with 8 persons capacity and 3 reinforced concrete staircases with stainless steel handrails located at the east, centre and west sections of the building.

**Town Planning and Building Approval**

The subject property was issued with the Certificate of Fitness for Occupation (C.F.O.) by the Majlis Bandaraya Petaling Jaya on 17th January 2007. We have noted that there are also two small open sided covered ancillary areas at the front of the main and rear warehouse buildings and a guardhouse have been constructed within the subject site. These ancillary structures are however not shown in the approved site layout and building plans. The owner has informed us that these are approved by the MBPJ as they were already in place at the date of their inspection and issue of the C.F.O. The ancillary floor areas are small and negligible, we have thus not taken into consideration the value of these ancillary structures.

**Title Particulars**

| | | |
|---|---|---|
| Lot No. | : | P.T. 9909 |
| Title No. | : | HS (D) 241020 |
| Bandar/Pekan/Mukim | : | Pekan Baru Sungai Buloh |
| District | : | Petaling |
| State | : | Selangor Darul Ehsan |
| Land Area *(see note 1)* | : | 9,807 square metres |
| Annual Rent | : | RM9,754.00 |
| Tenure | : | Leasehold for a period of 99 years expiring on 18th October 2106 (i.e. an unexpired term of 94 years). |
| Category of Land Use | : | 'Perusahaan' |
| Registered Owner | : | Perbadanan Kemajuan Negeri Selangor. |
| Express Condition | : | 'Perusahaan' |
| Restrictions-in-Interest | : | Tanah ini boleh dipindahmilik, dipajak atau digadai setelah mendapat kebenaran Pihak Berkuasa Negeri. |
| Endorsement | : | Nombor Perserahan : 48760/2009 Pajakan Seluruh Tanah kepada Sasbadi Sdn Bhd (No. Sykt : 139288-X) Lot 12, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, Petaling Jaya, 47810 Selangor bagi tempoh masa selama 60 tahun. |
| Encumbrances | : | Nombor Perserahan : 48761/2009 Gadaian Pajakan keatas Pajakan Seluruh Tanah No Pers 48760/2009 oleh Sasbadi Sdn Bhd, No. Syarikat : 139288-X kepada Alliance Bank Malaysia Berhad. |

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*Note 1 :* ***We note that in the Lease Agreement dated 27th February 2002, the land area is stated as 105,415.20 square feet. In the title document which has the 'Tarikh Daftar' as 19th October 2007, the land area is stated as 9,807 square metres i.e. 105,561.665 square feet. Since the title was issued later, we are adopting the titled area of 9,807 square metres as the correct land area of the subject property.***

**Occupancy**

The subject buildings are presently owner occupied by Sasbadi Sdn Bhd for office and warehouse use. The buildings have been occupied by Sasbadi Sdn Bhd since the C.F.O. was issued in January 2007.

**Basis of Valuation**

The basis of valuation is the 'Market Value' of **Sasbadi Sdn Bhd's 49 years unexpired sub-leasehold interest in the subject land and buildings in their existing condition and use free from encumbrances as at the date of this valuation i.e. 18th December 2012.** In determining the 'Market Value' of the remaining sub-lease term, we also take into consideration that under the Lease Agreement, the client is entitled to an 'extension of lease' for an additional term of 30 years from the date of expiry of the lease for the land at the prevailing market price (excluding the building on the land).

**Method of Valuation**

| | | |
|---|---|---|
| Cost Method | : | The Cost Method of Valuation is an approach that provides an indication of value using the economic principle that a buyer will pay for an asset the cost to obtain an asset of equal utility whether by purchase (i.e. the land) or construction (i.e. the building). Adjustments are then made where relevant, to the costs of the land and building for various factors such as time, tenure, depreciation, cost of finance, profit, etc. |
| Direct Comparison Method | : | The Direct Comparison Method of Valuation entails enlisting recorded open market sales and other relevant market evidences such as current offers for sale of similar properties and making adjustment thereto for value affecting factors such as location, shape, size and tenure of the land, design, age, finishes, improvements and condition of the building, the demand for the property in its existing use and condition and legal and planning conditions affecting the property. |

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CITY VALUERS
AND CONSULTANTS SDN BHD

Valuation Certificate
For submission to the Securities Commission Malaysia

The subleasehold interest with an unexpired term of 49 years in Lot PT 9909, HSD 241020,
Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan.
(Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1, Kota Damansara 47810 Petaling Jaya)
Ref No. V/SEL/1467/2012 Date : 31st December 2012



**Sources of Information**

Land prices - Recorded transactions of vacant detached industrial lands in the subject neighbourhood as published by Jabatan Penilaian & Perkhidmatan Harta (JPPH) and the National Property Information Centre (NAPIC).

Building cost - The actual construction cost of the subject building in 2005/2006 and current building costs as published by Quantity Surveyors, Messrs. Davis Langdon & Seah in their annual Construction Cost Handbook and Quarterly Construction Cost Review.

Market prices of completed properties - Recorded transactions of completed factories in Taman Sains Selangor 1 as published by JPPH.

**Cost Method of Valuation**

Land Value

| Comparable No. | 1 | 2 | 3 |
|---|---|---|---|
| Date of sale | 13/09/10 | 26/07/10 | 22/04/10 |
| Tenure | Leasehold | Leasehold | Leasehold |
| Unexpired lease term | 94 | 94 | 94 |
| Location | Lot 8, Jln Teknologi 3/6 | No. 8, Jln Teknologi 3/4 | No.10, Jln Teknologi 3/4 |
| Title No. | HS(D) 241030 | HS(D) 241018 | HS(D) 241019 |
| Lot No. | PT 9919 | PT 9907 | PT 9908 |
| Mukim | Pekan Baru Sg.Buloh | Pekan Baru Sg.Buloh | Pekan Baru Sg.Buloh |
| Land Area (sq. ft.) | 94,001 | 114,388 | 111,934 |
| Planning | Industrial | Industrial | Industrial |
| Category of Land Use | Industry | Industry | Industry |
| Land use at date of sale | Vacant | Vacant | Vacant |
| Access | Service road | Service road | Service road |
| Vendor | Pfizer (Malaysia) S/B | T.H. Hin S/B | TWT Hardware S/B |
| Purchaser | Nouvelle Lot 8 S/B | Albert Wines & Spirit (M) S/B | Nouvelle Lot 10 S/B |
| Consideration | RM11,400,000 | RM10,980,960 | RM11,193,400 |
| Value analysed (psf) | RM121 | RM96 | RM100 |
| Adjustments | Upward adjustment for time; Downward adjustment for shape and lease tenure; No adjustment for land size and location | Upward adjustment for time; Downward adjustment for shape and lease tenure; No adjustment for land size and location | Upward adjustment for time; Downward adjustment for shape and lease tenure; No adjustment for land size and location |
| Market Value of Land (psf) | RM102.85 | RM91.00 | RM95.00 |
| Conclusion of value | Giving greater weightage to the value indication of RM102.85 per square foot as it is based on the latest comparable sale, the Market Value of the subject land is concluded at RM100 psf or RM10,556,200. | | |

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CITY VALUERS
AND CONSULTANTS SDN BHD

Valuation Certificate
For submission to the Securities Commission Malaysia

The subleasehold interest with an unexpired term of 49 years in Lot PT 9909, HSD 241020,
Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan.
(Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1, Kota Damansara 47810 Petaling Jaya)
Ref No. V/SEL/1467/2012 Date : 31st December 2012



Building Value

| Particulars | Price psf /Percentage | - | Cost / Value |
|---|---|---|---|
| Construction cost of the subject buildings in 2005/2006 | RM114.34 | - | RM 8,797,821 |
| Professional Fees paid in 2005/2006 | 4.08% | - | RM 359,316 |
| Total Cost | | - | RM 9,157,137 |
| Increase in Cost from 2006 to 2012 (Based on building cost index published by Quantity Surveyors Messrs. Davis Langdon & Seah in their annual Construction Cost Handbook and Quarterly Construction Cost Review) | 45.00% | | |
| Construction costs in 2012 | RM165.80 | - | RM12,756,840 |
| Professional Fess in 2012 | 4.08% | - | RM 520,479 |
| Total Cost | | - | RM13,277,319 |
| Other Factors taken into consideration | | | |
| Finance cost, profit, depreciation and purpose built factors | | - | RM 250,941 |
| Adjusted Market Value of Building | | - | RM13,528,260 |
| Add Cost of fencing and site improvements | | - | RM 61,344 |
| Total | | | RM13,589,604 |

Market Value by Cost Method

| | | |
|---|---|---|
| Land Value | | RM10,556,200 |
| Building Value | | RM13,589,604 |
| Market Value | | RM24,145,804 |
| | Say | **RM24,100,000** |

**Direct Comparison Method of Valuation**

Three comparable detached factories were transacted in Taman Sains Selangor 1 in 2011 at prices of RM480 per square foot, RM461 per square foot and RM522 per square foot. The market value of the subject property was derived from these sales evidence by the Direct Comparison Method of Valuation as follows:-

| Comparable No. | 1 | 2 | 3 |
|---|---|---|---|
| Type of factory | Single-storey detached factory with office | Detached three-storey industrial cum office building | Single-storey detached factory with office |
| Transaction date | 29/08/2011 | 03/08/2011 | 11/03/2011 |
| Title No | HS(D) 255766 | Under Master Title | HS(D) 241013 |
| Lot No. | PT 12162 | - | PT 9902 |
| Mukim | Pekan Baru Sg Buloh | Pekan Baru Sg Buloh | Pekan Baru Sg Buloh |
| Address | 16, Jln Teknologi 3/5 | Parcel No. 2, Jln Teknologi | 16, Jln Teknologi |
| Location | Tmn Sains Selangor 1 | Tmn Sains Selangor 1 | Tmn Sains Selangor 1 |
| Tenure | Leasehold with unexpired term of 96 years | Leasehold with unexpired term of 94 years | Leasehold with unexpired term of 94 years |
| Vendor | Intercosmetic Holdings S/B | Luxor YRM S/B | Henikwon Corporation S/B |
| Purchaser | Bidarcita S/B | Cyber Business Solutions S/B | Secret Recipe Manufacturing S/B |

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CITY VALUERS
AND CONSULTANTS SDN BHD

Valuation Certificate
For submission to the Securities Commission Malaysia

The subleasehold interest with an unexpired term of 49 years in Lot PT 9909, HSD 241020,
Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan.
(Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1, Kota Damansara 47810 Petaling Jaya)
Ref No. V/SEL/1467/2012 Date : 31st December 2012



| | | | |
|---|---|---|---|
| Consideration (RM) | 17,000,000 | 18,000,000 | 28,000,000 |
| Land Area (sf) | 76,854 | 37,400 | 232,263 |
| Floor Area (sf) | 35,449 | 39,000 | 53,657 |
| Ratio of floor area to land area | 46% | 104% | 23% |
| Price /floor area (RM psf) | 480 | 461 | 522 |
| Adjustments | Downward adjustments were made for the shorter lease tenure and age of the building and upward adjustment for time factor. | Downward adjustments were made for the shorter lease tenure and age of the building and upward adjustment for time factor. | Downward adjustments were made for the shorter lease tenure and age of the building and upward adjustment for time factor. |
| Market Value (RM psf) | 350 | 336 | 381 |
| Conclusion of Value | Taking further *into consideration* the ratio of floor area to land area in the subject property at 73%, the Market Value of the subject property should lie midway between RM350 per square foot (ratio 46%) and RM336 per square foot (ratio 104%). Thus the Market Value of the subject property is concluded at RM343.00 per square foot or RM26,400,000.00. | | |

**Reconciliation of Value**

The Market Value of the subject property as derived by the two methods of valuation are as follows:-

| Method of Valuation | Indicative Market Value |
|---|---|
| Cost Method of Valuation | RM24,100,000 |
| Direct Comparison Method of Valuation | RM26,400,000 |

Based on the above two indications of Market Value and giving greater weightage to the value as indicated by the Cost Method of Valuation since the subject property is a purpose built building where the land was bought initially as a vacant site and then erected with the subject buildings by the client for their own use, we are of the considered opinion that the Market Value of the subject property as at 18th December 2012 is **RM24,100,000.00** (Ringgit: Twenty Four Million and One Hundred Thousand only).

Yours faithfully,
**CITY VALUERS AND CONSULTANTS SDN BHD**

Sr P.B. Nehru
B Sc (Hons.) Est. Mgt., MRICS, FRISM
Chartered and Registered Valuer –V189

*V/SEL/1467/2012*
*31st December 2012*
*GS/mp*

CITY VALUERS
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Kuching Branch:
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Penang Branch:
tel: 04 397 9889
fax: 04 390 6898

Date : 5th May 2014

Our Ref : V/SEL/0354/2014 (Previous Ref. No. V/SEL/1467/2012)

Sasbadi Holdings Berhad
Lot No. 12, Jalan Teknologi 3/4, Section 3
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya

Dear Sirs,

**UPDATE VALUATION CERTIFICATE**

**THE SUBLEASEHOLD INTEREST WITH AN UNEXPIRED TERM OF 47 YEARS IN LOT PT 9909, HSD 241020, PEKAN BARU SUNGAI BULOH DISTRICT OF PETALING, SELANGOR DARUL EHSAN.**
**(Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya)**

**Term of Reference**

This Update Valuation Certificate on the abovementioned property is prepared on the instruction of Sasbadi Holdings Berhad for inclusion in the prospectus dated ..... 7 Jul 2014 ..... in relation to the listing and quotation for the entire enlarged issued and paid up share capital of Sasbadi Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

A Report and Valuation on the abovementioned property in full compliance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and the Asset Valuation Guidelines of the Securities Commission Malaysia was previously prepared by us under Reference No. V/SEL/1467/2012 dated 31st December 2012. This Update Valuation Certificate should be read in conjunction with the said full Report and Valuation.

Sasbadi Holdings Berhad's interest in the abovementioned subject property is a 60 years sub-lease from 22nd November 2001 to 21st November 2061 held via a Lease Agreement dated 27th February 2002 between the registered owner of the land i.e. the Perbadanan Kemajuan Negeri Selangor (PKNS) who hold the Master Lease on the property via the title H.S. (D) 241020 for a period of 99 years expiring on 18th October 2106 and Sasbadi Sdn Bhd. Sasbadi Sdn Bhd is a wholly owned subsidiary of Sasbadi Holdings Berhad. Sasbadi Sdn Bhd's 60 years leasehold interest in the property has an unexpired term of 47 years as at the date of this update valuation.

Our term of reference for this update valuation certificate is to determine the Market Value of Sasbadi Sdn Bhd's unexpired 47 years sub-leasehold interest in the subject property as at 25th April 2014.

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CITY VALUERS
AND CONSULTANTS SDN BHD

*Update Valuation Certificate*

*The subleasehold interest with an unexpired term of 47 years in Lot PT 9909, HSD 241020, Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan. (Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya)*
*Ref No. V/SEL/0354/2014*



**Date of Inspection**

We have re-inspected the subject property on 25th April 2014.

**Date of Valuation**

The relevant date of valuation for this Update Valuation Certificate is 25th April 2014.

**The Physical Condition of the Subject Property**

The physical condition of the subject buildings are unchanged since our last inspection for the full report and valuation dated 31st December 2012 and the relevant details can be referred to in the abovementioned full report and valuation.

**Town Planning and Building Approval**

The Town Planning for the subject property has remained unchanged from that stated in our full report and valuation dated 31st December 2012.

The subject property was issued with the Certificate of Fitness for Occupation (C.F.O.) by the Majlis Bandaraya Petaling Jaya on 17th January 2007.

**Title Particulars**

The title particulars of the subject property based on our title search earried out on 24th April 2014 has remained unchanged from that stated in our full report and valuation dated 31st December 2012.

**Occupancy**

The subject buildings are owner occupied by Sasbadi Holdings Berhad for office and warehouse use.

**Industrial Property Market Condition**

The Property Market Report 2013 (PMR 2013) by the Ministry of Finance Malaysia indicates that the volume of transactions of industrial properties in Selangor decreased by 13.0% between 2012 and 2013 but that the value however increased moderately by 1.9% during the same period of time on an overall basis.

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In selected areas, the PMR 2013 reported that the increase in value was quite significant particularly for single-storey and 1 ½-storey terrace factories which grew by 17.6% to 27.5% in Pusat Bandar Puchong, Bandar Baru Sg. Buloh and Bandar Puchong Jaya. Prices of double-storey terrace factories are also reported to have grown by 14.6% to 15.4% in Subang Light Industrial Park and Mah Sing Intergrated Industrial Park in Sungai Buluh/Subang.

Our market research of the price movements in the secondary market for the 1 ½-storey to 3-storey new semi-detached factory cum showroom buildings within Taman Sains Selangor 1, Kota Damansara indicated an increase in price of about 4.6% (from an average of RM295.25 per sq. foot to RM308.80 per sq. foot) for units with land areas of 10,000 sq. feet to 21,000 sq. feet and 14.7% (from an average of RM500.25 per sq. foot to RM574.20 per sq. foot) for units with land areas below 10,000 sq. feet between the years 2012 and 2013.

Semi-detached factories with average floor areas of between 5,000 sq. feet to 9,000 sq. feet here are currently being advertised for rent at RM2.50 to RM3.50 per sq. foot whilst the larger detached factories with average floor areas of between 15,000 sq. feet to 40,000 sq. feet are being advertised for rent at RM1.50 to RM2.00 per sq. foot which is an increase of about 20% to 25% over the asking rents in 2012 for the same properties.

Based on the overall industrial market conditions of demand and price as reported by the PMR 2013 and our market research in Taman Sains Selangor 1, Kota Damansara on current prices and rents and with the Mass Rapid Transit (MRT) line and stations within Kota Damansara already under construction compared to previously when construction had not commenced as yet, the prices of industrial properties within Taman Sains Selangor 1 are expected to have increased by between 5% to 15% depending on the size and type of property.

**Basis of Valuation**

The basis of valuation is the 'Market Value' of **Sasbadi Sdn Bhd's 47 years unexpired sub-leasehold interest in the subject land and buildings in their existing condition and use free from encumbrances as at the date of tbis valuation i.e. 25th April 2014**. In determining the 'Market Value' of the remaining sub-lease term, we also take into consideration that under the Lease Agreement, Sasbadi Sdn Bhd is entitled to an 'extension of lease' for an additional term of 30 years from the date of expiry of the lease for the land at the prevailing market price (excluding the building on the land).

**Method of Valuation**

We have adopted the Cost and Direct Comparison Methods of Valuation similar to our previous full report and valuation dated 31st Deeember 2012.

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CITY VALUERS
AND CONSULTANTS SDN BHD

*Update Valuation Certificate*

*The subleasehold interest with an unexpired term of 47 years in Lot PT 9909, HSD 241020, Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan. (Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya) Ref No. V/SEL/0354/2014*



**Valuation**

Cost Method of Valuation

In arriving at the Market Value of the subject property by the Cost Method of Valuation, we have adopted the same comparable data as per our previous full report and valuation dated 31st December 2012 as there are no new recorded transactions of similar detached properties.

We have however adjusted upwards for time factor as the prices of industrial properties within Taman Sains Selangor 1 and in selected popular areas in Selangor which are comparable to the subject locality have increased upward since December 2012 by between 5% to 15%.

