EDUCATION SOLUTIONS PROVIDER

Creating Contents

Developing Technologies

2018
ANNUAL REPORT

Nurturing Skills

Forging Connections

Enriching Life

SASBADI HOLDINGS BERHAD (1022660-T)

SASBADI

Education Solutions Provider
since 1985

Keep a lookout for this symbol at the top of our pages!
When you see it, scan the page with the **Sasbadi Annual Report 2018** app.
Enjoy!

Sasbadi Annual Report 2018

Download for free on
Google Play & App Store

Google play

Available on the App Store

Scan for more information

Printed in Malaysia by:
Gains Print Sdn. Bhd. (111764-T)
No.5, Lorong 7/3A
Kawasan Perindustrian Seri Kembangan
43300 Seri Kembangan
Selangor Darul Ehsan

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Salleh Bin Mohd Husein
Independent Non-Executive Chairman

Law King Hui
Group Managing Director

Lee Swee Hang
Executive Director

Law Yi Chian
Executive Director

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

Lim Hun Soon @ David Lim
Independent Non-Executive Director

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Tan Fong Shian @ Lim Fong Shian
(MAICSA 7023187)
Lim Fei Chia *(MAICSA 7036158)*

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
(378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7849 0777 (Helpdesk)
Fax: (603) 7841 8151/52

AUDITORS

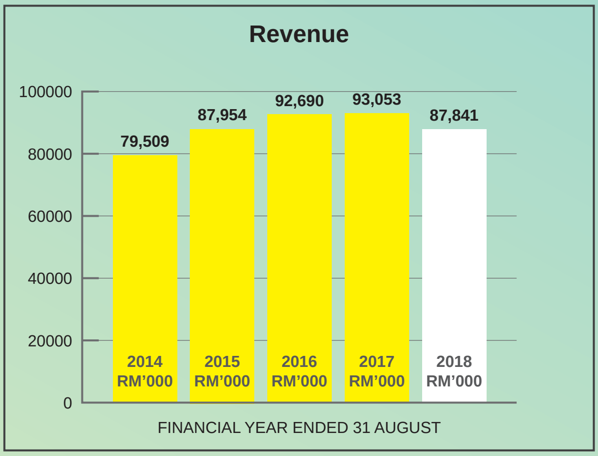
KPMG PLT *(LLP0010081-LCA & AF 0758)*
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel: (603) 7721 3388
Fax: (603) 7721 3399

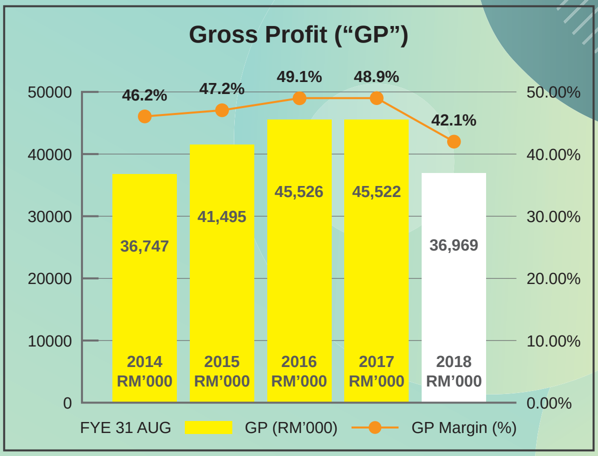
PRINCIPAL BANKERS

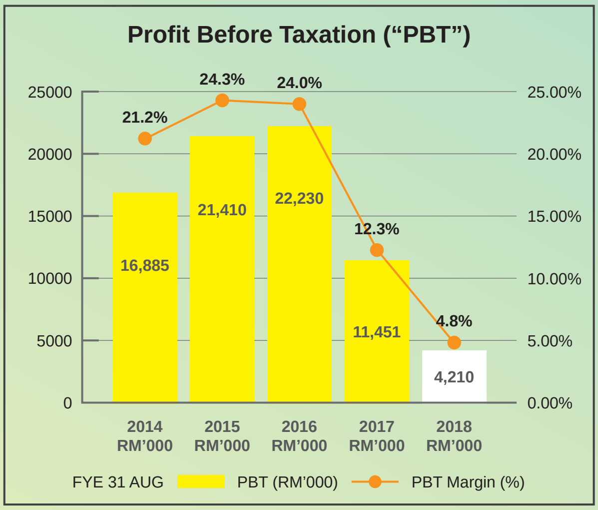
Malayan Banking Berhad *(3813-K)*
Alliance Bank Malaysia Berhad *(88103-W)*

