SASBADI HOLDINGS BERHAD

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

6th Annual General Meeting
29 January 2019

Replies to Minority Shareholders Watch Group's Questions

Strategic & Financial Matters – Question 1

The Group has identified to grow its business volume further via the contents segment for the export market.

a) How successful is the Group in this segment?

Answers:
The Group has only started to market its early education contents at the Bologna Children's Bookfair, Italy in March 2018 and signed licensing agreements with parties from China and Vietnam to publish 12 and 36 titles respectively in their own countries.

(continue)

Strategic & Financial Matters – Question 1 (a) (cont'd)

The Group has also participated in the Frankfurt Book Fair in October 2018 and our early education products with Augmented Reality (AR) technology were met with positive responses that led to many enquiries. Going forward, the Group will continue to step up its effort to generate export-based revenue by participating in all major international book fairs.

Strategic & Financial Matters – Question 1 (cont’d)

b) What is the expected growth in revenue of the contents segment in FY2019 as compared to FY2018?

Answers:

- **The profit contribution from exported contents was minimal (i.e. RM0.2 million) for the Financial Year Ended (“FYE”) 31 August 2018 due to the low guaranteed quantity set. However, moving forward, we will be receiving royalty income arising from the agreements.**
- **Depending on the performance of the counterparty, the future royalty income could potentially be significant.**
- **It is difficult to estimate the growth as it is dependent on our potential partners’ strength.**

Strategic & Financial Matters – Question 1 (cont'd)

c) Please name the export markets the Group has targeted and why.

Answers:

We are targeting markets with huge population e.g.:

- Pakistan;
- China & Hong Kong; and
- Vietnam

Strategic & Financial Matters – Question 2

The Group recorded a lower gross profit in FY2018 due to the provision for impairment of inventories of RM4.045 million as disclosed on Page 9 of the Annual Report.

a) Please provide a breakdown of the impairment provision in respect of the various operating segments of Print Publishing, Digital & Network Marketing and APL & STEM Education.

Answers:

The impairment provision was solely for the Print Publishing segment.

Strategic & Financial Matters – Question 2 (cont'd)

b) What are the measures taken by the Company to mitigate the occurrence of impairment loss on inventories in the future?

Answers:

The measures taken by the Group includes the followings:

i) Be more stringent on the quantity of products printed and control the supply to customers

ii) Explore new marketing channels to market our slow-moving products, including participating in discounted book fairs and distributing through hypermarkets

Strategic & Financial Matters – Question 2 (cont'd)

c) What is the expected amount to be written off from the impairment loss?

Answers:

Those inventories which we made provision for impairment of loss are still in our possession and in good condition. We are still trying to sell it through discounted channels and will only assess the need for any amount to be written off after we have exhausted all our efforts in marketing it by end of FYE2019.

Strategic & Financial Matters – Question 3

The Group's impairment losses on Receivables has increased from RM1.7 million in FY017 to RM3.6 million in FY2018, an increase of RM1.9 million or 111.8%.

a) Please explain the reason for the increase.

Answers:

The increase in the provision was mainly attributable to the provision amounting to RM1.48 million for a major customer who has taken a substantial amount of slow-moving products from us to organise book fairs in schools and local community halls around Malaysia, focusing on rural areas. However, the project-take-off was delayed and resulted in slow repayment. As such, the management has made the provision for impairment loss on a prudent basis.

Strategic & Financial Matters – Question 3 (cont’d)

b) What is the share of the impairment losses due from the 5 trade customers that make up 22% of the total trade receivables?

Answers:

The share of the impairment losses due from these group of debtors is RM1.48 million, attributed to the customer mentioned Question 3(a).

Strategic & Financial Matters – Question 4

As disclosed in the Group Statements of Cash Flow on page 71 of the Annual Report, the Group has funded its cash flow via bank overdrafts amounting to RM19.6 million in FY2018 and RM12.4 million in FY2017.

a) What were the finance costs incurred for the bank overdrafts for FY2017 and FY2018?

Answers:

The finance costs incurred for the bank overdrafts were RM1.078 million and RM1.356 million for FY2017 and FY2018 respectively.

Strategic & Financial Matters – Question 4 (cont'd)

b) Please explain the measures the Company will take to lessen the reliance on bank overdraft.

Answers:

The measures taken include the followings:

i) Achieve better collection performance from our debtors

ii) Generate internal cash flow by disposing our non-core assets

iii) Depending on the market's condition and weighing existing shareholders' interest, we may consider to undertake an equity funding exercise.

Strategic & Financial Matters – Question 5

The Company's largest operating segment in terms of revenue is from the Print Publishing segment.

a) What is the outlook of the Print Publishing segment compared to the Information Communications Technology ("ICT") segment that is gaining popularity with the Ministry of Education as the media of instructions?

Answers:

The outlook of the Print Publishing segment is still good for the next few years as the challenges facing the implementation of ICT centric education have yet to be resolved.

Strategic & Financial Matters – Question 5

b) What are the strategies that the Company needs to adopt to ensure that it can continues to grow its business in the ICT business segment.

Answers:

The Group has invested heavily in ICT related education solutions since 2011. It has to date developed a host of cutting-edge technologies and a variety of classroom solutions that facilitate 21^{st} century teaching and learning.

Currently, the Group is very well positioned to meet the needs of the ICT segment.

Thank You

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