Taking into consideration the above upward movement in market prices since December 2012 and the Market Value of the subject property by the Cost Method of Valuation at RM24,145,804 on 31st December 2012, we have adopted a 5% increase in value to reflect time factor and thus the Market Value of the subject property is concluded at **RM25,353,094.00**

Direct Comparison Method of Valuation

We have adopted the same comparable sales as per our previous full report and valuation dated 31st December 2012 as there are no new recorded transactions of similar detached properties.

We have however adjusted upwards for time factor as the prices of industrial properties within Taman Sains Selangor 1 and in comparable areas in Selangor have increased since December 2012 by between 5% to 15%. Thus the Market Value of the subject property by the Direct Comparison Method of Valuation can be concluded as follows:-

| | |
|---|---|
| Market Value (as before) | |
| 76,945 square feet @ RM343.00 | RM26,400,000.00 |
| Increase in price @ 5% (for time factor) | RM 1,320,000.00 |
| Present Market Value | **RM27,720,000.00** |

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CITY VALUERS
AND CONSULTANTS SDN BHD

*Update Valuation Certificate*

*The subleasehold interest with an unexpired term of 47 years in Lot PT 9909, HSD 241020,*
*Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan.*
*(Lot No. 12, Jalan Teknologi 3/4, Section 3, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya)*
*Ref No. V/SEL/0354/2014*



**Reconciliation of Values**

Giving due consideration to the indicative values by the Cost and Direct Comparison Methods of Valuation at RM25,353,094.00 and RM27,720,000.00 respectively, but giving slightly greater weightage to the Cost Method of Valuation since the subject property is a purpose built building where the land was bought initially as a vacant site and then erected with the subject buildings by the client for their own use, we are of the considered opinion that the Market Value of the subjeet property as at 25th April 2014 is **RM26,000,000.00**.

***Opinion of Value***

Having considered all the salient features of the subject property and the current market conditions of demand and supply, it is our considered opinion that the Market Value of Sasbadi Sdn Bhd's subleasehold interest in the subject property with an unexpired term of 47 years in its existing condition and use with benefit of a good registerable Lease Agreement free from encumbrances as at 25th April 2014 is **RM26,000,000.00** (Ringgit: Twenty Six Million only).

Yours faithfully,
***CITY VALUERS AND CONSULTANTS SDN BHD***

Sr P.B. Nehru
B Sc. (Hons.) Est. Mgt., MRICS, FRISM
Chartered and Registered Valuer –V189

*V/SEL/0354/2014*
*5th May 2014*
*GS/mp*

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Penang Branch:
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fax: 04 390 6898

Date : 27th December 2012

Our Ref : V/NS/1469/2012

Sasbadi Holdings Sdn Bhd
Lot No. 12, Jalan Teknologi 3/4, Section 3
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya

Dear Sirs,

**VALUATION CERTIFICATE**
**FOR SUBMISSION TO THE SECURITIES COMMISSION MALAYSIA**

**APARTMENT UNIT NO. C-10-5, BLOCK C**
**[DEVELOPER'S PARCEL NO. C3-10-5P-3F], BAY VIEW VILLAS,**
**PD WORLD MARINA INTERNATIONAL RESORT (FORMERLY PD MARINA INTERNATIONAL RESORT), 6TH MILE, JALAN PANTAI, TELUK KEMANG,**
**71050 PORT DICKSON, NEGERI SEMBILAN DARUL KHUSUS.**

**Term of Reference**

This Valuation Certificate of the abovementioned property is prepared on the instruction of Sasbadi Holdings Sdn Bhd (to be known as Sasbadi Holdings Berhad upon conversion into a public company) for the inclusion in Sasbadi Holdings Berhad's prospectus to be dated 7 Jul 2014 in relation to the proposed listing and quotation for the enlarged issued and paid up share capital of Sasbadi Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

Our term of reference is to determine the Market Value of the abovementioned 3-bedroom apartment situated on level 10 of Block C, Bay View Villas, PD World Marina International Resort at Port Dickson, Negeri Sembilan Darul Khusus as at 12th December 2012.

**Valuation Standards Compliance**

Our valuation is prepared in compliance with the Malaysian Valuation Standards (MVS) issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and the Asset Valuation Guidelines issued by the Securities Commission, Malaysia.

**Definition of Market Value**

**Market Value** is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Date of Inspection**

We inspected the subject property on 12th December 2012.

**Date of Valuation**

The relevant date of valuation of the subject property is 12th December 2012.

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**The Subject Property**

The subject property is **a 3-bedroom apartment** situated on level 10 of an 18-storey apartment building known as Block C, Bay View Villas, PD World Marina International Resort in Teluk Kemang, Port Dickson, Negeri Sembilan Darul Khusus. It bears the postal address Unit No. C-10-5, Block C, Bay View Villas, PD World Marina International Resort, 6th Mile Jalan Pantai, Teluk Kemang, 71050 Port Dickson, Negeri Sembilan Darul Khusus. The subject apartment has a provisional floor area of approximately 1,278 square feet (i.e. 118.73 square metres) as stated in the Sale and Purchase Agreement for the subject property dated 25th March 1995. It comes together with one accessory parcel open car park.

The subject apartment block is constructed of reinforced concrete frames and beams structure, plastered brick infill walls finished with smooth plaster and paint, reinforced concrete flat roof and reinforced concrete floors finished with broken marble, ceramic tiles and parquet in the individual units. The internal partition walls are of plastered brick work.

**Town Planning**

The subject property is designated for residential purpose. The subject development is an approved residential development with a Certificate of Fitness for Occupation issued on 14th May 1999.

**Title Particulars**

Our inquiry with the Joint Management Body of the subject development indicates that the subject property has not been issued with an individual strata title as yet. Legal ownership of the subject property has thus far been conveyed through a Sale and Purchase Agreement pending the issuance of the individual strata title.

In accordance with the Principal Sale and Purchase Agreement dated 25th March 1995 between the developer, Cempaka Mewah Sdn Bhd and the purchaser, Sasbadi Sdn Bhd ***(see note below)***, provided to us for reference by the client, the subject property is identified as Developer's Parcel No. C3-10-5P-3F, Unit No. 5P, Type No. 3F, Floor No. 10, Building No. C3, PD Marina International Resort (now renamed "PD World Marina International Resort"), Phase 3, (Bay View Villas) together with one accessory parcel car park bay. The subject apartment has a provisional floor area of approximately 1,278 square feet (118.73 square metres).

We have confirmed with Sasbadi Sdn Bhd that the property is presently free of all charges, leases, tenancies and encumbrances. We note that the parent title is now known as PN 11589, Lot 1131, Pekan Teluk Kemang, District of Port Dickson, Negeri Sembilan Darul Khusus and has an unexpired term of 89 years as at the date of valuation.

***Note: We are informed by the client that Sasbadi Sdn Bhd is proposed to be a wholly owned subsidiary of Sasbadi Holdings Sdn Bhd.***

**Occupancy**

The subject property is presently unoccupied. It is a barc unit which has not been occupied since its completion. There are no light and fan fittings or basic kitchen cabinet and stove within the unit.

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**Basis of Valuation**

The basis of valuation is the 'Market Value' of the subject property in its existing use and condition as at 12th December 2012.

**Method of Valuation**

| | | |
|---|---|---|
| Direct Comparison Method | : | The Direct Comparison Method of Valuation entails enlisting recorded open market sales and other relevant market evidences such as current offers for sale of similar properties and making adjustment thereto for value affecting factors such as location, shape, size and tenure of the land, design, age, finishes, improvements and condition of the building, the demand for the property in its existing use and condition and legal and planning conditions affecting the property. |
| Income Method | : | The Income Method of Valuation entails capitalising the rent and other benefits (if any) that a property can generate over the unexpired term of the interest in the property by a market capitalisation rate to derive the Market Value of the interest in the property. The rent and capitalisation rates must be market derived. |

**Sources of Information**

Recorded transactions of apartments within the subject development and in the subject neighbourhood as published by Jabatan Penilaian & Perkhidmatan Harta (JPPH) and information provided by the Joint Management Bodies of Bay View Villas and comparable properties.

**Direct Comparison Method of Valuation**

Five comparable apartments were transacted within PD World Marina International Resort in 2012 and December 2011 at prices of RM90, RM90, RM82, RM74 and RM72 per square foot. The market value of the subject property was derived from these sales evidence by the Direct Comparison Method of Valuation as follows:-

| Comparable No. | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Transaction date | 06/07/12 | 27/04/12 | 26/01/12 | 29/12/11 | 29/12/11 |
| Address | Apartment Unit No. C4-01-12P-3E, PD World Marina International Resort, Port Dickson. | Apartment Unit No. B3-07-12G-3A, PD World Marina International Resort, Port Dickson. | Apartment Unit No. C4-01-04P, 05P & 09P, PD World Marina International Resort, Port Dickson. | Apartment Unit No. C4-01-12P, PD World Marina International Resort, Port Dickson. | Apartment Unit No. B4-01-01P, 02P & 03P, PD World Marina International Resort, Port Dickson. |
| Tenure | Leasehold with unexpired term of 89 years | Leasehold with unexpired term of 89 years | Leasehold with unexpired term of 89 years | Leasehold with unexpired term of 89 years | Leasehold with unexpired term of 89 years |
| Vendor | Heiw Ah Lan | Feizal Tan Bin Tan | Oval Paradise SB | Oval Paradise SB | Oval Paradise SB |
| Purchaser | Lim Kim Chai | Dasimah Binti Mohd Ali | Buildcode SB | Yvonne Isuruma De Silva | Buildcode SB |
| Consideration (RM) | 165,000 | 100,000 | 150,000 | 135,000 | 132,000 |

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| Comparable No. | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Floor Area (sf) | 1,831 | 1,113 | 1,831 | 1,831 | 1,843 |
| Price /floor area (RM/psf) | RM90 | RM90 | RM82 | RM74 | RM72 |
| Adjustments | Our analysis of the market data indicates that the market has not made any adjustments for size, time and floor level. We are thus accordingly also not making any adjustments these factors. | | | | |
| Adjusted Value x Floor Area of subject unit | RM115,020 | RM115,020 | RM104,796 | RM94,572 | RM92,016 |
| Less for Bare Condition<br><br>The bare condition of the subject unit was considered significant and thus we have adjusted for this factor by RM10,000. | RM10,000 | RM10,000 | RM10,000 | RM10,000 | RM10,000 |
| Adjusted Market Value | RM105,020 | RM105,020 | RM94,796 | RM84,572 | RM82,016 |
| Average Market Value | RM94,284 | | | | |
| Conclusion of Value | Giving weightage to the Market Value derived from to the two latest sales in 2012 at RM105,020 and the average value at RM94,284, the Market Value of the subject property is concluded at **RM100,000.00**. | | | | |

**Income Method of Valuation**

In arriving at the Market Value of the subject property by the Income Method of Valuation, we have adopted the following market data.

| | |
|---|---|
| Market Rental | Our analysis of current market rents of similar apartments within the subject PD Marina International Resort and in the comparable schemes of Kemang Indah Condominium and PD Perdana Condominium Resort indicates the gross rent to range between RM0.60 psf and RM0.70 psf. In arriving at the market rental of the subject property, we have adopted RM0.70 psf. |
| Gross Yield | The comparable properties in PD Marina International Resort, Kemang Indah Condominium and PD Perdana Condominium Resort indicate a gross yield of 9.33%, 10.50% and 9.47%. These yields reflect all the salient features and factors affecting the properties including the void factor, outgoings and the sustainability of the rent, as they are market derived. For the purpose of this valuation, we have adopted the gross yield of 9.33% as the open market yield for the subject property. |
| Tenantable Condition | As the subject property is not in a tenantable condition, we have deducted RM10,000 as the depreciated cost of the light fittings, fans and basic kitchen cabinets. We have also deducted a depreciated cost of RM20,000 for the stove, beds and cupboards, living room sofas, dining table and chairs. |
| Conclusion of Value | Based on the above open market rent of RM0.70 psf, gross yield of 9.33% and the depreciated cost to bring the subject unit to tenantable condition at RM30,000.00, the Market Value of the subject property is concluded at **RM85,000.00**. |

5/...

CITY VALUERS
AND CONSULTANTS SDN BHD

*Valuation Certificate*
*for submission to The Securities Commission Malaysia*

*Apartment Unit No. C-10-5, Block C [Developer's Parcel No. C3-10-5P-3F], Bay View Villas*
*PD World Marina International Resort (formerly PD Marina International Resort), 6th Mile*
*Jalan Pantai, Teluk Kemang, 71050 Port Dickson, Negeri Sembilan Darul Khusus*
*Ref: V/NS/1469/2012* *Date: 27th December 2012*



**Reconciliation of Value**

The Market Value of the subject property as derived by the two methods of valuation are as follows :-

| Method of Valuation | Indicative Market Value |
|---|---|
| Direct Comparison Method of Valuation | RM100,000 |
| Income Method of Valuation | RM 85,000 |

Giving due consideration to the indicative values by the two methods of valuation, the large number of units in PD World Marina International Resort and the significant number of units being sold at auctions by financial institutions at reduced reserve prices, we are of the opinion that the lower indicative value of **RM85,000.00** as derived by the 'Income' method of valuation fairly reflects the open Market Value of the subject unit as at the date of this valuation.

Yours faithfully,
**CITY VALUERS AND CONSULTANTS SDN BHD**

Sr P.B. Nehru
B Sc (Hons.) Est. Mgt., MRICS, FRISM
Chartered and Registered Valuer –V189

*V/NS/1469/2012*
*27th December 2012*
*GS*

CITY VALUERS
AND CONSULTANTS SDN BHD

co no: 98373-K
reg no: VE (1) 0015

Headquarters:
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Kuching Branch:
tel: 082 23 7746
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Penang Branch:
tel: 04 397 9889
fax: 04 390 6898

Date : 5th May 2014

Our Ref : V/NS/0352/2014 (Previous Ref. No. V/NS/1469/2012)

Sasbadi Holdings Berhad
Lot No. 12, Jalan Teknologi 3/4, Section 3
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya

Dear Sirs,

**UPDATE VALUATION CERTIFICATE**

**APARTMENT UNIT NO. C-10-5, BLOCK C [DEVELOPER'S PARCEL NO. C3-10-5P-3F], BAY VIEW VILLAS, PD WORLD MARINA INTERNATIONAL RESORT (FORMERLY PD MARINA INTERNATIONAL RESORT), 6TH MILE, JALAN PANTAI, TELUK KEMANG, 71050 PORT DICKSON, NEGERI SEMBILAN DARUL KHUSUS.**

**Term of Reference**

This Update Valuation Certificate on the abovementioned property is prepared on the instruction of Sasbadi Holdings Berhad for inclusion in the prospectus dated .....7 Jul 2014..... in relation to the listing and quotation for the entire enlarged issued and paid up share capital of Sasbadi Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

A Report and Valuation on the abovementioned property in full compliance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and the Asset Valuation Guidelines of the Securities Commission Malaysia was previously prepared by us under Reference No. V/NS/1469/2012 dated 27th December 2012. This Update Valuation Certificate should be read in conjunction with the said full Report and Valuation.

Our term of reference for this update valuation certificate is to determine the Market Value of the abovementioned subject property as at 28th April 2014.

**Date of Inspection**

We have re-inspected the subject property on 28th April 2014.

**Date of Valuation**

The relevant date of valuation for this Update Valuation Certificate is 28th April 2014.

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CITY VALUERS
AND CONSULTANTS SDN BHD

*Update Valuation Certificate*

*Apartment Unit No. C-10-5, Block C [Developer's Parcel No. C3-10-5P-3F], Bay View Villas*
*PD World Marina International Resort (formerly PD Marina International Resort), 6th Mile*
*Jalan Pantai, Teluk Kemang, 71050 Port Dickson, Negeri Sembilan Darul Khusus*
*Ref: V/NS/0352/2014*



**The Physical Condition of the Subject Property**

The physieal condition of the subject property has remained unchanged from our last inspection for the full report and valuation dated 27th December 2012.

**Town Planning**

The Town Planning for the subject property has also remained unchanged from that stated in our full report and valuation dated 27th December 2012.

**Title Particulars**

Our current inquiry with the Joint Management Body of the subject development indicates that the subject property has still not been issued with an individual strata title as yet. Legal ownership of the subject property is conveyed through a Sale and Purchase Agreement dated 25th March 1995 the details of which are mentioned in our previous Report and Valuation dated 27th December 2012.

**Occupancy**

The subject property is presently unoccupied. It is a bare unit which has not been occupied since its completion. There are no light and fan fittings or basic kitchen cabinet and stove within the unit.

**Market Condition**
**for Apartments/Condominiums in Port Dickson**

Our analysis of the data reported by National Property Information Centre (NAPIC) for Q1 2013, Q4 2013 and Q1 2014 relating to apartments/condominiums in the District of Port Dickson indicate no significant change or consistent trend in the value of transactions and number of transactions.

**Basis of Valuation**

The basis of valuation is the 'Market Value' of the subject property in its existing use and condition as at 28th April 2014.

**Method of Valuation**

We have adopted the Direct Comparison and Income Methods of Valuation similar to our previous full report and valuation dated 27th December 2012.

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**Direct Comparison Method of Valuation**

Our analysis of new sales data in PD World Marina International Resort indicate several sales of apartment units of various sizes and floor levels in 2013. There are no recorded sales in 2014. The details of the latest recorded transactions of properties are as follows:-

| Comparable No. | | | | | |
|---|---|---|---|---|---|
| Transaction date | 25/10/13 | 12/10/13 | 03/09/13 | 22/08/13 | 03/07/13 |
| Address | Apartment Unit No. C8-2P-2J PD World Marina International Resort, Port Dickson. | Apartment Unit No. B3-3A-3AP-2A PD World Marina International Resort, Port Dickson. | Apartment Unit No. A-5-1P-3A PD World Marina International Resort, Port Dickson. | Apartment Unit No. C-3-1P-3C PD World Marina International Resort, Port Dickson. | Apartment Unit No. M1/5/63 PD World Marina International Resort, Port Dickson. |
| Tenure | Leasehold with unexpired term of 87 years | Leasehold with unexpired term of 87 years | Leasehold with unexpired term of 87 years | Leasehold with unexpired term of 87 years | Leasehold with unexpired term of 87 years |
| Vendor | Tan Sow Ping | Oh Kong Hooi + 1 | Gah Ah Ban | Cempaka Mewah Sdn. Bhd | Lee Mee Kuan |
| Purchaser | Toh Siew Pang | Teoh Kim Meng | Gan Ee Chin | Loke Hoong Liang | Mohd Fawzi Bin Abdul Kadir |
| Consideration (RM) | 43,000 | 90,000 | 36,000 | 53,000 | 50,000 |
| Floor Area (sf) | 829 | 966 | 693 | 1,044 | 655 |
| Price (RM/psf) | 52 | 93 | 52 | 51 | 76 |
| Adjustments | It can be noted from the above recorded sales that the prices when analysed on a per square foot basis do not show a consistent trend. The market has also not made any adjustments for differences in floor size, floor level, date of sale, etc. We are thus accordingly also not making any adjustments for these factors. | | | | |
| Value x Floor Area of subject unit | RM66,456 | RM118,854 | RM66,456 | RM65,178 | RM97,128 |
| Less for Bare Condition<br><br>The bare condition of the subject unit was considered significant and thus we have adjusted for this factor by RM10,000. | RM10,000 | RM10,000 | RM10,000 | RM10,000 | RM10,000 |
| Adjusted Market Value | RM56,456 | RM108,854 | RM56,456 | RM55,178 | RM87,128 |
| Conclusion of Value | Considering the very wide difference in the indicative market values due to the varying prices at which the comparable units have been sold, we are not giving great weightage to this method of valuation. It however serves to indicate the value range within which the market value of the subject property must lie. | | | | |

*Source : Jabatan Penilaian dan Perkhidmatan Harta (JPPH)*

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CITY VALUERS
AND CONSULTANTS SDN BHD

*Update Valuation Certificate*

*Apartment Unit No. C-10-5, Block C [Developer's Parcel No. C3-10-5P-3F], Bay View Villas*
*PD World Marina International Resort (formerly PD Marina International Resort), 6th Mile*
*Jalan Pantai, Teluk Kemang, 71050 Port Dickson, Negeri Sembilan Darul Khusus*
*Ref: V/NS/0352/2014*



**Income Method of Valuation**

Our current enquiry with the Management Office on the present market rent indicates that the current rent is still at the same range as reported in our full report and valuation of 27th December 2012 i.e. at RM0.60 per square foot to RM0.70 per square foot per month. Thus the Market Value of the property by this method of valuation will also not indicate any change.

Adopting the same fair rent of RM0.70 psf per month, gross yield of 9.33% and the depreciated cost to bring the subject unit to tenantable condition at RM30,000, as previously in our full Report and Valuation in December 2012, the present Market Value of the subject property can be concluded at **RM85,000.00** similar to our earlier full report and valuation.

**Reconciliation of Value**

We note that the Market Value indication of RM85,000.00 by the Income Method of Valuation lies within the range of values indicated by the Comparison Method of Valuation i.e. RM55,178 to RM108,854. Thus the Market Value of RM85,000.00 as indicated by the Income Method of Valuation can be accepted as indicative of the Present Market Value of the property.

**Opinion of Value**

Having considered all the factors, the salient features of the subject property, the available market data and the current market conditions of demand and supply, we are of the opinion that the Market Value of the subject property as at 28th April 2014 in its existing use and condition can be concluded at **RM85,000.00** (Ringgit: Eighty Five Thousand only).

Yours faithfully,
**CITY VALUERS AND CONSULTANTS SDN BHD**

Sr P.B. Nehru
B Sc. (Hons.) Est. Mgt., MRICS, FRISM
Chartered and Registered Valuer –V189

*V/NS/0352/2014*
*5th May 2014*
*GS/mp*

CITY VALUERS
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Penang Branch:
tel: 04 397 9889
fax: 04 390 6898

Date : 27th December 2012

Our Ref : V/NS/1468/2012

Sasbadi Holdings Sdn Bhd
Lot No. 12, Jalan Teknologi 3/4, Section 3
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya

Dear Sirs,

**VALUATION CERTIFICATE**
**FOR SUBMISSION TO THE SECURITIES COMMISSION MALAYSIA**

**APARTMENT UNIT NO. B 1-2, BLOCK B,**
**THE REGENCY TANJUNG TUAN BEACH RESORT (FORMERLY TANJUNG TUAN RESORT APARTMENT), 5TH MILE, JALAN PANTAI,**
**71050 PORT DICKSON, NEGERI SEMBILAN DARUL KHUSUS**

**Term of Reference**

This Valuation Certificate of the abovementioned property is prepared on the instruction of Sasbadi Holdings Sdn Bhd (to be known as Sasbadi Holdings Berhad upon conversion into a public company) for the inclusion in Sasbadi Holdings Berhad's prospectus to be dated 7 Jul 2014 in relation to the proposed listing and quotation for the enlarged issued and paid up share capital of Sasbadi Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

Our term of reference is to determine the Market Value of the abovementioned 2-bedroom apartment located on the 1st floor of Block B, The Regency Tanjung Tuan Beach Resort in Port Dickson, Negeri Sembilan Darul Khusus as at 12th December 2012.

**Valuation Standards Compliance**

Our valuation is prepared in compliance with the Malaysian Valuation Standards (MVS) issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

**Definition of Market Value**

**Market Value** is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Date of Inspection**

We inspected the subject property on 12th December 2012.

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CITY VALUERS
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**Date of Valuation**

The relevant date of valuation of the subject property is 12th December 2012.

**The Subject Property**

The subject property is **a 2-bedroom apartment** situated on the 1st floor of an 11-storey apartment building known as Block B, The Regency Tanjung Tuan Beach Resort which is located at the 5th Mile, Jalan Pantai, Port Dickson, Negeri Sembilan Darul Khusus. It bears the postal address Unit No. B 1-2, Block B, The Regency Tanjung Tuan Beach Resort, 5th Mile, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus. The subject property has a provisional floor area of 90 square metres (i.e. approximately 969 square feet) as stated in the principal Sale and Purchase Agreement for the subject property dated 25th March 1995.

The subject apartment block is constructed of reinforced concrete frames and beams structure, plastered brick infill walls, pitched timber truss roof covered with concrete roofing tiles and reinforced concrete floors finished with ceramic tiles generally. The internal partition walls are of plastered brick work.

**Town Planning**

The subject property is designated for residential purpose. The subject development is an approved residential development with a Certificate of Fitness for Occupation issued on 27th October 1986.

**Title Particulars**

Our investigation with the Joint Management Body of The Regency Tanjung Tuan Beach Resort indicates that the subject property has not been issued with an individual strata title as yet. Legal ownership of the subject property has thus far been conveyed through Sale and Purchase Agreements pending the issuance of the individual strata title.

In accordance with the Sale and Purchase Agreement dated 25th March 1995 between the Vendor, Aamir Nordin @ Amirridin Bin Mohd Aripin @ Ariffin and the purchaser, Sasbadi Sdn Bhd ***(see note overleaf)***, provided to us for reference by the client, the subject property is identified as Unit No. B 1-2, 1st Floor, Tanjung Tuan Resort Apartment (which is now known as The Regency Tanjung Tuan Beach Resort). Unit B 1-2 has a provisional floor area of 90 square metres (i.e. approximately 969 square feet). It was purchased by Sasbadi Sdn. Bhd. from Aamir Nordin @ Amirridin Bin Mohd Aripin @ Ariffin (NRIC No. 1195773) who in turn purchased the unit from the developer of the building i.e. Tanjung Tuan Resort Development Sdn Bhd vide a principal Sale and Purchase Agreement dated 20th January 1990.

We have confirmed with Sasbadi Sdn Bhd and their solicitors that the property is presently free of all charges, leases, tenancies and encumbrances. We note that the parent title is now known as Pajakan Negeri 20121, Lot 5627, Mukim of Si Rusa, District of Port Dickson, Negeri Sembilan Darul Khusus and has an unexpired term of 69 years as at the date of valuation.

***Note: We are informed by the client that Sasbadi Sdn Bhd is proposed to be a wholly owned subsidiary of Sasbadi Holdings Sdn Bhd.***

**Occupancy**

The subject property is presently used as a holiday apartment for the staff of Sasbadi Sdn Bhd.

**Basis of Valuation**

The basis of valuation is the 'Market Value' of the subject property in its existing use and condition as at 12th December 2012.

**Method of Valuation**

| | | |
|---|---|---|
| Direct Comparison Method | : | The Direct Comparison Method of Valuation entails enlisting recorded open market sales and other relevant market evidences such as current offers for sale of similar properties and making adjustment thereto for value affecting factors such as location, shape, size and tenure of the land, design, age, finishes, improvements and condition of the building, the demand for the property in its existing use and condition and legal and planning conditions affecting the property. |
| Income Method | : | The Income Method of Valuation entails capitalising the rent and other benefits (if any) that a property can generate over the unexpired term of the interest in the property by a market capitalisation rate to derive the Market Value of the interest in the property. The rent and capitalisation rates must be market derived. |

**Sources of Information**

Recorded transactions of apartments within the subject development and in the subject neighbourhood as published by Jabatan Penilaian & Perkhidmatan Harta (JPPH), Negeri Sembilan and information provided by the Joint Management Bodies of The Regency Tanjung Tuan Beach Resort and the comparable properties.

**Direct Comparison Method of Valuation**

Four comparable apartments were transacted within Tanjung Tuan Beach Resort in 2012 and 2011 at prices of RM217, RM235, RM209 and RM225 per square foot. The market value of the subject property was derived from these sales evidence by the Direct Comparison Method of Valuation as follows:-

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| | | | | |
|---|---|---|---|---|
| Transaction date | 26/05/12 | 17/11/11 | 01/07/11 | 22/02/11 |
| Address | Apartment Unit No. A2-6, Block A, The Regency Tanjung Tuan Beach Resort, Port Dickson. | Apartment Unit No. A8-6, Block A, The Regency Tanjung Tuan Beach Resort, Port Dickson. | Apartment Unit No. B7-13, Block B, The Regency Tanjung Tuan Beach Resort, Port Dickson. | Apartment Unit No. B4-4, Block B, The Regency Tanjung Tuan Beach Resort, Port Dickson. |
| Tenure | Leasehold with unexpired term of 69 years | Leasehold with unexpired term of 69 years | Leasehold with unexpired term of 69 years | Leasehold with unexpired term of 69 years |
| Vendor | Syarikat Kekapas S/B | Viswanatha Menon Aravind a/l KPV Menon | Mohd Arshad Bin Abu Bakar | Lee Juan Kim |
| Purchaser | Jude Mohan Rajandran | Chandrasekar a/l Suppiah | Alla Andriyevska | Halimahtus Saadiah Binti Sanam |
| Consideration (RM) | 265,000 | 260,000 | 255,000 | 148,000 |
| Floor Area (sf) | 1,222 | 1,105 | 1,222 | 657 |
| Price /floor area (RM/psf) | 217 | 235 | 209 | 225 |
| Adjustments | Downward and upward adjustments were made for size of units relative to the subject property. Upward adjustments were made for the higher level units. Consideration was also given to the condition of the units and date of sale of the comparables. | | | |
| Market Value (RM/psf) | 227.85 | 223.25 | 209 | 213.75 |
| Average Market Value (RM/psf.) | RM218.00 | | | |
| Conclusion of Value | The best comparables are comparable No. 1 in terms of floor level and time factor and comparable No. 2 in terms of floor size. Giving greater weightage to the market values from these two evidence at RM227.85 per square foot and RM223.25 per square foot and the average value of RM218.46 per square foot, the Market Value of the subject unit is concluded at **RM220 per square foot or RM213,000.** | | | |

**Income Method of Valuation**

In arriving at the Market Value of the subject property by the Income Method of Valuation, we have adopted the following market data

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CITY VALUERS
AND CONSULTANTS SDN BHD

*Valuation Certificate*
*for submission to The Securities Commission Malaysia*

*Apartment Unit No. B 1-2, Block B, The Regency Tanjung Tuan Beach Resort*
*5th Mile, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus*
*Ref: V/NS/1468/2012* *Date: 27th December 2012*



| | |
|---|---|
| Market Rental | Our analysis of current market rentals of similar apartments within the subject Regency Tanjung Tuan Beach Resort and in the comparable schemes of Sri Bulan Condominium and Glory Beach Resort indicates the gross rent to range between RM1.50 psf and RM2.00 psf. In arriving at the market rental of the subject property, we have adopted RM1.90 psf. |
| Gross Yield | The comparable properties in Regency Tanjung Tuan Beach Resort, Sri Bulan Condominium and Glory Beach Resort indicate a gross yield of 10.50%, 10.06% and 13.04% respectively. These yields reflect all the salient features and factors affecting the properties including the void factor, outgoings and the sustainability of the rent, as they are market derived. For the purpose of this valuation, we have adopted the gross yield of 10.50% as the open market yield for the subject property. |
| Conclusion of Value | Based on the above open market rent of RM1.90 psf and gross yield of 10.50%, the Market Value of the subject property is concluded at **RM210,000.00.** |

**Reconciliation of Value**

The Market Value of the subject property as derived by the two methods of valuation are as follows :-

| Method of Valuation | Indicative Market Value |
|---|---|
| Direct Comparison Method of Valuation | RM213,000 |
| Income Method of Valuation | RM210,000 |

Giving due consideration to the indicative values by the 2 methods of valuation, we are of the opinion that the Direct Comparison Method is more consistent as it is based on 4 sales of units within the subject scheme. Thus the Market Value of the subject property can be concluded based on the indicative market value by the Direct Comparison method of valuation at **RM213,000.00** (Ringgit: Two Hundred and Thirteen Thousand only).

Yours faithfully,
**CITY VALUERS AND CONSULTANTS SDN BHD**

Sr P.B. Nehru
B Sc. (Hons.) Est. Mgt., MRICS, FRISM
Chartered and Registered Valuer –V189

*V/NS/1468/2012*
*27th December 2012*
*GS*

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Date : 5th May 2014

Our Ref : V/NS/0353/2014 (Previous Ref. No. V/NS/1468/2012)

Sasbadi Holdings Berhad
Lot No. 12, Jalan Teknologi 3/4, Section 3
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya

Dear Sirs,

**UPDATE VALUATION CERTIFICATE**

**APARTMENT UNIT NO. B-1-2, BLOCK B,
THE REGENCY TANJUNG TUAN BEACH RESORT (FORMERLY TANJUNG TUAN RESORT APARTMENT), 5TH MILE, JALAN PANTAI,
71050 PORT DICKSON, NEGERI SEMBILAN DARUL KHUSUS**

**Term of Reference**

This Update Valuation Certificate on the abovementioned property is prepared on the instruction of Sasbadi Holdings Berhad for inclusion in the prospectus dated ..7 Jul 2014..... in relation to the listing and quotation for the entire enlarged issued and paid up share capital of Sasbadi Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities').

A Report and Valuation on the abovementioned property in full compliance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and the Asset Valuation Guidelines of the Securities Commission Malaysia was previously prepared by us under Reference No. V/NS/1468/2012 dated 27th December 2012. This Update Valuation Certificate should be read in conjunction with the said full Report and Valuation.

Our term of reference for this update valuation certificate is to determine the Market Value of the abovementioned subject property as at 28th April 2014.

**Date of Inspection**

We have re-inspected the subject property on 28th April 2014.

**Date of Valuation**

The relevant date of valuation for this Update Valuation Certificate is 28th April 2014.

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**The Physical Condition of the Subject Property**

The physical condition of the subject property has remained unchanged from our last inspection for the full report and valuation dated 27th December 2012.

**Town Planning**

The Town Planning for the subject property has also remained unchanged from that stated in our full report and valuation dated 27th December 2012.

**Title Particulars**

Our current inquiry with the Joint Management Body of The Regency Tanjung Tuan Beach Resort indicates that the subject property has still not been issued with an individual strata title as yet. Legal ownership of the subject property is conveyed through a Sale and Purchase Agreement dated 25th March 1995 the details of which are mentioned in our previous Report and Valuation dated 27th December 2012.

**Occupancy**

The subject property is presently used as a holiday apartment for the staff of Sasbadi Holdings Berhad.

**Market Condition**
**for Apartments/Condominiums in Port Dickson**

Our analysis of the data reported by National Property Information Centre (NAPIC) for Q1 2013, Q4 2013 and Q1 2014 relating to apartments/condominiums in the District of Port Dickson indicate no significant change or consistent trend in the value of transactions and number of transactions.

**Basis of Valuation**

The basis of valuation is the 'Market Value' of the subject property in its existing use and condition as at 28th April 2014.

**Method of Valuation**

We have adopted the Direct Comparison and Income Methods of Valuation similar to our previous full report and valuation dated 27th December 2012.

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**Direct Comparison Method of Valuation**

There are no recorded transactions of similar apartments within Tanjung Tuan Beach Resort in 2013 or 2014. The Comparison Method of Valuation is thus based on the latest four comparable sales which were transacted within Tanjung Tuan Beach Resort in 2012. The details of the 4 latest sales are as follows:-

| Comparable No. | | | | |
|---|---|---|---|---|
| Transaction date | 22/10/12 | 09/11/12 | 26/05/12 | 13/05/12 |
| Address | Apartment Unit No. B3-7, 3rd Floor, Block B, The Regency Tanjung Tuan Beach Resort, Port Dickson. | Apartment Unit No. B2-5A, 2nd Floor, Block B, The Regency Tanjung Tuan Beach Resort, Port Dickson. | Apartment Unit No. A2-6, 2nd Floor, Block A, The Regency Tanjung Tuan Beach Resort, Port Dickson. | Apartment Unit No. B3-1, 3rd Floor, Block B, The Regency Tanjung Tuan Beach Resort, Port Dickson. |
| Tenure | Leasehold with unexpired term of 67 years | Leasehold with unexpired term of 67 years | Leasehold with unexpired term of 67 years | Leasehold with unexpired term of 67 years |
| Vendor | Tan Hong Shian | Julia Binti Hussein | Syarikat Kekapas Sdn Bhd | Stephen Sivaneswaren a/l Ramalingam |
| Purchaser | Halimahtus Sa'adiah *Binti Sanam* | Hamdan Bin Osman | Jude Mohan Rajandran | Norhani Binti Ismail |
| Consideration (RM) | 205,000 | 150,000 | 265,000 | 350,000 |
| Floor Area (sf) | 969 | 660 | 1,222 | 1,324 |
| Price (RM/psf) | 212 | 227 | 217 | 264 |
| Adjustments | It is noted from the above comparable sales that the adjustment for size by the market is not consistent. We have similarly thus only adjusted for size very marginally. All the above units and the subject property are located on the lower floors. Thus we are not making any adjustments for floor level. Comparable no. 4 is renovated and thus has a higher price per square foot whilst the other 3 comparables are all similar to the subject property. The comparable sales above do not indicate a rise in price due to time factor. We have however adopted a nominal increase to reflect the likely rise in price between 2012 and presently. | | | |
| Market Value (RM/psf) | 223 | 227 | 239 | 251 |
| Conclusion of Value | The adjusted Market Values derived from the 4 comparable sales are RM223, RM227, RM239 and RM251 per square foot. The best comparable is the comparable No. 1 in terms of floor area and date of sale. Giving greater weightage to the adjusted value of this evidence at RM223 per square foot, the Market Value of the subject unit as at 28th April 2014 can be concluded at **RM223 per square foot or RM216,000.00.** | | | |

*Source : Jabatan Penilaian dan Perkhidmatan Harta (JPPH)*

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**Income Method of Valuation**

Our current enquiry with the Management Office on the present market rent indicates that the current rent is still at the same range as reported in our full report and valuation of 27th December 2012 i.e. at RM1.50 per square foot to RM2.00 per square foot per month. Thus the Market Value of the property by this method of valuation will also not indicate any change.

Adopting the same fair rent of RM1.90 per square foot per month and gross yield of 10.50% as previously in our full Report and Valuation in December 2012, the present Market Value of the subject property can be concluded at **RM210,000.00** similar to our earlier full report and valuation.

**Reconciliation of Value**

Giving due consideration to the indicative values by the Direct Comparison and Income Methods of Valuation at RM216,000.00 and RM210,000.00 and giving a slightly greater weightage to the value indication by the Comparison Method of Valuation, we are of the opinion that the Market Value of the subject property as at 28th April 2014 can be concluded at **RM215,000.00**.

**Opinion of Value**

Having considered all the salient features of the subject property, the available market data and the current market conditions of demand and supply, we are of the opinion that the Market Value of the subject property as at 28th April 2014 in its existing use and condition can be concluded at **RM215,000.00** (Ringgit: Two Hundred and Fifteen Thousand only).

Yours faithfully,
**CITY VALUERS AND CONSULTANTS SDN BHD**

Sr P.B. Nehru
B Sc. (Hons.) Est. Mgt., MRICS, FRISM
Chartered and Registered Valuer –V189

*V/NS/0353/2014*
*5th May 2014*
*GS/mp*

SASBADI

Contents
Technology
Hands-on Learning
SASBADI
BUILDING the BLOCKS of KNOWLEDGE

**SASBADI HOLDINGS BHD** *(1022660-T)*
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Email: enquiry@sasbadiholdings.com

23 June 2014

**Registered Office:**
Suite 11.1A, Level 11 Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur

**The shareholders of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "Company")**

Dear Sirs/Madams,

On behalf of the Board of Directors of Sasbadi Holdings, I report after due and careful enquiry that during the period from 28 February 2014 (being the date to which the last audited financial statements of our Company and our subsidiary companies which have been made) up to 23 June 2014 (being a date not earlier than 14 days before the issuance of this Prospectus):

(i) the business of our Company and subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;

(ii) in the opinion of our Directors, no circumstances have arisen since the last audited financial statements of our Company and our subsidiary companies which have adversely affected the trading of the value of the assets of our Company or of our subsidiary companies;

(iii) the current assets of our Company and our subsidiary companies appears in the books at values which are believed to be realisable in the ordinary course of business;

(iv) there are no contingent liabilities by reason of any guarantee or indemnities given by our Company or our subsidiary companies;

(v) since the last audited financial statements of our Company and our subsidiary companies, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and

(vi) since the last audited financial statements of our Company and our subsidiary companies, save as disclosed in the Accountants' Report enclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Company and our subsidiary companies.

Yours faithfully
For and on behalf of the Board of Directors
**SASBADI HOLDINGS BERHAD**

**LAW KING HUI**
Managing Director

## 16. ADDITIONAL INFORMATION

### 16.1 SHARE CAPITAL

(i) No securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

(ii) None of the capital of our Company or our subsidiary companies are under option or agreed conditionally or unconditionally to be put under option.

(iii) Save for our IPO Shares reserved for subscription by the eligible employees and Directors of our Group, there is currently no other scheme involving the Directors and employees in the capital of our Company or our subsidiary companies.

(iv) Save as disclosed in Section 8.1 of this Prospectus, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company or our subsidiary companies.

(v) As at the date of this Prospectus, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by the applicable Malaysian law or by our Memorandum and Articles of Association.

### 16.2 ARTICLES OF ASSOCIATION

The following provisions relate to the remuneration of directors, voting and borrowing powers of directors, transfer of securities and changes in capital and variation of class rights as reproduced from our Articles of Association ("**Article(s)**"). The words and expressions appearing in the following provisions shall bear the same meaning used in our Articles unless they are otherwise defined here or the context otherwise requires:

**(i) Remuneration of Directors**

*"**Article 103.1***
*The fees payable to the directors shall from time to time be determined by an ordinary resolution of the Company in general meeting PROVIDED THAT such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Any director holding office for a part of a year shall be entitled to a proportionate part of such fee."*

*"**Article 103.2***
*A managing director or executive director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may determine. Salaries payable to executive directors shall not include a commission on or percentage of turnover."*

*"**Article 103.3***
*Fees payable to non-executive directors shall be by way of a fixed sum and not a commission on or percentage of profits or turnover."*

*"**Article 103.4***
*Any fee payable to an alternate director shall be such amount as shall be agreed between himself and the directors nominating him and shall be deducted from the remuneration payable to the latter."*

*"**Article 104.1***
*The directors may also be paid all travelling, hotel and other expenses properly incurred by them in the execution of their duties inclading any such reasonable expenses incurred in connection with their attendance at meetings of the directors, any committee of the directors or General Meetings of the Company or in connection with the business of the Company."*

*"**Article 104.2***
*No payment shall be made to any director by way of compensation for loss of office or as consideration for or in consideration with his retirement from office unless particulars with respect to the proposed payment (including the amount thereof) have been disclosed to the members and the proposal has been approved by the Company in general meeting."*

*"**Article 105***
*If a director being willing shall be called upon to render or perform special or extraordinary services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of directors, he shall be entitled to receive such sum for expenses and also such remuneration as the directors determine. Such remuneration may, as the directors determine, be either in addition to or in substitution for any other remuneration which that director is entitled to receive. Extra remuneration payable to non-executive director(s) shall not include a commission or percentage of profits or turnover."*

**(ii) Voting Powers and Borrowing Powers of Directors, including voting powers in relation to proposals, arrangements or contracts in which they are interested**

*"**Article 94***
*Without prior approval of the Company in General Meeting:*

*(a) the director shall not carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's main undertaking or property; or*

*(b) the director shall not exercise any power of the Company to issue shares unless otherwise permitted under the Act;*

*and sabject to Section 132E of the Act, the director, or person(s) connected with such director shall not enter into any arrangement or transaction with the Company to acquire from or dispose to the Company shares or non-cash assets of the requisite value."*

*"**Article 95.1***
*The directors may exercise all the powers of the Company to borrow money from any person, bank, firm or company (expressly including any person holding the office of director) and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or its wholly-owned subsidiaries or of any related or associated corporation. The directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the directors to indemnify the guarantors from or against liability under their gaarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for the payment of money, the performance of contracts or obligations, or for the benefit or interest of the Company or of any subsidiary corporation."*

*"**Article 95.2***
*The Directors shall not mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party."*

*"**Article 101***
*A director shall at all times act in the best interest of the Company and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company."*

*"**Article 111***
*Subject to these Articles, any question arising at any meeting of directors shall be decided by a majority of votes and a determination by a majority of directors shall for all purposes be deemed a determination of the directors."*

*"**Article 112***
*Each director shall have one vote and in case of an equality of votes the Chairman of the meeting shall have a second or casting vote except where:*

*(a) two (2) directors form a quorum and only such a quorum is present at the meeting; or*

*(b) only two (2) directors are competent to vote on the question at issue."*

*"**Article 114***
*Every director shall comply with the provisions of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interest might be created in conflict with his duty of interest as a director of the Company."*

*"**Article 115.1***
*Subject to Section 131A of the Act, a director shall not vote or participate in any discussion in respect of any contract or proposed contract or arrangement or proposed arrangement with the Company in which he has, directly or indirectly, an interest and if he does vote, his vote shall not be counted."*

*"**Article 115.2***
*Subject always to compliance with the provisions of the Act and the Listing Requirements, a director may vote at a meeting in respect of:*

*(a) any arrangement for giving the director himself or any other director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or*

*(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the director himself or any other director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security."*

*"**Artiele 116***
*Subject always to the provisions of the Act and the Listing Requirements, a director shall, notwithstanding his interest, be counted in the quorum for any meeting where any decision is to be taken upon any contract or arrangement or transaction in which he is in any way interested."*

*"**Artiele 117***
*A director may be or become director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as member or otherwise or any corporation, which is directly or indirectly interested in the Company as a member or otherwise and no such director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The directors may exercise the voting power conferred by the shares or other interest in such other corporation held or owned by the Company, or exercisable by them as directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favor of any resolution appointing themselves or any of them directors or other officers of such corporation) and any director may vote in favor of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid provided that he has complied with all relevant provisions of the Act, the Listing Requirements and of these Articles."*

**(iii) Transfer of Securities**

*"**Artiele 9***
*Subject to these Articles, the Act, the Central Depositories Act and the Rules, the directors may recognize a renunciation of the allotment of any share or security by the offeree thereof in favor of some other person."*

*"**Article 46.1***
*Subject to the provisions of the Central Depositories Act, the Rules and these Articles, any member may transfer all or any of his shares in the manner prescribed under the Rules. The transfer of any listed securities or class of listed securities of the Company which are Deposited Securities shall be by way of book entry by the Depository in accordance with the Rules. Notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of any listed securities or class of listed securities which are Deposited Securities."*

*"**Article 46.2***
*The Depository may in its absolute discretion, refuse to effect any transfer of a share that is a Deposited Security which does not comply with the Central Depositories Act or the Rules."*

*"**Artiele 47***
*Subject to the provisions of the Act, the Central Depositories Act and the Rules, neither the Company nor any of its directors or other officers shall incur any liability for acting upon a transfer of shares registered by the Depository, although the same may, by reason of any fraud or other cause not known to the Company or its directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although transferred, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognized as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto."*

*"**Article 48.1***
*The directors may in their absolute discretion refuse to register any transfer of any share which is not a fully paid share and not a Deposited Security without assigning any reason for such refusal and may also decline to register any transfer of shares on which the Company has a lien or otherwise if the transfer does not comply with the provisions of the Act, the Central Depositories Act and the Rules."*

*"**Article 48.2***
*Unless permitted by the Central Depositories Act or the Rules, no securities shall be transferred to a minor or a bankrupt or a person of unsound mind or a partnership or unincorporated association or body."*

*"**Article 49***
*Any Member whose transfer of shares has been refused shall be notified of the precise reasons thereof or dealt with in accordance with the Act, the Central Depositories Act and the Rules."*

*"**Article 50***
*The registration of transfers may be suspended at such times and for such duration as the directors may from time to time determine provided the period shall not exceed thirty (30) days in the aggregate in any one year. Any suspension shall comply with the notice requirements applicable to member and the Depository as prescribed by the Act, the Central Depositories Act or the Rules."*

**(iv) Changes in Capital and Variation of Class Rights**

*"**Article 5***
*The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by Ordinary Resolution passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting."*

*"**Article 6***
*Subject to the Listing Requirements, the provisions of the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Section 132D of the Act, the Company must ensure that it shall not issue any shares or convertible securities if the nominal value of those shares or convertible securities, when aggregated with the nominal value of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten per cent (10%) of the nominal value of the total issued and paid-up share capital (excluding treasury shares) of the Company, except where the shares or convertible securities are issued with the prior approval of the members in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible securities that may be issued by the Company, if the security is a convertible security, each of such security is counted as the maximum number of shares into which it can be converted or exercised."*

*"**Article 7***
*Except so far as otherwise provided by the conditions of issues, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital and shall also be subject to the Rules."*

*"**Article 8***
*Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, shall be deemed to be declined. After the expiration of the time specified in the notice or on the receipt of an intimation from the offeree that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under this Article."*

*"**Article 10.2***
*Without prejudice to any rights attached to any existing shares, but subject to the Act and to these Articles, any share may be issued with such preferred, deferred or other special rights or restrictions as the Company may by ordinary resolution determine."*

*"**Article 14***
*The Company may by ordinary resolution:*

*(a)* *increase the share capital by such sum to be divided into shares of such amount as the resolution prescribes;*

*(b)* *consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;*

*(c)* *sub-divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have only such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions are compared with the others as the Company has power to attach to unissued or new shares; or*

*(d)* *cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited or surrendered and diminished the amount of its share capital by the amount of the shares so cancelled."*

*"**Article 15***
*Subject to any conditions, authorizations and consents required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any way. The Company shall give notice to the Registrar in accordance with the Act of such alteration in capital."*

*"**Article 17.1***
*The repayment of preference share capital other than redeemable preference capital or any alteration or abrogation of the rights attached to any class of shares shall only be made pursuant to a special resolution passed at a separate general meeting of the holders of the shares of that class. If the necessary majority for such a special resolution is not obtained at the meeting, consent in writing from the holders of three-fourths (3/4) of the issued capital of the class concerned, if obtained within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. Such writing or resolution shall be binding upon all the holders of shares of that class."*

*"**Article 17.2***
*The provisions of these Articles relating to general meetings or to the proceedings thereat shall mutatis mutandis apply to every general meeting referred to in Article 17.1, except that the necessary quorum shall be two (2) persons holding or representing by proxy at least one-third (1/3) of the issued shares of the class (but so that if an adjourned meeting of such holders a quorum as above defined is not present those members who are present shall be a quorum). The provisions of Section 152 of the Act shall, with the necessary adaptations, apply to every special resolution so passed."*

*"**Article 18***
*The rights conferred on the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of those shares, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith but in no respect in priority thereto."*

## 16.3 MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts (including contracts not in writing), not being contracts entered into in the ordinary course of business, that have been entered into by our Group within the two (2) years preceding the date of this Prospectus:

(i) Sale and Purchase Agreement dated 3 May 2013 made between the Vendors and our Company as purchaser to acquire the entire issued and paid-up share capital in Sasbadi of RM2,400,000 comprising 2,400,000 ordinary shares of RM1.00 each for a total purchase consideration of RM52,899,998 which was entirely satisfied by the issuance of 105,799,996 new Sasbadi Holdings Shares at an issue price of RM0.50 per share credited as fully paid. The transaction was completed on 19 May 2014;

(ii) Sale and Purchase Agreement dated 3 May 2013 made between Sasbadi as vendor and our Company as purchaser to acquire the entire issued and paid-up share capital in Maya Press of RM2.00 comprising two (2) ordinary shares of RM1.00 each for a total purchase consideration of RM1.00 which was reflected as amount owing by our Company to Sasbadi. The transaction was completed on 19 May 2014;

(iii) Sale and Purchase Agreement dated 3 May 2013 made between Sasbadi as vendor and our Company as purchaser to acquire the entire issued and paid-up share capital in Malaysian Book Promotions of RM75,005 comprising 75,005 ordinary shares of RM1.00 each for a total purchase consideration of RM77,754 which was reflected as amount owing by our Company to Sasbadi. The transaction was completed on 19 May 2014;

(iv) Sale and Purchase Agreement dated 3 May 2013 made between Sasbadi as vendor and our Company as purchaser to acquire the entire issued and paid-up share capital in Orbit Buku of RM10,000 comprising 10,000 ordinary shares of RM1.00 each for a total purchase consideration of RM1.00 which was reflected as amount owing by our Company to Sasbadi. The transaction was completed on 19 May 2014;

(v) Sale and Purchase Agreement dated 3 May 2013 made between Sasbadi as vendor and our Company as purchaser to acquire the entire issued and paid-up share capital in Sasbadi Online of RM10,000 comprising 10,000 ordinary shares of RM1.00 each for a total purchase consideration of RM277,919 which was reflected as amount owing by our Company to Sasbadi. The transaction was completed on 19 May 2014;

(vi) Letter of Intent dated 5 August 2013 and Intellectual Property Rights Assignment Agreement dated 30 September 2013 made between Pearson Malaysia as vendor and Sasbadi as purchaser to acquire the publishing rights and production files for a list of titles consisting mainly of National School Curriculum based educational materials for a cash consideration of RM5,500,000. The transaction was completed on 30 September 2013. In conjunction with the acquisition of the publishing rights and production files, Sasbadi has also acquired stocks of the educational materials for RM1,552,651.69 and paper for RM645,699 from Pearson Malaysia;

(vii) On 28 March 2014, Sasbadi Holdings had acquired one (1) ordinary share of RM1.00 each in MBP Publications from Sherina binti Mohamed for a cash consideration of RM1.00;

(viii) On 3 April 2014, Sasbadi Holdings had acquired one (1) ordinary share of RM1.00 each in Sasbadi Learning Solutions from Suhaimi bin Huzai for a cash consideration of RM1.00;

(ix) On 19 May 2014, Sasbadi Holdings entered into a Placement Mandate with Alliance for the placement of 9,150,000 Public Issue Shares based on the placement fee as set out in Section 3.8 of this Prospectus; and

(x) On 18 June 2014, Sasbadi Holdings entered into an Underwriting Agreement with Alliance for the underwriting of 12,050,000 Public Issue Shares based on the underwriting commission as set out in Section 3.8 of this Prospectus.

## 16.4 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, neither we nor our subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Directors do not know of any proceedings pending or threatened against our Company or our subsidiary companies, or of any fact likely to give rise to any proceeding which may materially and adversely affect our financial position or business.

## 16.5 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

As our Group does not physically operate in other countries, there is no governmental law, decree, regulation or other requirement which may affect the repatriation of capital and the remittance of profit by or to our Group.

## 16.6 PUBLIC TAKE-OVER OFFERS

None of the following has occurred in the last financial year or the current financial year up to the LPD:

(i) Public take-over offers by third parties for our Shares; and

(ii) Public take-over offers by our Company for other companies' shares.

## 16.7 CONSENTS

The written consents of our Principal Adviser, Underwriter and Placement Agent, Solicitors in respect of legal due diligence, Solicitors in respect of prospectus drafting, Principal Bankers, Issuing House, Share Registrar and Company Secretary for inclusion in this Prospectus of their names and all references thereto in the manner, form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of KPMG for the inclusion of its name, Accountants' Report, Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus of our Group and all references thereto in the manner, form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of YYC & Co. (being the auditors of Orbit Buku for FPE 31 August 2010 and Maya Press for FPE 31 August 2010, the past three (3) FYE 31 August 2011 to 2013 and FPE 28 February 2014) for the inclusion of its name and auditor reports in the manner, form and context in which they appear in the Accountants' Report, has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

The written consent of W.K. Lee & Co. (being the auditors of Malaysian Book Promotions for FYE 31 December 2010, FPE 31 August 2011, FYE 31 August 2012, FYE 31 August 2013 and FPE 28 February 2014) for the inclusion of its name and auditor reports in the manner, form and context in which they appear in the Accountants' Report, has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

The written consent of Vital Factor for the inclusion of its name and IMR Report and all reference thereto in the manner, form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Property Valuer for the inclusion of its name and valuation certificates and all reference thereto in the manner, form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

## 16.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during normal business hours for a period of twelve (12) months from the date of this Prospectus:

(i) Memorandum and Articles of Association of our Company;

(ii) IMR Report referred to in this Prospectus as included in Section 7 of this Prospectus;

(iii) Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information To Be Included In A Prospectus as included in Section 11.4 of this Prospectus;

(iv) Accountants' Report as included in Section 13 of this Prospectus;

(v) Valuation reports together with the valuation certificates and updated valuation certificates as set out in Section 14 of this Prospectus;

(vi) Directors' Report as included in Section 15 of this Prospectus;

(vii) Material contracts as referred to in Section 16.3 of this Prospectus;

(viii) Letters of consent as referred to in Section 16.7 of this Prospectus; and

(ix) Audited financial statements of:

(a) Sasbadi Holdings for the FPE 31 August 2013 and FPE 28 February 2014;

(b) Sasbadi for the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014;

(c) Maya Press for the FPE 31 August 2010, the past three (3) FYE 31 August 2011 to 2013 and FPE 28 February 2014;

(d) Malaysian Book Promotions for the FYE 31 December 2010, FPE 31 August 2011, the past two (2) FYE 31 August 2012 to 2013 and FPE 28 February 2014;

(e) Orbit Buku for the FPE 31 August 2010, the past three (3) FYE 31 August 2011 to 2013 and FPE 28 February 2014; and

(f) Sasbadi Online for the FPE 31 August 2011, the past two (2) FYE 31 August 2012 to 2013 and FPE 28 February 2014.

## 16.9 RESPONSIBILITY STATEMENT

Our Directors, Promoters and Offerors have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there is no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

Alliance, being our Principal Adviser, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our Public Issue and Offer for Sale.

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## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE

### 17.1 OPENING AND CLOSING OF APPLICATION

Applications will be accepted from 10.00 a.m. on 7 July 2014 and will remain open until 5.00 p.m. on 14 July 2014 or for such further period or periods as our Directors, Promoters, Offerors and Alliance in their absolute discretion may mutually decide.

In the event the closing date for the Applications is extended, you will be notified of the change in a widely circulated Bahasa Malaysia and English daily newspaper in Malaysia prior to the original closing date of the application. Following this, the dates for the balloting of the applications for the IPO Shares, allotment of the IPO Shares and Listing would be extended accordingly. **Late applications will not be accepted.**

### 17.2 METHODS OF APPLICATION

Applications for the IPO Shares may be made using any of the following ways:

(a) Application Forms; or

(b) Electronic Share Applications; or

(c) Internet Share Applications.

### 17.3 PROCEDURES FOR APPLICATION

The Applications shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.

**FULL INSTRUCTIONS FOR THE APPLICATION OF THE IPO SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. YOU ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.**

#### 17.3.1 Application by the Public

Applications for the 6,350,000 IPO Shares made available for the Public must be made on the **White Application Forms** provided OR by way of Electronic Share Application OR Internet Share Application. A corporation or institution cannot apply for shares by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM1.19 per IPO Share.

#### 17.3.2 Application by eligible Directors, employees and persons who have contributed to the success of our Group

Applications for the 5,700,000 IPO Shares made available for eligible Directors, employees and persons who have contributed to our success must be made on the **Pink Application Forms** provided only and not by way of other Application Forms or by way of Electronic Share Application or Internet Share Application. Applicants using the Pink Application Forms may still apply for the IPO Shares offered to the Malaysian Public using the **White Application Form**, Electronic Share Application or Internet Share Application. The amount payable in full on application is RM1.19 per Issue Share.

#### 17.3.3 Application by placees under the private placement

Selected investors being allocated the IPO Shares and/or Offer Shares under this method will be contacted directly by the Placement Agent. Selected investors may still apply for the IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

You must have a CDS Account before you can submit your application by way of Application Forms or by way of Electronic Share Application or by way of Internet Share Application.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the IPO Shares in this exercise.

## 17.4 APPLICATIONS USING APPLICATION FORMS

### 17.4.1 Types of Application Forms

The following relevant Application Forms issued with their notes and instructions enclosed with this Prospectus are deemed to form an integral part hereof:

(i) **White** Application Forms for application by the Malaysian Public; and

(ii) **Pink** Application Forms for applications by our eligible Directors, employees and persons who have contributed to the success of our Group.

**White** Application Forms together with copies of this Prospectus may be obtained, subject to availability, from Alliance, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and MIH.

The submission of an Application Form does not necessarily mean that your application will be successful.

You may submit only one (1) Application Form and your application must be for 100 Shares or multiples thereof. Multiple applications will not be accepted. We wish to caution you that if you submit multiple applications in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to ten (10) years under Section 182 of the CMSA.

Your application for the IPO Shares must be made on the respective Application Form accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and in this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein shall constitute an integral part of this Prospectus. Our Directors may at their absolute discretion reserve the right not to accept applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

IF YOU ARE AN INDIVIDUAL OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, YOUR NAME AND NATIONAL REGISTRATION IDENTITY CARD ("NRIC") NUMBER MUST BE EXACTLY THE SAME AS STATED IN:

(i) (a) YOUR NRIC;

(b) ANY VALID TEMPORARY IDENTITY DOCUMENT AS ISSUED BY THE NATIONAL REGISTRATION DEPARTMENT FROM TIME TO TIME; OR

(c) YOUR RESIT PENGENALAN SEMENTARA ("**KPPK 09**") ISSUED PURSUANT TO PERATURAN 5(5), PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; AND

(ii) THE RECORDS OF BURSA DEPOSITORY.

IF YOU ARE A MEMBER OF THE ARMED FORCES OR POLICE, YOUR NAME AND YOUR ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, MUST BE EXACTLY THE SAME AS THAT STATED IN YOUR AUTHORITY CARD AND YOUR ADDRESS MUST BE THE ADDRESS OF YOUR RESPECTIVE CAMP, BASE OR STATION.

IF YOU ARE A CORPORATION OR INSTITUTION, THE NAME AND THE CERTIFICATE OF INCORPORATION NUMBER MUST BE EXACTLY THE SAME AS THAT STATED IN THE CORPORATION'S OR INSTITUTION'S CERTIFICATE OF INCORPORATION AND THE ADDRESS MUST BE THE REGISTERED ADDRESS.

We, together with MIH will not issue any acknowledgement of the receipt of your Application Form or application monies.

**17.4.2 Terms and conditions for application using Application Forms**

Your applications by way of Application Forms shall be made on, and subject to, the following terms and conditions:

(i) If you are an individual, you must be a Malaysian citizen residing in Malaysia, with a CDS Account and a Malaysian address (White Application Forms only).

If you are an individual, you must have a CDS Account and a correspondence address in Malaysia (Pink Application Forms only).

(ii) If you are a corporation or institution incorporated in Malaysia, you must have a CDS Account and be subject to the following:

(a) if you have a share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and

(b) there is a majority of Malaysian citizens on the board of directors or trustee.

If you are a corporation or institution incorporated outside Malaysia, you must have a CDS Account and provide a correspondence address in Malaysia (Pink Application Forms only).

(iii) If you are a superannuation, co-operative, foundation, provident or pension fund, you must be established or operating in Malaysia and must have a CDS Account.

(iv) Applications will not be accepted from trustees, any person under eighteen (18) years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations or institutions referred to in **Sections 17.4.2 (ii)** and **17.4.2 (iii)** above or the trustees thereof.

(v) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY EITHER:

(a) BANKER'S DRAFT OR CASHIER'S ORDER PURCHASED WITHIN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR; OR

(b) MONEY ORDER OR POSTAL ORDER (FOR APPLICANTS FROM SABAH AND SARAWAK ONLY); OR

(c) GUARANTEED GIRO ORDER ("GGO") FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD; OR

(d) ATM STATEMENT OBTAINED FROM ANY OF THE FOLLOWING FINANCIAL INSTITUTIONS:

- ALLIANCE BANK MALAYSIA BERHAD;
- CIMB BANK BERHAD;
- HONG LEONG BANK BERHAD;
- MALAYAN BANKING BERHAD; OR
- RHB BANK BERHAD.

AND MUST BE MADE OUT IN FAVOUR OF **"MIH SHARE ISSUE ACCOUNT NO. 558"** AND CROSSED **"A/C PAYEE ONLY"** (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT.

APPLICATIONS ACCOMPANIED BY MODE OF PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES OR INAPPROPRIATE BANKER'S DRAFTS, CASHIER'S ORDERS, MONEY ORDERS OR POSTAL ORDER, ATM STATEMENT OR GGO WILL NOT BE ACCEPTED. DETAILS OF REMITTANCES MUST BE COMPLETED IN THE APPROPRIATE BOXES PROVIDED IN THE APPLICATION FORMS.

(vi) YOU MUST STATE YOUR CDS ACCOUNT NUMBER IN THE SPACE PROVIDED IN THE APPLICATION FORM AND YOU SHALL BE DEEMED TO HAVE AUTHORISED BURSA DEPOSITORY TO DISCLOSE INFORMATION PERTAINING TO YOUR CDS ACCOUNT TO MIH AND/OR OUR COMPANY. IF YOU DO NOT PRESENTLY HAVE A CDS ACCOUNT, YOU MAY OPEN ONE BY CONTACTING ANY ONE OF THE ADAs LISTED IN SECTION 17.11 OF THIS PROSPECTUS.

(vii) YOUR NAME AND ADDRESS MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, ATM STATEMENT, MONEY ORDER OR POSTAL ORDER, OR GGO FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD.

(viii) Our Board reserves the right to require you, if your Application is successful, to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to you to ascertain the regularity or propriety of your Application. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

(ix) MIH, acting on the authority of our Directors reserves the right to reject your Application if it does not conform to these instructions or if it is illegible or if it is accompanied by remittances improperly drawn.

(x) MIH, acting on the authority of our Directors reserves the right not to accept your Application or to accept it in whole or in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

(xi) Where your Application is not accepted or accepted in part only, the full amount or the balance of the Application monies, as the case may be, will be returned without interest and shall be despatched to you within ten (10) Market Days from the date of the final ballot of the Application lists by registered post or ordinary post at your address last maintained with Bursa Depository or where the application is not accepted because you have not provided a CDS Account, to the address per the National Registration Identity Card or "Resit Pengenalan Sementara ("KPPK 09")" or any valid temporary identity document as issued by the National Registration Department from time to time or the Authority Card in the case of armed forces or police personnel, at your own risk.

(xii) You shall ensure that your personal particulars stated in the Application Form are identical with the records maintained by Bursa Depository. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered or correspondence address registered with Bursa Depository.

MIH, acting on the authority of our Directors and Offerors reserves the right to bank in all Application monies from unsuccessful applicants and partially successful applicants, which would subsequently be refunded without interest and shall be despatched to you within ten (10) Market Days from the date of the final ballot of the Application Lists by registered post or ordinary post at your address registered with Bursa Depository, at your own risk.

(xiii) Your completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents, must be despatched by **ORDINARY POST** in tbe official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya

or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5.00 p.m. on 14 July 2014, or such other later date or dates as our Directors, Promoters, Offerors and Alliance in their absolute discretion may mutually decide.

(xiv) **PLEASE DIRECT ALL YOUR ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO MIH.**

## 17.5 APPLICATIONS USING ELECTRONIC SHARE APPLICATION

### 17.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM

(i) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account.

(ii) You must have a CDS Account.

(iii) You are to apply for the IPO Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 17.5.3 of this Prospectus under the Terms and Conditions for Electronic Share Application. You are to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so:

- Your Personal Identification Number ("PIN");
- MIH Share Issue Account No. 558;
- Your CDS Account Number;
- Number of IPO Shares applied for and/or the Ringgit Malaysia amount to be debited from the account; and
- You are to confirm several mandatory statements.

### 17.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

- AFFIN BANK BERHAD; OR
- AMBANK (M) BERHAD; OR
- CIMB BANK BERHAD; OR
- HSBC BANK MALAYSIA BERHAD; OR
- MALAYAN BANKING BERHAD; OR
- PUBLIC BANK BERHAD; OR
- RHB BANK BERHAD; OR
- STANDARD CHARTERED BANK MALAYSIA BERHAD (at selected branches only).

### 17.5.3 Terms and conditions for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "**Steps**"). For illustration purposes, the procedures for Electronic Share Application at ATMs are set out in **Section 17.5.1** of this Prospectus. The Steps set out the actions that you must take at the ATM to complete an Electronic Share Application. You are advised to read and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application.

**You must be an individual with a CDS Account to make an Electronic Share Application. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted.**

You must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. An ATM card issued by one (1) of the Participating Financial Institutions cannot be used to apply for the IPO Shares at an ATM belonging to other Participating Financial Institutions. Upon completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of your Electronic Share Application. The Transaction Record is only a record that you have completed a transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by us or MIH. The Transaction Record is for your retention and should not be submitted with any Application Form.

Upon the closing of the offer for the Application for the IPO Shares, on 14 July 2014 at 5.00 p.m. ("Closing Date"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for the IPO Shares to MIH as soon as practicable but not later than 12.00 p.m. of the second ($2^{nd}$) business day after the Closing Date and Time.

You will be allowed to make an Electronic Share Application for the IPO Shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which you have an account and its branches, subject to you making only one (1) Application. If you have a bank account with a Participating Financial Institution and have been issued an ATM card, you will be allowed to apply for shares via an ATM of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to you making only one (1) Application.

**YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING CONDITIONS.**

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions set out below:

(i) Your Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.

(ii) Your are required to confirm the following statement (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:

- You have attained eighteen (18) years of age as at the Closing Date of the Share Application;
- You are a Malaysian citizen residing in Malaysia;
- You have read the relevant Prospectus and understood and agreed with the terms and conditions of this Application;
- This is the only Application that you are submitting; and
- You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to MIH and other relevant authorities.

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institution. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia, including Section 133 of the Financial Service Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to MIH or any other relevant regulatory bodies.

(iii) YOU CONFIRM THAT YOU ARE NOT APPLYING FOR THE IPO SHARES AS A NOMINEE OF ANY OTHER PERSONS AND THAT ANY ELECTRONIC SHARE APPLICATION THAT YOU MAKE IS MADE BY YOU AS THE BENEFICIAL OWNER. YOU SHALL ONLY MAKE ONE (1) ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE IPO SHARES, WHETHER AT THE ATMS OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS OR VIA INTERNET SHARE APPLICATION.

(iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.

(v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate any lesser number of the IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated key or button on the ATM) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles of Association.

(vi) MIH, on the authority of our Board reserves the right to reject or accept any Electronic Share Application in whole or in part only on a non-discriminatory basis without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

(vii) MIH shall inform the relevant Participating Financial Institution of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. Where your Electronic Share Application is unsuccessful, the relevant Participating Financial Institution will credit the full amount of the Application monies, in Ringgit Malaysia (without interest or any share of revenue or benefit arising therefrom) into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. You may check your accounts on the fifth ($5^{th}$) Market Day from the balloting day.

(viii) If your Electronic Share Application is successful in part only, the relevant Participating Financial Institution will credit the balance of the application monies (without interest or any share or revenue or benefit arising therefrom) into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. We will, however, hold in reserve a number of Applications to replace any successfully balloted Applications that are subsequently rejected. If your Application held in reserve, is subsequently rejected, your Application monies without interest will be refunded (without interest or any share revenue or benefit arising therefrom) to you by MIH by crediting into your account with the Participating Financial Institution within ten (10) Market Days from the date of the final ballot, at your own risk. Should you encounter any problems in your Applications, you may refer to the Participating Financial Institution.

(ix) You request and authorise us:

- to credit the IPO Shares allotted or allocated to you into your CDS Account; and

- to issue share certificate(s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

(x) Acknowledging that your Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control and the control of MIH or the Participating Financial Institutions or Bursa Depository, irrevocably agree that if:

- we or MIH do/ does not receive your Electronic Share Application; or

- data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or MIH,

you shall be deemed not to have made an Electronic Share Application and you shall not claim whatsoever against us, MIH, the Participating Financial Institutions or Bursa Depository for the IPO Shares applied for or for any compensation, loss or damage.

(xi) All your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct and we, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.

(xii) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository.

(xiii) By making and completing an Electronic Share Application, you agree that:

- in consideration of us agreeing to allow and accept the making of any Application for IPO Shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

- we, the Participating Financial Institutions, Bursa Depository and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown, failure of transmission or communication facilities, or to any cause beyond our/ their control;

- notwithstanding the receipt of any payment by us or on our behalf, the acceptance of your offer to subscribe for and purchase the IPO Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the IPO Shares;

- you irrevocably authorises Bursa Depository to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the IPO Shares allotted or allocated to you; and

- you agree that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or the Electronic Share Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that our Company irrevocably submits to the jurisdiction of the Courts of Malaysia.

(xiv) Our Board reserves the right to require you, if your Application is successful, to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to you to ascertain the regularity or propriety of your Application. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

(xv) MIH, acting on the authority of our Board reserves the right to reject your Application, if it does not conform to these instructions.

(xvi) The following processing fee per Electronic Share Application will be charged by the respective Participating Financial Institutions:

- Affin Bank Berhad – No fee will be charged for application by their account holders;

- AmBank (M) Berhad – RM1.00;

- CIMB Bank Berhad – RM2.50

- HSBC Bank Malaysia Berhad – RM2.50;

- Malayan Banking Berhad – RM1.00;

- Public Bank Berhad – RM2.00;

- RHB Bank Berhad – RM2.50; or

- Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50

## 17.6 OVER / UNDER-SUBSCRIPTION

In the event of an over-subscription, our Issuing House will conduct a ballot in a manner as approved by our Directors to determine acceptance of applications. In determining the manner of balloting, our Directors will consider the desirability of distributing our IPO Shares in a fair and equitable manner to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of our Shares.

Pursuant to the Listing Requirements, we are required to have at least 25% of our enlarged issued and paid-up share capital to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon our Listing and completion of this IPO. We expect to achieve this at the point of our Listing. However, in the event that the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned without interest.

In the event of an under-subscription for our IPO Shares reserved for application by the Public, all such IPO Shares not applied for will be made available for subscription by our eligible Directors, employees and persons who have contributed to the success of our Group under the Pink Form Tranche as described in Section 3.1.1(ii) of this Prospectus. Any remaining Public Issue Shares will subsequently be made available for subscription by our selected investors as described in Sections 3.1.1(iii) and 3.1.2(ii) of this Prospectus and, if undersubscribed, such Public Issue Shares will be subscribed by our Underwriter pursuant to the Underwriting Agreement.

In the event of an under-subscription of IPO Shares by our eligible Directors, employees and persons who have contributed to the success of our Group, such IPO Shares will be made available for subscription by other eligible Directors, employees and persons who have contributed to the success of our Group. Any remaining Public Issue Shares will subsequently be made available for subscription by the Public under the Public Tranche as described in Section 3.1.1(i) and/or our selected investors as described in Sections 3.1.1(iii) and 3.1.2(ii) of this Prospectus and, if undersubscribed, such Public Issue Shares will be subscribed by our Underwriter pursuant to the Underwriting Agreement.

Our IPO Shares reserved for subscription by selected investors as described in Sections 3.1.1(iii) and 3.1.2(ii) of this Prospectus will not be underwritten as written irrevocable undertakings to subscribe for such IPO Shares have been procured from the selected investors.

Where your successfully balloted application under White Application Form is subsequently rejected, the full amount of your application monies, will be refunded without interest to you within ten (10) Market Days from the date of the final ballot of the application list to your address registered with the Bursa Depository.

Where your successfully balloted application under Electronic Share Application or Internet Share Application is subsequently rejected, the full amount of your application monies, will be refunded without interest to you by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution respectively.

## 17.7 APPLICATIONS USING INTERNET SHARE APPLICATION

### 17.7.1 Steps for Internet Share Application

The exact steps for Internet Share Application in respect of the IPO Shares are as set out on the internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below possible steps for an application for the IPO Shares via Internet Share Application. The steps set out the actions that you must take at the internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

**PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.**

(i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an account.

(ii) Login to the internet financial services facility by entering your user identification and PIN/ password.

(iii) Navigate to the section of the website on applications in respect of initial public offerings.

(iv) Select the counter in respect of the IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.

(v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.

(vi) At the next screen, complete the online application form.

(vii) Check that the information contained in the online application form such as the share counter, NRIC number, CDS Account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.

(viii) By confirming such information, you will undertake that the following mandatory statements are true and correct:

- you have attained eighteen (18) years of age as at the closing date of the share application;
- you are a Malaysian citizen residing in Malaysia;
- you have, prior to making the Internet Share Application, received and/or had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;
- you agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;
- the Internet Share Application is the only application that you are submitting for the IPO Shares;
- you authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
- you give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 133 of the Financial Service Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as

the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;

- YOU ARE NOT APPLYING FOR THE IPO SHARES AS A NOMINEE OF ANY OTHER PERSON AND THE APPLICATION IS MADE IN YOUR OWN NAME, AS THE BENEFICIAL OWNER AND SUBJECT TO THE RISKS REFERRED TO IN THIS PROSPECTUS; AND

- you authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the Public Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.

(ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of the application money for the Public Issue.

(x) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment of the application of the Public Issue is being made.

(xi) Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.

(xii) You are advised to print out the Confirmation Screen for reference and retention.

**17.7.2 Terms and Conditions for Internet Share Application**

Your application for the IPO Shares may be made through the internet financial services website of the Internet Participating Financial Institutions.

YOU ARE ADVISED NOT TO APPLY FOR THE IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

**Internet Participating Financial Institution**

Internet Share Applications may be made through the internet financial services websites of the following Internet Participating Financial Institutions:

- Affin Bank Berhad at www.affinOnline.com; or

- Affin Investment Bank Berhad at www.affintrade.com; or

- CIMB Bank Berhad at www.cimbclicks.com.my; or

- CIMB Investment Bank Berhad at www.eipocimb.com; or
- Malayan Banking Berhad at www.maybank2u.com.my; or
- Public Bank Berhad at www.pbebank.com ; or
- RHB Bank Berhad at www.rhb.com.my.

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN AND THE STEPS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR INTERNET SHARE APPLICATIONS IN RESPECT OF THE IPO SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions as set out below:

(i) In order to make an Internet Share Application, you must:

- be an individual with a CDS account and in the case of a joint account, an individual CDS account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS account registered in the joint account holder's name;
- have an existing account with access to internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification ("User ID") and Personal Identification Numbers ("PIN")/ password for the relevant internet financial services facilities; and
- be a Malaysian citizen and have a Malaysian address.

You are advised to note that a User ID and PIN/ password issued by one of the Internet Participating Financial Institutions cannot be used to apply for the IPO Shares at internet financial service websites of other Internet Participating Financial Institutions.

(ii) An Internet Share Application shall be made on and shall be subject to the terms of this Prospectus and our Memorandum and Articles of Association.

(iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given is true and correct:

- you have attained eighteen (18) years of age as at the date of the application for the IPO Shares;
- you are a Malaysian citizen residing in Malaysia;

- you have, prior to making the Internet Share Application, received and/or have had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;

- you agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;

- the Internet Share Application is the only application that you are submitting for the IPO Shares;

- you authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;

- you give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 133 of the Financial Service Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;

- YOU ARE NOT APPLYING FOR THE IPO SHARES AS A NOMINEE OF ANY OTHER PERSON AND THE APPLICATION IS MADE IN YOUR OWN NAME, AS THE BENEFICIAL OWNER AND SUBJECT TO THE RISKS REFERRED TO IN THIS PROSPECTUS; AND

- you authorise the Internet Participating Financial Institution to disclose transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the Public Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.

(iv) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for which can be printed out by you for your records.

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 17.7.2(iii) of this Prospectus.

(v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the internet financial services website through which the Internet Share Application is made shall be rejected.

(vi) You irrevocably agree and undertake to subscribe for and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted or allocated to you in respect of the Internet Share Application. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept our decision as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

- your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and

- your agreement to be bound by our Memorandum and Articles of Association.

(vii) You are fully aware that multiple or suspected multiple Internet Share Applications for the IPO Shares will be rejected. MIH on the authority of our Board reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

(viii) If your Internet Share Application is unsuccessful or successful in part only, MIH shall inform the relevant Internet Participating Financial Institution of the unsuccessful or partially successful Internet Share Application within two (2) Market Days after the balloting date. Where your Internet Share Application is unsuccessful, the relevant Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies, in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH.

If your Internet Share Application is successful in part only, the relevant Internet Participating Financial Institution will credit the balance of the application monies in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH. We will, however, hold in reserve a number of applications to replace any successfully balloted applications that are subsequently rejected. If your application held in reserve is subsequently rejected, your application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by MIH by crediting into your account with the Internet Participating Financial Institution within ten (10) Market Days from the date of the final ballot, at your own risk.

For applications that are held in reserve and which are subsequently unsuccessful (or partly successful), the Internet Participating Financial Institution will credit into your account the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) within two (2) Market Days after the receipt of confirmation from MIH.

Except where MIH is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institution to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult the Internet Participating Financial Institution through which the application was made in respect of the mode or procedure of enquiring on the status of the Internet Share Application in order to determine the status or exact number of IPO Shares allotted or allocated, if any, before trading of our IPO Shares on Bursa Securities.

(ix) Internet Share Applications will be closed at 5.00 p.m. on 14 July 2014 or such other date(s) as our Directors, Promoters, Offerors and Alliance may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion that is when the Confirmation Screen is displayed on the internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.

(x) You irrevocably agrees and acknowledge that the Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond our control and the control of MIH or the Internet Participating Financial Institutions and the Authorised Financial Institution. If, in any such event, we, MIH and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or the payment therefor, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, MIH or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to the IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

(xi) All your particulars in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Share Application shall be deemed to be true and correct, and we, MIH, the relevant Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application is liable to be rejected. The notification letter on successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

(xii) By making and completing an Internet Share Application, you are deemed to have agreed that:

- in consideration of us making available the Internet Share Application facility to you through the Internet Participating Institution acting as our agents, the Internet Share Application is irrevocable;

- you have irrevocably requested and authorised us to register the IPO Shares allotted or allocated to you for deposit into your CDS Account;

- neither us nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in **Section 17.7.2(x)** of this Prospectus or to any cause beyond their control;

- you shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by MIH, us and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institution;

- the acceptance of your offer to subscribe for the IPO Shares for which your Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by us or on our behalf and not otherwise, notwithstanding the receipt of any payment by us or on our behalf;

- you are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application;

- in making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, Alliance and any other person involved in the Public Issue shall not be liable for any information not contained in this Prospectus which you may have relied on in making the Internet Share Application; and

- the acceptance of your Internet Share Application and the contract resulting therefrom under the Public Issue shall be governed by and construed in accordance with the laws of Malaysia, and the applicant irrevocably submits to the jurisdiction of the courts of Malaysia.

(xiii) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:

- Affin Bank Berhad (www.affinOnline.com) - No fee will be charged for application by their account holders;

- Affin Investment Bank Berhad (www.affintrade.com) – No fee will be charged for application by their account holders;

- CIMB Bank Berhad (www.cimbclicks.com.my) - RM 2.00 for applicants with CDS Accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs;

- CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad ;

- Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;

- Public Bank Berhad (www.pbebank.com) – RM2.00; and

- RHB Bank Berhad (www.rhb.com.my) – RM2.50.

## 17.8 APPLICATIONS AND ACCEPTANCES

MIH, acting on the authority of our Board reserves the right not to accept your Application, if it does not strictly comply with the instructions, or to accept your Application in part only without assigning any reason therefor.

The submission of an Application Form does not necessarily mean that the Application will be successful.

**YOUR APPLICATION MUST BE FOR 100 ORDINARY SHARES OR MULTIPLES THEREOF.**

**IF YOUR APPLICATION IS REJECTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED BY REGISTERED POST OR ORDINARY POST TO YOU WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS AT YOUR ADDRESS LAST MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK.**

**NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES HAVING BEEN PRESENTED FOR PAYMENT.**

## 17.9 CDS ACCOUNTS

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed the Shares as Prescribed Securities. In consequence thereof, the Shares issued/ offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the Securities Industry (Central Depository) Act, 1991 and Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act 1991, all dealings in our Shares will be by book entries through CDS Accounts. Thus, we will not issue any share certificates to you.

Only if you have a CDS Account can you make an Application by way of an Application Form. If you apply using an Application Form, you should state your CDS Account number in the space provided in the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS Account to MIH or us and any relevant regulatory bodies, as the case may be. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an Application for our Shares.

Only if you have a CDS Account can you make an Application by way of an Electronic Share Application. If you apply using an Electronic Share Application, you shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so.

Only if you have a CDS Account can you make an Application by way of an Internet Share Application. In certain cases, you can only make an Internet Share Application if you have a CDS Account opened with the Internet Participating Financial Institution. Arising therewith, your CDS Account number would automatically appear in the e-IPO online application form.

If you fail to comply with these specific instructions or there are inaccuracies in the CDS Account number, arising from use of invalid, third party or nominee accounts, your application may be rejected. If you are successful in your Application but fail to state your CDS Account number, MIH, acting on the authority of our Board, reserves the right to reject your Application. MIH, acting on the authority of our Board also reserves the right to reject any incomplete and inaccurate Application. We may also reject your Application if your particulars provided in the Application Forms, or in the case of Electronic Share Application or Internet Share Application, if the records of the Participating Financial Institutions or Internet Participating Financial Institutions at the time of making the Electronic Share Application or Internet Share Application, differ from those in Bursa Depository's records, such as your identity card number, name and nationality.

## 17.10 NOTICE OF ALLOTMENT

If your Application is successful or partially successful, we will credit our Shares allotted to you to your CDS accounts. We will despatch a notice of allotment to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. For Electronic Share Applications or Internet Share Applications, the notice of allotment will be despatched to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. This is the only acknowledgement of acceptance of your Application as we will not be issuing any share certificate to you.

You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulation of Bursa Depository, failing which we shall send the notification letter on your allotment to your address last maintained with Bursa Depository.

**You may also check the status of your application by logging on to MIH website at www.mih.com.my or by calling your ADA at the telephone number as stated in Section 17.11 of this Prospectus or MIH at (03)-7841 8000 or (03)-7841 8289, between five (5) to ten (10) Market Days (during office hours only) after the balloting date.**

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## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

### 17.11 LIST OF ADAS

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

| Name, Address and Telephone Number | ADA Code | Name, Address and Telephone Number | ADA Code |
|---|---|---|---|
| **KUALA LUMPUR** | | | |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>N-1-3, Plaza Damas<br>60, Jalan Sri Hartamas 1<br>Sri Hartamas<br>50480 Kuala Lumpur<br>Tel No : 03-62056000 | 078-004 | HONG LEONG INVESTMENT BANK BERHAD<br>Level 7, Menara HLA<br>No. 3, Jalan Kia Peng<br>50450 Kuala Lumpur<br>Tel No : 03-21681168 | 066-001 |
| AFFIN INVESTMENT BANK BERHAD<br>Ground Mezzanine & 3rd Floor<br>Chulan Tower<br>No. 3, Jalan Conlay<br>50450 Kuala Lumpur<br>Tel No : 03-21438668 | 028-001 | HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad)<br>Level 18, Menara Raja Laut<br>288, Jalan Raja Laut,<br>50350 Kuala Lumpur<br>Tel No : 03-26910200 | 066-006 |
| AFFIN INVESTMENT BANK BERHAD<br>38A & 40A, Jalan Midah 1<br>Taman Midah<br>Cheras<br>56000 Kuala Lumpur<br>Tel No : 03-91308803 | 028-005 | HWANGDBS INVESTMENT BANK BERHAD<br>2nd Floor, Bangunan AHP<br>No. 2, Jalan Tun Mohd Fuad 3<br>Taman Tun Dr. Ismail<br>60000 Kuala Lumpur<br>Tel No : 03-77106688 | 068-009 |
| ALLIANCE INVESTMENT BANK BERHAD<br>Level 17, Menara Multi-Purpose<br>Capital Square<br>No. 8, Jalan Munshi Abdullah<br>50100 Kuala Lumpur<br>Tel No : 03- 26043333 | 076-001 | HWANGDBS INVESTMENT BANK BERHAD<br>7th, 22nd & 23rd Floor<br>Menara Keck Seng<br>203 Jalan Bukit Bintang<br>55100 Kuala Lumpur<br>Tel No : 03-27116888 | 068-014 |
| AMINVESTMENT BANK BERHAD<br>15th Floor, Bangunan AmBank Group<br>55, Jalan Raja Chulan<br>50200 Kuala Lumpur<br>Tel No : 03-20782788 | 086-001 | HWANGDBS INVESTMENT BANK BERHAD<br>No. 57-10 Level 10<br>The Boulevard, Mid Valley City<br>Lingkaran Syed Putra<br>59000 Kuala Lumpur<br>Tel No : 03-22872273 | 068-017 |
| BIMB SECURITIES SDN BHD<br>32nd Floor, Menara Multi Purpose<br>Capital Square<br>No. 8, Jalan Munshi Abdullah<br>50100 Kuala Lumpur<br>Tel No : 03-26918887 | 024-001 | INTER-PACIFIC SECURITIES SDN BHD<br>West Wing, Level 13<br>Berjaya Times Square<br>No. 1, Jalan Imbi<br>55100 Kuala Lumpur<br>Tel No : 03-21171888 | 054-001 |
| CIMB INVESTMENT BANK BERHAD<br>Level 17, Menara CIMB<br>Jalan Stesen Sentral 2<br>Kuala Lumpur Sentral<br>50470 Kuala Lumpur<br>Tel No : 03-22618888 | 065-001 | INTER-PACIFIC SECURITIES SDN BHD<br>Ground Floor, 7-0-8 Jalan 3/109F<br>Danau Business Centre, Danau Desa<br>58100 Kuala Lumpur<br>Tel No : 03-79847796 | 054-003 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| INTER-PACIFIC SECURITIES SDN BHD<br>No. 33 (First Floor)<br>Jalan Radin Bagus<br>Bandar Baru Seri Petaling<br>57000 Kuala Lumpur<br>Tel No : 03-90562921 | 054-005 |
| JUPITER SECURITIES SDN BHD<br>Level 8 &9, Menara Olympia<br>8, Jalan Raja Chulan<br>50200 Kuala Lumpur<br>Tel No : 03-20341888 | 055-001 |
| KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD<br>11th-14th Floor, Chulan Tower<br>No. 3, Jalan Conlay<br>50450 Kuala Lumpur<br>Tel No : 03-21688800 | 053-001 |
| KENANGA INVESTMENT BANK BERHAD<br>8th Floor, Kenanga International<br>Jalan Sultan Ismail<br>50250 Kuala Lumpur<br>Tel No : 03-21649080 | 073-001 |
| KENANGA INVESTMENT BANK BERHAD<br>M3-A-7 & M3-A-8<br>Jalan Pandan Indah 4/3A<br>Pandan Indah<br>55100 Kuala Lumpur<br>Tel No : 03-42978806 | 073-020 |
| KENANGA INVESTMENT BANK BERHAD<br>Ground, Mezzanine, 1st and 2nd Floor (West & Center Wing) & 1st Floor East Wing<br>ECM Libra Building<br>8, Jalan Damansara Endah<br>Damansara Heights<br>50490 Kuala Lumpur<br>Tel No : 03-20892888 | 073-021 |
| KENANGA INVESTMENT BANK BERHAD<br>1st Floor, Wisma Genting<br>Jalan Sultan Ismail<br>50250 Kuala Lumpur<br>Tel No : 03-21781133 | 073-029 |
| M & A SECURITIES SDN BHD<br>Level 1-3, No. 45 & 47<br>The Boulevard, Mid Valley City<br>Lingkaran Syed Putra, 59200 Kuala Lumpur<br>Tel No : 03-22821820 | 057-002 |
| MAYBANK INVESTMENT BANK BERHAD<br>5-13 Floor, MaybanLife Tower<br>Dataran Maybank<br>No. 1, Jalan Maarof<br>59000 Kuala Lumpur<br>Tel No : 03-22978888 | 098-001 |
| MERCURY SECURITIES SDN BHD<br>L-7-2, No. 2<br>Jalan Solaris<br>Solaris Mont Kiara<br>50480 Kuala Lumpur<br>Tel No : 03-62037227 | 093-002 |
| MIDF AMANAH INVESTMENT BANK BERHAD<br>Level 21, Menara MIDF<br>82, Jalan Raja Chulan<br>50200 Kuala Lumpur<br>Tel No : 03-21738888 | 026-001 |
| PM SECURITIES SDN BHD<br>Ground, Mezzanine, 1st & 10th Floor<br>Menara PMI<br>No. 2, Jalan Changkat Ceylon<br>50200 Kuala Lumpur<br>Tel No : 03-21463000 | 064-001 |
| PUBLIC INVESTMENT BANK BERHAD<br>27th Floor, Public Bank Building<br>No. 6, Jalan Sultan Sulaiman<br>50000 Kuala Lumpur<br>Tel No : 03-20313011 | 051-001 |
| RHB INVESTMENT BANK BERHAD<br>Level 3A, Tower One<br>RHB Centre, Jalan Tun Razak<br>50400 Kuala Lumpur<br>Tel No : 03-92873888 | 087-001 |
| RHB INVESTMENT BANK BERHAD<br>12th, 20th & 21st Floor, Plaza OSK<br>Jalan Ampang<br>50450 Kuala Lumpur<br>Tel No : 03-23338333 | 087-018 |
| RHB INVESTMENT BANK BERHAD<br>No. 62 & 64, Vista Magna<br>Jalan Prima, Metro Prima<br>52100 Kuala Lumpur<br>Tel No : 03-62575869 | 087-028 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| RHB INVESTMENT BANK BERHAD<br>No. 5 & 7<br>Jalan Pandan Indah 4/33<br>Pandan Indah<br>55100 Kuala Lumpur<br>Tel No : 03-42804798 | 087-054 |
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st, 2nd & 3rd Floor<br>No. 55, Zone J4<br>Jalan Radin Anum<br>Bandar Baru Seri Petaling<br>57000 Kuala Lumpur<br>Tel No : 03-90587222 | 087-058 |
| **SELANGOR DARUL EHSAN** | |
| AFFIN INVESTMENT BANK BERHAD<br>3rd & 4th Floor<br>Wisma Meru<br>No. 1, Lintang Pekan Baru<br>Off Jalan Meru<br>41050 Klang<br>Selangor Darul Ehsan<br>Tel No : 03-33439999 | 028-002 |
| AFFIN INVESTMENT BANK BERHAD<br>Lot 229, 2nd Floor, The Curve<br>No. 6, Jalan PJU 7/3<br>Mutiara Damansara<br>47800 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-77298016 | 028-003 |
| AFFIN INVESTMENT BANK BERHAD<br>1st Floor, 20-22 Jalan 21/22<br>SEA Park<br>46300 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-78776229 | 028-006 |
| AFFIN INVESTMENT BANK BERHAD<br>No.79-1 & 79-2<br>Jalan Batu Nilam 5<br>Bandar Bukit Tinggi<br>41200 Klang<br>Selangor Darul Ehsan<br>Tel No : 03-33221999 | 028-007 |
| AMINVESTMENT BANK BERHAD<br>4th Floor, Plaza Damansara Utama<br>No. 2, Jalan SS21/60<br>47400 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-77106613 | 086-003 |
| TA SECURITIES HOLDINGS BERHAD<br>Menara TA One<br>No. 22, Jalan P. Ramlee<br>50250 Kuala Lumpur<br>Tel No : 03-20721277 | 058-003 |
| CIMB INVESTMENT BANK BERHAD<br>Level G & Level 1,<br>Tropicana City Office Tower<br>No 3 Jalan SS20/27<br>47400 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03 – 77173388 | 065-009 |
| HONG LEONG INVESTMENT BANK BERHAD<br>Level 10, 1 First Avenue<br>Bandar Utama<br>47800 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-77246888 | 066-002 |
| HWANGDBS INVESTMENT BANK BERHAD<br>16th, 18th-20th Floor, Plaza Masalam<br>No. 2, Jalan Tengku Ampuan Zabedah<br>E9/E Section 9<br>40100 Shah Alam<br>Selangor Darul Ehsan<br>Tel No : 03-55133288 | 068-002 |
| HWANGDBS INVESTMENT BANK BERHAD<br>East Wing & Centre Link<br>Floor 3A, Wisma Consplant 2<br>No. 7, Jalan SS 16/1, 47500 Subang Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-56356688 | 068-010 |
| JF APEX SECURITIES BERHAD<br>6th Floor, Menara Apex<br>Off Jalan Semenyih, Bukit Mewah<br>43000 Kajang<br>Selangor Darul Ehsan<br>Tel No : 03-87361118 | 079-001 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| JF APEX SECURITIES BERHAD<br>15th & 16th Floor<br>Menara Choy Fook On<br>No. 1B, Jalan Yong Shook Lin<br>46050 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-76201118 | 079-002 |
| KENANGA INVESTMENT BANK BERHAD<br>Ground – Fifth Floor<br>East Wing, Quattro West<br>4, Lorong Persiaran Barat<br>46200 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-78626200 | 073-005 |
| KENANGA INVESTMENT BANK BERHAD<br>55C (2nd Floor)<br>Jalan USJ 10/1F<br>47610 Subang Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-80241773 | 073-006 |
| KENANGA INVESTMENT BANK BERHAD<br>Lot 240, 2nd Floor, The Curve<br>No. 6, Jalan PJU 7/3<br>Mutiara Damansara<br>47800 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-77259095 | 073-016 |
| KENANGA INVESTMENT BANK BERHAD<br>35 (Ground & 1st Floor)<br>Jalan Tiara 3<br>Bandar Baru Klang, 41150 Klang<br>Selangor Darul Ehsan<br>Tel No : 03-33488080 | 073-035 |
| KENANGA INVESTMENT BANK BERHAD<br>Level 1 East Wing, Wisma Consplant 2<br>No. 7 Jalan SS 16/1<br>47500 Subang Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-56212118 | 073-030 |
| MALACCA SECURITIES SDN BHD<br>No. 16, Jalan SS15/4B<br>47500 Subang Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-56361533 | 012-002 |
| MALACCA SECURITIES SDN BHD<br>No. 58A & 60A, 1st Floor<br>Jalan SS2/67<br>47300 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-78761533 | 012-003 |
| MAYBANK INVESTMENT BANK BERHAD<br>Suite 8.02, Level 8, Menara Trend<br>Intan Millennium Square<br>No. 68, Jalan Batai Laut, Taman Intan<br>41300 Klang<br>Selangor Darul Ehsan<br>Tel No : 03-30508888 | 098-003 |
| MAYBANK INVESTMENT BANK BERHAD<br>Wisma Bentley Music<br>Level 1, No.3, Jalan PJU 7/2<br>Mutiara Damansara<br>47800 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-77188888 | 098-004 |
| PM SECURITIES SDN BHD<br>No. 157, Jalan Kenari 23A<br>Bandar Puchong Jaya<br>47100 Puchong<br>Selangor Darul Ehsan<br>Tel No : 03-80700773 | 064-003 |
| PM SECURITIES SDN BHD<br>No. 18 & 20, Jalan Tiara 2<br>Bandar Baru Klang<br>41150 Klang<br>Selangor Darul Ehsan<br>Tel No : 03-33415300 | 064-007 |
| RHB INVESTMENT BANK BERHAD<br>24, 24M, 24A, 26M, 28M, 28A & 30<br>Jalan SS 2/63<br>47300 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-78736366 | 087-011 |
| RHB INVESTMENT BANK BERHAD<br>No. 37, Jalan Semenyih<br>43000 Kajang<br>Selangor Darul Ehsan<br>Tel No : 03-87363378 | 087-045 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code | Name, Address and Telephone Number | ADA Code |
|---|---|---|---|
| RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 15, Jalan Bandar Rawang 4<br>48000 Rawang<br>Selangor Darul Ehsan<br>Tel No : 03-60928916 | 087-047 | SJ SECURITIES SDN BHD<br>Ground Floor, Podium Block<br>Wisma Synergy<br>Lot 72, Persiaran Jubli Perak<br>Section 22<br>40000 Shah Alam<br>Selangor Darul Ehsan<br>Tel No : 03-51920202 | 096-001 |
| RHB INVESTMENT BANK BERHAD<br>Ground & Mezzanine Floor<br>No. 87 & 89, Jalan Susur<br>Pusat Perniagaan NBC<br>Batu 1½, Jalan Meru<br>41050 Klang<br>Selangor Darul Ehsan<br>Tel No : 03-33439180 | 087-048 | SJ SECURITIES SDN BHD<br>101B, Jalan SS15/5A<br>47500 Subang Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-56317888 | 096-002 |
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st Floor<br>No.13 Jalan Kenari 3<br>Bandar Puchong Jaya<br>47100 Puchong<br>Selangor Darul Ehsan<br>Tel No : 03-80706899 | 087-049 | SJ SECURITIES SDN BHD<br>No. 74-2 Jalan Batu Nilam 5<br>Bandar Bukit Tinggi<br>41200 Klang<br>Selangor Darul Ehsan<br>Tel No : 03-33221915 | 096-004 |
| RHB INVESTMENT BANK BERHAD<br>11-1, Jalan PJU 5/12<br>Dataran Sunway<br>Kota Damansara<br>47810 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-61483361 | 087-051 | TA SECURITIES HOLDINGS BERHAD<br>No. 2-1, 2-2, 2-3 & 2-4<br>Jalan USJ 9/5T<br>Subang Business Centre<br>47620 UEP Subang Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-80251880 | 058-005 |
| RHB INVESTMENT BANK BERHAD<br>Unit 1B, 2B & 3B<br>USJ 10/1J<br>47610 UEP Subang Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-80221888 | 087-059 | TA SECURITIES HOLDINGS BERHAD<br>2nd Floor Wisma TA<br>1A Jalan SS20/11<br>Damansara Utama<br>47400 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel No : 03-77295713 | 058-007 |
| **MELAKA** | | | |
| CIMB INVESTMENT BANK BERHAD<br>Ground, 1st & 2nd Floor<br>No. 191, Taman Melaka Raya<br>Off Jalan Parameswara<br>75000 Melaka<br>Tel No : 06-2898800 | 065-006 | KENANGA INVESTMENT BANK BERHAD<br>22A & 22A -1 and 26 & 26 – 1<br>Jalan MP 10<br>Taman Merdeka Permai<br>75350 Batu Berendam<br>Melaka<br>Tel No : 06-3372550 | 073-034 |
| KENANGA INVESTMENT BANK BERHAD<br>71A&B & 73A&B, Jalan Merdeka<br>Taman Melaka Raya<br>75000 Melaka<br>Tel No : 06-2881720 | 073-028 | MALACCA SECURITIES SDN BHD<br>No. 1, 3 & 5, Jalan PPM9<br>Plaza Pandan Malim (Business Park)<br>Balai Panjang<br>75250 Melaka<br>Tel No : 06-3371533 | 012-001 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| MERCURY SECURITIES SDN BHD<br>No. 81-B & 83-B, Jalan Merdeka<br>Taman Melaka Raya<br>75000 Melaka<br>Tel No : 06-2921898 | 093-003 |
| PM SECURITIES SDN BHD<br>No. 13, Jalan PM2<br>Plaza Mahkota<br>75000 Melaka<br>Tel No : 06-2866008 | 064-006 |
| RHB INVESTMENT BANK BERHAD<br>No 19, 21 & 23, Jalan Merdeka<br>Taman Melaka Raya<br>75000 Melaka<br>Tel No : 06-2833622 | 087-002 |
| **PERAK DARUL RIDZUAN** | |
| CIMB INVESTMENT BANK BERHAD<br>Ground, 1st, 2nd & 3rd Floor<br>No. 8, 8A-C<br>Persiaran Greentown 4C<br>Greentown Business Centre<br>30450 Ipoh<br>Perak Darul Ridzuan<br>Tel No : 05-2088688 | 065-010 |
| HONG LEONG INVESTMENT BANK BERHAD<br>5I-53, Persiaran Greenhill<br>30450 Ipoh<br>Perak Darul Ridzuan<br>Tel No : 05-2530888 | 066-003 |
| HWANGDBS INVESTMENT BANK BERHAD<br>21, Jalan Stesen<br>34000 Taiping<br>Perak Darul Ridzuan<br>Tel No : 05-8066688 | 068-003 |
| HWANGDBS INVESTMENT BANK BERHAD<br>2nd & 3rd Floor<br>No. 22, Persiaran Greentown 1<br>Greentown Business Centre<br>30450 Ipoh<br>Perak Darul Ridzuan<br>Tel No : 05-2559988 | 068-015 |
| KENANGA INVESTMENT BANK BERHAD<br>Ground, 1st, 2nd & 4th Floor<br>No. 63 Persiaran Greenhill<br>30450 Ipoh<br>Perak Darul Ridzuan<br>Tel No : 05-2422828 | 073-022 |
| RHB INVESTMENT BANK BERHAD<br>579, 580 & 581<br>Taman Melaka Raya<br>75000 Melaka<br>Tel No : 06-2825211 | 087-026 |
| TA SECURITIES HOLDINGS BERHAD<br>59, 59A & 59B<br>Jalan Merdeka<br>Taman Melaka Raya<br>75000 Melaka<br>Tel No : 06-2862618 | 058-008 |
| KENANGA INVESTMENT BANK BERHAD<br>No. 7B-I, Jalan Laman Intan<br>Bandar Baru Teluk Intan<br>36000 Teluk Intan<br>Perak Darul Ridzuan<br>Tel No : 05-6222828 | 073-026 |
| KENANGA INVESTMENT BANK BERHAD<br>Ground Floor<br>No. 25 & 25A<br>Jalan Jaya 2, Medan Jaya<br>32000 Setiawan<br>Perak Darul Ridzuan<br>Tel No : 05-6939828 | 073-031 |
| M & A SECURITIES SDN BHD<br>M & A Building<br>52A, Jalan Sultan Idris Shah<br>30000 Ipoh<br>Perak Darul Ridzuan<br>Tel No : 05-2419800 | 057-001 |
| MAYBANK INVESTMENT BANK BERHAD<br>B-G-04 (Ground Floor), Level 1 & 2<br>42 Persiaran Greentown I<br>Pusat Dagangan Greentown<br>30450 Ipoh<br>Perak Darul Ridzuan<br>Tel No : 05-2453400 | 098-002 |
| RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 17, Jalan Intan 2, Bandar Baru<br>36000 Teluk Intan<br>Perak Darul Ridzuan<br>Tel No : 05-6236498 | 087-014 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st Floor, No. 23 & 25<br>Jalan Lumut<br>32000 Sitiawan<br>Perak Darul Ridzuan<br>Tel No : 05-6921228 | 087-016 |
| RHB INVESTMENT BANK BERHAD<br>21-25, Jalan Seenivasagam<br>Greentown<br>30450 Ipoh<br>Perak Darul Ridzuan<br>Tel No : 05-2415100 | 087-023 |
| RHB INVESTMENT BANK BERHAD<br>Ground Floor, No. 40, 42 & 44<br>Jalan Berek<br>34000 Taiping<br>Perak Darul Ridzuan<br>Tel No : 05-8088229 | 087-034 |
| RHB INVESTMENT BANK BERHAD<br>72, Ground Floor<br>Jalan Idris<br>31900 Kampar<br>Perak Darul Ridzuan<br>Tel No : 05-4651261 | 087-044 |
| **PULAU PINANG** | |
| ALLIANCE INVESTMENT BANK BERHAD<br>Ground & Mezzanine Floor<br>Bangunan Barkath<br>21 Lebuh Pantai<br>10300 Penang<br>Tel No: 04-2611688 | 076-015 |
| AMINVESTMENT BANK BERHAD<br>3rd Floor, Menara Liang Court<br>No. 37, Jalan Sultan Ahmad Shah<br>10050 Pulau Pinang<br>Tel No : 04-2261818 | 086-004 |
| AMINVESTMENT BANK BERHAD<br>Level 3<br>No. 15, Lebuh Pantai<br>10300 Pulau Pinang<br>Tel No : 04-2619288 | 086-007 |
| RHB INVESTMENT BANK BERHAD<br>Ground Floor<br>No. 2, Jalan Wawasan 4<br>Taman Wawasan<br>34200 Parit Buntar<br>Perak Darul Ridzuan<br>Tel No : 05-7170888 | 087-052 |
| TA SECURITIES HOLDINGS BERHAD<br>Ground, 1st & 2nd Floor<br>Plaza Teh Teng Seng<br>No. 227, Jalan Raja Permaisuri Bainun<br>30250 Ipoh<br>Perak Darul Ridzuan<br>Tel No : 05-2531313 | 058-001 |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>29G, Jalan Intan 2<br>Bandar Baru<br>36000 Teluk Intan<br>Perak Darul Ridzuan<br>Tel No : 05-6216010 | 078-009 |
| CIMB INVESTMENT BANK BERHAD<br>Ground Floor<br>Suite I.01, Menara Boustead Penang<br>39, Jalan Sultan Ahmad Shah<br>10050 Pulau Pinang<br>Tel No : 04-2385900 | 065-001 |
| HWANGDBS INVESTMENT BANK BERHAD<br>Level 2, 3, 4, 7 & 8, Wisma Sri Pinang<br>60, Green Hall<br>10200 Pulau Pinang<br>Tel No : 04-2636996 | 068-001 |
| HWANGDBS INVESTMENT BANK BERHAD<br>No. 2 & 4<br>Jalan Perda Barat<br>Bandar Perda<br>14000 Bukit Mertajam<br>Pulau Pinang<br>Tel No : 04-5372882 | 068-006 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| INTER-PACIFIC SECURITIES SDN BHD<br>Ground, Mezzanine & 8th Floor<br>Sentral Tower<br>No. 3, Penang Street<br>10200 Pulau Pinang<br>Tel No : 04-2690888 | 054-002 |
| KENANGA INVESTMENT BANK BERHAD<br>7th, 8th & 16th Floor,<br>Menara Boustead Penang<br>39, Jalan Sultan Ahmad Shah<br>10050 Pulau Pinang<br>Tel No : 04-2283355 | 073-023 |
| M&A SECURITIES SDN BHD<br>332H-1 & 332G-2<br>Harmony Square<br>Jalan Perak<br>11600 Georgetown Pulau Pinang<br>Tel No : 04-2817611 | 057-005 |
| MALACCA SECURITIES SDN BHD<br>Prima Tanjung<br>Suite 98-3-13A<br>Jalan Fettes<br>11200 Tanjung Tokong<br>Pulau Pinang<br>Tel No : 04-8981525 | 012-004 |
| MERCURY SECURITIES SDN BHD<br>Ground, 1st, 2nd & 3rd Floor<br>Wisma UMNO<br>Lorong Bagan Luar Dua<br>12000 Butterworth<br>Pulau Pinang<br>Tel No : 04-3322123 | 093-001 |
| MERCURY SECURITIES SDN BHD<br>2nd Floor, Standard Chartered Bank Chambers<br>2 Lebuh Pantai<br>10300 Pulau Pinang<br>Tel No : 04-2639118 | 093-004 |
| PM SECURITIES SDN BHD<br>Level 25, Menara BHL<br>51, Jalan Sultan Ahmad Shah<br>10050 Pulau Pinang<br>Tel No : 04-2273000 | 064-004 |
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st & 2nd Floor<br>No. 2677, Jalan Chain Ferry<br>Taman Inderawasih<br>13600 Seberang Prai<br>Pulau Pinang<br>Tel No : 04-3900022 | 087-005 |
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st & 2nd Floor<br>No. 11A, Jalan Keranji<br>Off Jalan Padang Lallang<br>14000 Bukit Mertajam<br>Pulau Pinang<br>Tel No : 04-5402888 | 087-015 |
| RHB INVESTMENT BANK BERHAD<br>834 Jalan Besar, Sungai Bakap<br>14200 Sungai Jawi<br>Seberang Perai Selatan<br>Pulau Pinang<br>Tel No : 04-5831888 | 087-032 |
| RHB INVESTMENT BANK BERHAD<br>64& 64-D<br>Ground – 3rd Floor & 5th – 8th Floor<br>Lebuh Bishop<br>10200 Pulau Pinang<br>Tel No : 04-2634222 | 087-033 |
| RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6<br>Medan Kampung Relau (Bayan Point)<br>11950 Pulau Pinang<br>Tel No : 04-6404888 | 087-042 |
| RHB INVESTMENT BANK BERHAD<br>41-A, 41-B and 41-C<br>Lintang Angsana<br>Bandar Baru Air Itam<br>11500 Pulau Pinang<br>Tel No : 04-8352988 | 087-056 |
| SJ SECURTIES SDN BHD<br>12th Floor, Office Tower<br>Hotel Royal Penang<br>No. 3 Jalan Larut<br>10050 George Town<br>Pulau Pinang<br>Tel No : 04-2289836 | 096-003 |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>1st Floor, Bangunan Heng Guan<br>171 Jalan Burmah<br>10050 Pulau Pinang<br>Tel No : 04-2299318 | 078-002 |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>Ground & 1st Floor<br>No. 2, Jalan Perniagaan 2<br>Pusat Perniagaan Alma<br>14000 Bukit Mertajam<br>Pulau Pinang<br>Tel No : 04-5541388 | 078-003 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code | Name, Address and Telephone Number | ADA Code |
|---|---|---|---|
| **PERLIS INDRA KAYANGAN** | | | |
| RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 39, Taman Suriani<br>Persiaran Jubli Emas<br>01000 Kangar<br>Perlis Indra Kayangan<br>Tel No : 04-9793888 | 087-060 | | |
| **KEDAH DARUL AMAN** | | | |
| ALLIANCE INVESTMENT BANK BERHAD<br>Lot T-30, 2nd Floor, Wisma PKNK<br>Jalan Sultan Badlishah<br>05000 Alor Setar<br>Kedah Darul Aman<br>Tel No : 04-7317088 | 076-004 | RHB INVESTMENT BANK BERHAD<br>35, Ground Floor<br>Jalan Suria 1, Jalan Bayu<br>09000 Kulim<br>Kedah Darul Aman<br>Tel No : 04-4964888 | 087-019 |
| HWANGDBS INVESTMENT BANK BERHAD<br>No. 70 A, B, C, Jalan Mawar 1<br>Taman Pekan Baru<br>08000 Sungai Petani<br>Kedah Darul Aman<br>Tel No : 04-4256666 | 068-011 | RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>215-A & 215-B<br>Medan Putra, Jalan Putra<br>05150 Alor Setar<br>Kedah Darul Aman<br>Tel No : 04-7209888 | 087-021 |
| RHB INVESTMENT BANK BERHAD<br>No. 112, Jalan Pengkalan<br>Taman Pekan Baru<br>08000 Sungai Petani<br>Kedah Darul Aman<br>Tel No : 04-4204888 | 087-017 | UOB KAY HIAN SECURITIES (M) SDN BHD<br>Lot 4, 5 & 5A<br>1st Floor EMUM 55<br>No. 55, Jalan Gangsa<br>Kawasan Perusahan Mergong 2<br>Seberang Jalan Putra<br>05150 Alor Setar<br>Kedah Darul Aman<br>Tel No: 04-7322111 | 078-007 |
| **NEGERI SEMBILAN DARUL KHUSUS** | | | |
| HWANGDBS INVESTMENT BANK BERHAD<br>1st Floor<br>105, 107 & 109, Jalan Yam Tuan<br>70000 Seremban<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-7612288 | 068-007 | KENANGA INVESTMENT BANK BERHAD<br>1C & 1D, Ground & First Floor<br>Jalan Tunku Munawir<br>70000 Seremban<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-7655998 | 073-033 |
| HWANGDBS INVESTMENT BANK BERHAD<br>No. 6, Upper Level<br>Jalan Mahligai<br>72100 Bahau<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-4553188 | 068-013 | MAYBANK INVESTMENT BANK BERHAD<br>Wisma HM<br>No. 43, Jalan Dr Krishnan<br>70000 Seremban<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-7669555 | 098-005 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| PM SECURITIES SDN BHD<br>Ground, 1st, 2nd & 3rd Floor<br>18-21, Jalan Kong Sang<br>70000 Seremban<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-7623131 | 064-002 |
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st & 2nd Floor<br>No. 32 & 33, Jalan Dato' Bandar Tunggal<br>70000 Seremban<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-7641641 | 087-024 |
| RHB INVESTMENT BANK BERHAD<br>1st Floor, No. 3601, Jalan Besar<br>73000 Tampin<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-4421000 | 087-037 |
| **JOHOR DARUL TAKZIM** | |
| ALLIANCE INVESTMENT BANK BERHAD<br>No. 73, Ground Floor & 1st Floor<br>Jalan Rambutan<br>86000 Kluang<br>Johor Darul Takzim<br>Tel No : 07-7717922 | 076-006 |
| AMINVESTMENT BANK BERHAD<br>3rd Floor, Penggaram Complex<br>1, Jalan Abdul Rahman<br>83000 Batu Pahat<br>Johor Darul Takzim<br>Tel No : 07-4342282 | 086-002 |
| AMINVESTMENT BANK BERHAD<br>18th Floor, Selesa Tower<br>Jalan Dato' Abdullah Tahir<br>80300 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-3343855 | 086-006 |
| HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad)<br>Suite 25.02, Level 25<br>Johor Bahru City Square (Office Tower)<br>No. 106-108, Jalan Wong Ah Fook<br>80000 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-2227388 | 066-005 |
| HWANGDBS INVESTMENT BANK BERHAD<br>Level 7, Johor Bahru City Square<br>(Office Tower)<br>106-108 Jalan Wong Ah Fook<br>80000 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-2222692 | 068-004 |
| INTER-PACIFIC SECURITIES SDN BHD<br>95, Jalan Tun Abdul Razak<br>80000 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-2231211 | 054-004 |
| KENANGA INVESTMENT BANK BERHAD<br>Level 2, Menara Pelangi<br>Jalan Kuning, Taman Pelangi<br>80400 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-3333600 | 073-004 |
| KENANGA INVESTMENT BANK BERHAD<br>No. 31 Lorong Dato' Ahmad<br>Jalan Khalidi<br>84000 Muar<br>Johor Darul Takzim<br>Tel No : 06-9542711 | 073-008 |
| KENANGA INVESTMENT BANK BERHAD<br>Ground & Mezzanine Floor<br>No. 34 Jalan Genuang<br>85000 Segamat<br>Johor Darul Takzim<br>Tel No : 07-9333515 | 073-009 |
| KENANGA INVESTMENT BANK BERHAD<br>No. 33 & 35<br>(Ground Floor A&B)<br>Jalan Syed Abdul Hamid Sagaff<br>86000 Kluang<br>Johor Darul Takzim<br>Tel No : 07-7771161 | 073-010 |
| RHB INVESTMENT BANK BERHAD<br>Ground & Mezzanine Floor<br>No. 346 & 347, Batu ½ , Jalan Pantai<br>71000 Port Dickson<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-6461234 | 087-046 |
| RHB INVESTMENT BANK BERHAD<br>1st & 2nd Floor<br>No. 168, Jalan Mewah<br>(Pusat Perniagaan UMNO Bahagian Jempol)<br>72100 Bahau<br>Negeri Sembilan Darul Khusus<br>Tel No : 06-4553014 | 087-040 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| KENANGA INVESTMENT BANK BERHAD<br>No. 4, Jalan Dataran 1<br>Taman Bandar Tangkak<br>84900 Tangkak<br>Johor Darul Takzim<br>Tel No : 06-9782292 | 073-011 |
| KENANGA INVESTMENT BANK BERHAD<br>No. 24, 24A & 24B<br>Jalan Penjaja 3<br>Kim Park Centre<br>83000 Batu Pahat<br>Johor Darul Takzim<br>Tel No : 07-4326963 | 073-017 |
| KENANGA INVESTMENT BANK BERHAD<br>Suite 16-02, 16003 & 16-03A<br>Level 16 Menara MSC Cyberport<br>No. 5 Jalan Bukit Meldrum<br>80300 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-2237423 | 073-019 |
| KENANGA INVESTMENT BANK BERHAD<br>No. 57, 59 & 61, Jalan Ali<br>84000 Muar<br>Johor Darul Takzim<br>Tel No : 06-9531222 | 073-024 |
| KENANGA INVESTMENT BANK BERHAD<br>Ground Floor<br>No. 234, Jalan Besar<br>Taman Semberong Baru<br>83700 Yong Peng<br>Johor Darul Takzim<br>Tel No : 07-4678885 | 073-025 |
| M&A SECURITIES SDN BHD<br>Suite 5.3A, Level 5, Menara Pelangi<br>Jalan Kuning, Taman Pelangi<br>80400 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-3381233 | 057-003 |
| M&A SECURITIES SDN BHD<br>26, Jalan Indah 16/5<br>Taman Bukit Indah<br>81200 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-2366288 | 057-006 |
| MERCURY SECURITIES SDN BHD<br>Suite 17.1, Level 17, Menara Pelangi<br>Jalan Kuning, Taman Pelangi<br>80400 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-3316992 | 093-005 |
| PM SECURITIES SDN BHD<br>No. 41, Jalan Molek 2/4<br>Taman Molek<br>81100 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-3513232 | 064-005 |
| PM SECURITIES SDN BHD<br>Ground & 1st Floor<br>No. 43 & 43A, Jalan Penjaja 3<br>Taman Kim's Park, Business Centre<br>83000 Batu Pahat<br>Johor Darul Takzim<br>Tel No : 07-4333608 | 064-008 |
| RHB INVESTMENT BANK BERHAD<br>6th Floor, Wisma Tiong-Hua<br>8, Jalan Keris, Taman Sri Tebrau<br>80050 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-2788821 | 087-006 |
| RHB INVESTMENT BANK BERHAD<br>53, 53-A & 53-B, Jalan Sultanah<br>83000 Batu Pahat<br>Johor Darul Takzim<br>Tel No : 07-4380288 | 087-009 |
| RHB INVESTMENT BANK BERHAD<br>No. 33-1, 1st & 2nd Floor<br>Jalan Ali<br>84000 Muar<br>Johor Darul Takzim<br>Tel No : 06-9538262 | 087-025 |
| RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 119 & 121<br>Jalan Sutera Tanjung 8/2<br>Taman Sutera Utama<br>81300 Skudai<br>Johor Darul Takzim<br>Tel No : 07-5577628 | 087-029 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st & 2nd Floor<br>No. 3, Jalan Susur Utama 2/1<br>Taman Utama<br>85000 Segamat<br>Johor Darul Takzim<br>Tel No : 07-9321543 | 087-030 |
| RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 40 Jalan Haji Manan<br>86000 Kluang<br>Johor Darul Takzim<br>Tel No : 07-7769655 | 087-031 |
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st & 2nd Floor<br>No. 10, Jalan Anggerik 1<br>Taman Kulai Utama<br>81000 Kulai<br>Johor Darul Takzim<br>Tel No : 07-6626288 | 087-035 |
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st & 2nd Floor<br>No. 343, Jalan Muar<br>84900 Tangkak<br>Johor Darul Takzim<br>Tel No : 06-9787180 | 087-038 |
| RHB INVESTMENT BANK BERHAD<br>1st Floor, No. 2 & 4, Jalan Makmur<br>Taman Sri Aman<br>85300 Labis<br>Johor Darul Takzim<br>Tel No : 07-9256881 | 087-039 |
| RHB INVESTMENT BANK BERHAD<br>Ground, 1st Floor & 2nd Floor<br>Nos. 21 & 23<br>Jalan Molek 1/30<br>Taman Molek<br>81100 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-3522293 | 087-043 |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>Level 6 & 7, Menara MSC Cyberport<br>No. 5, Jalan Bukit Meldrum<br>80300 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-3332000 | 078-001 |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>42-8, Main Road<br>Kulai Besar<br>81000 Kulai<br>Johor Darul Takzim<br>Tel No : 07-6637398 | 078-005 |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>No. 70, 70-01, 70-02<br>Jalan Rosmerah 2/17<br>Taman Johor Jaya<br>81100 Johor Bahru<br>Johor Darul Takzim<br>Tel No : 07-3513218 | 078-006 |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>No. 171 (Ground Floor)<br>Jalan Bestari 1/5<br>Taman Nusa Bestari<br>81300 Skudai<br>Johor Darul Takzim<br>Tel No : 07-5121633 | 078-008 |

**PAHANG DARUL MAKMUR**

| | |
|---|---|
| ALLIANCE INVESTMENT BANK BERHAD<br>Ground, Mezzanine & 1st Floor<br>B-400, Jalan Beserah<br>25300 Kuantan<br>Pahang Darul Makmur<br>Tel No : 09-5660800 | 076-002 |
| CIMB INVESTMENT BANK BERHAD<br>Ground, 1st & 2nd Floor<br>No. A-27<br>Jalan Dato' Lim Hoe Lek<br>25200 Kuantan<br>Pahang Darul Makmur<br>Tel No : 09-5057800 | 065-007 |
| KENANGA INVESTMENT BANK BERHAD<br>A15, A17 & A19, Ground Floor<br>Lorong Tun Ismail 2<br>Sri Dagangan 2<br>25000, Pahang Darul Makmur<br>Tel No : 09-5171698 | 073-027 |
| RHB INVESTMENT BANK BERHAD<br>B32 & B34, Lorong Tun Ismail 8<br>Seri Dagangan II<br>25000 Kuantan<br>Pahang Darul Makmur<br>Tel No : 09-5173811 | 087-007 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| RHB INVESTMENT BANK BERHAD<br>Ground Floor<br>No. 76-A, Persiaran Camelia 4<br>Tanah Rata<br>39000 Cameron Highlands<br>Pahang Darul Makmur<br>Tel No : 05-4914913 | 087-041 |
| RHB INVESTMENT BANK BERHAD<br>Ground Floor, 98 Jalan Pasdec<br>28700 Bentong<br>Pahang Darul Makmur<br>Tel No : 09-2234943 | 087-022 |
| **KELANTAN DARUL NAIM** | |
| RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 3953-H, Jalan Kebun Sultan<br>15350 Kota Bharu<br>Kelantan Darul Naim<br>Tel No : 09-7430077 | 087-020 |
| TA SECURITIES HOLDINGS BERHAD<br>298, Jalan Tok Hakim<br>15000 Kota Bharu<br>Kelantan Darul Naim<br>Tel No : 09-7432288 | 058-004 |
| **TERENGGANU DARUL IMAN** | |
| ALLIANCE INVESTMENT BANK BERHAD<br>Ground & Mezzanine Floor<br>Wisma Kam Choon<br>101, Jalan Kampung Tiong<br>20100 Kuala Terengganu<br>Terengganu Darul Iman<br>Tel No : 09-6317922 | 076-009 |
| RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>9651, Cukai Utama<br>Jalan Kubang Kurus<br>24000 Kemaman<br>Terengganu Darul Iman<br>Tel No : 09-8583109 | 087-027 |
| FA SECURITIES SDN BHD<br>No. 51 & 51A<br>Ground, Mezzanine & 1st Floor<br>Jalan Tok Lam<br>20100 Kuala Terengganu<br>Terengganu Darul Iman<br>Tel No : 09-6238128 | 021-001 |
| RHB INVESTMENT BANK BERHAD<br>31A, Ground Floor<br>31A & 31B, 1st Floor<br>Jalan Sultan Ismail<br>20200 Kuala Terengganu<br>Terengganu Darul Iman<br>Tel No : 09-6261816 | 087-055 |
| **SARAWAK** | |
| AMINVESTMENT BANK BERHAD<br>No. 164, 166 & 168<br>1st, 2nd & 3rd Floor<br>Jalan Abell<br>93100 Kuching<br>Sarawak<br>Tel No : 082-244791 | 086-005 |
| CIMB INVESTMENT BANK BERHAD<br>No. 6A, Ground Floor<br>Jalan Bako, Off Brooke Drive<br>96000 Sibu<br>Sarawak<br>Tel No : 084-367700 | 065-001 |
| CIMB INVESTMENT BANK BERHAD<br>Level 1, Wisma STA<br>26 Jalan Datuk Abang Abdul Rahim<br>93450 Kuching<br>Sarawak<br>Tel No : 082-358606 | 065-001 |
| HWANGDBS INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 1, Jalan Pending<br>93450 Kuching<br>Sarawak<br>Tel No : 082-341999 | 068-005 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code | Name, Address and Telephone Number | ADA Code |
|---|---|---|---|
| HWANGDBS INVESTMENT BANK BERHAD<br>No. 282, 1st Floor<br>Park City Commercial Centre<br>Phase 4, Jalan Tun Ahmad Zaidi<br>97000 Bintulu<br>Sarawak<br>Tel No : 086-330008 | 068-016 | RHB INVESTMENT BANK BERHAD<br>2nd Floor Lot 1268 & Lot 1269<br>Centre Point Commercial Centre<br>Jalan Melayu<br>98000 Miri<br>Sarawak<br>Tel No : 085-422788 | 087-012 |
| KENANGA INVESTMENT BANK BERHAD<br>Level 2-4, Wisma Mahmud<br>Jalan Sungai Sarawak<br>93100 Kuching<br>Sarawak<br>Tel No : 082-338000 | 073-003 | RHB INVESTMENT BANK BERHAD<br>No. 102, Pusat Pedada<br>Jalan Pedada<br>96000 Sibu<br>Sarawak<br>Tel No : 084-329100 | 087-013 |
| KENANGA INVESTMENT BANK BERHAD<br>No. 11-12 (Ground & 1st Floor)<br>Lorong Kampung Datu 3<br>96000 Sibu<br>Sarawak<br>Tel No : 084-313855 | 073-012 | RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 10, Jalan Bersatu<br>96100 Sarikei<br>Sarawak<br>Tel No : 084-654100 | 087-050 |
| KENANGA INVESTMENT BANK BERHAD<br>Lot 2465, Jalan Boulevard Utama<br>Boulevard Commercial Centre<br>98000 Miri<br>Sarawak<br>Tel No : 085-435577 | 073-002 | RHB INVESTMENT BANK BERHAD<br>Ground & 1st Floor<br>No. 221, Park City Commerce Square<br>Phase III, Jalan Tun Ahmad Zaidi<br>97000 Bintulu<br>Sarawak<br>Tel No : 086-311770 | 087-053 |
| RHB INVESTMENT BANK BERHAD<br>Yung Kong Abell<br>Units No. 1-10, 2nd Floor<br>Lot 365, Section 50<br>Jalan Abell<br>93100 Kuching<br>Sarawak<br>Tel : 082- 250888 | 087-003 | TA SECURITIES HOLDINGS BERHAD<br>12G, H & I<br>Jalan Kampong Datu<br>96000 Sibu<br>Sarawak<br>Tel No : 084-319998 | 058-002 |
| RHB INVESTMENT BANK BERHAD<br>Lot 170 & 171<br>Section 49, K.T.L.D.<br>Jalan Chan Chin Ann<br>93100 Kuching<br>Sarawak<br>Tel No : 082-422252 | 087-008 | TA SECURITIES HOLDINGS BERHAD<br>2nd Floor<br>Bangunan Binamas, Lot 138<br>Section 54, Jalan Pandung<br>93100 Kuching<br>Sarawak<br>Tel No : 082-236333 | 058-006 |
| **SABAH** | | | |
| CIMB INVESTMENT BANK BERHAD<br>1st & 2nd Floor<br>Central Building<br>No.28, Jalan Sagunting<br>88000 Kota Kinabalu<br>Sabah<br>Tel No : 088-328878 | 065-001 | HWANGDBS INVESTMENT BANK BERHAD<br>Suite 1-9-E1, 9th Floor, CPS Tower<br>Centre Point Sabah<br>No. 1, Jalan Centre Point<br>88000 Kota Kinabalu<br>Sabah<br>Tel No : 088-311688 | 068-008 |

## 17. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

| Name, Address and Telephone Number | ADA Code |
|---|---|
| KENANGA INVESTMENT BANK BERHAD<br>Level 8, Wisma Great Eastern<br>68, Jalan Gaya<br>88000 Kota Kinabalu<br>Sabah<br>Tel No : 088-236188 | 073-032 |
| RHB INVESTMENT BANK BERHAD<br>5th Floor, Wisma BSN Sabah<br>Jalan Kemajuan, Karamunsing<br>88000 Kota Kinabalu<br>Sabah<br>Tel No : 088-269788 | 087-010 |
| RHB INVESTMENT BANK BERHAD<br>Lot14-0, Ground Floor<br>Lorong Lintas Plaza 2<br>Lintas Plaza, Off Jalan Lintas<br>88300 Kota Kinabalu<br>Sabah<br>Tel No : 088-258618 | 087-036 |
| RHB INVESTMENT BANK BERHAD<br>Ground Floor, Block 2<br>Lot 4 & Lot 5, Bandar Indah, Mile 4<br>North Road<br>91000 Sandakan<br>Sabah<br>Tel No : 089-229286 | 087-057 |
| UOB KAY HIAN SECURITIES (M) SDN BHD<br>11, Equity House, Block K<br>Sadong Jaya, Karamunsing<br>88100 Kota Kinabalu<br>Sabah<br>Tel No : 088-234090 | 078-011 |

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