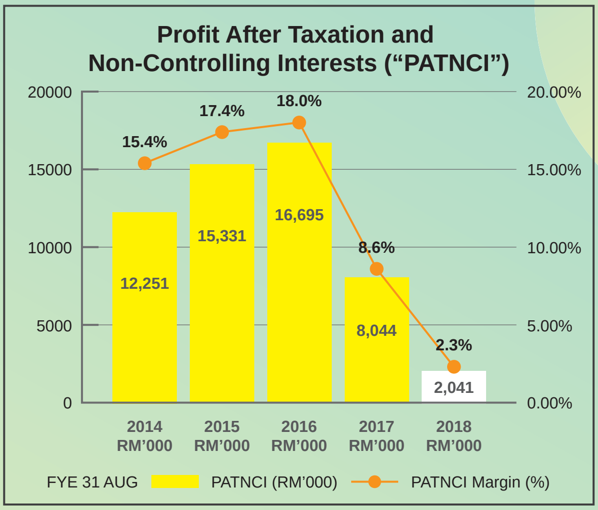
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Sector: Telecommunications & Media
Stock Name: SASBADI
Stock Code: 5252









BALANCE SHEET AS AT 31 AUGUST 2018

	RM'000
Property, plant and equipment	53,941
Investment properties	2,532
Goodwill	10,964
Intellectual properties and other intangible assets	15,111
Inventories	73,462
Trade receivables	47,920
Cash and cash equivalents	6,164
Other assets	16,853
Total assets	**226,947**
Shareholders' equity	156,267
Loans and borrowings	42,655
Trade payables	7,299
Deferred tax liabilities	7,941
Provisions and other liabilities	12,785
Total equity and liabilities	**226,947**

ORGANISATIONAL STRUCTURE

SASBADI
Sasbadi Holdings Berhad
(1022660-T)

- SASBADI ONLINE — Sasbadi Online Sdn. Bhd. (951383-X) — 100 %
- SASBADI — Sasbadi Sdn. Bhd. (139288-X) — 100 %
- orbit buku — Orbit Buku Sdn. Bhd. (894135-W) — 100 %
- SASBADI LEARNING — Sasbadi Learning Solutions Sdn. Bhd. (1087549-A) — 100 %
  - DISTINCT MOTION — Distinct Motion Sdn. Bhd. (1061948-U) — 100 %
    - Distinct Element Sdn. Bhd. (1154121-P) — 100 %
- Sanjung Unggul Sdn. Bhd. (557000-K) — 100 %
  - 马文化 — The Malaya Press Sdn. Berhad (3379-P) — 100 %
    - 金榜 — Jinbang Publication Sdn. Bhd. (621233-V) — 100 %
    - Media Distribution Sdn. Bhd. (95355-T) — 100 %
    - 大树出版社 — Big Tree Publications Sdn. Bhd. (861193-M) — 100 %
- MALAYSIAN BOOK PROMOTIONS — Malaysian Book Promotions Sdn. Bhd. (310517-A) — 100 %
- MBP PUBLICATIONS — MBP Publications Sdn. Bhd. (1086597-H) — 100 %
- 联营出版(马)有限公司 UNITED PUBLISHING HOUSE — United Publishing House (M) Sdn. Bhd. (14620-K) — 100 %
  - 动漫社 PINKO — Pinko Creative Sdn. Bhd. (1126835-A) — 100 %
  - Daya — Penerbitan Daya Sdn. Bhd. (188832-X) — 100 %
  - MINDA — Penerbitan Minda Sdn. Bhd. (516809-P) — 100 %
  - G-Apple Studio Sdn. Bhd. (517085-P) — 100 %
  - UPH Distributor — UPH Distributor Sdn. Bhd. (516636-T) — 100 %
- MAYA PRESS — Maya Press Sdn. Bhd. (585059-A) — 100 %
- MindTech — MindTech Education Sdn. Bhd. (1149981-U) — 100 %

WHO WE ARE

Since 1985, Sasbadi has been providing students with quality books and educational materials to help them on their journey through school and life.

Students, teachers and parents trust our publications because we are ever responsive to changing times and changing requirements. We are always ready to meet the needs of the market and produce materials that are current and relevant.

In response to the needs of learning and teaching in the 21st century, we develop and create solutions that are user-friendly, interactive and fun for teachers and students by leveraging on information and communications technology (ICT). Our solutions include PC software, mobile applications and cloud-based platforms suited for self-paced learning as well as for the future classroom.

Recognising the transformation in educational objectives, Sasbadi began partnering with international brands like LEGO® Education since 2005 to provide Malaysian students with a range of hands-on learning tools. These tools encourage various skills that are needed by the 21st century work force, such as critical thinking, innovation and collaboration capabilities.

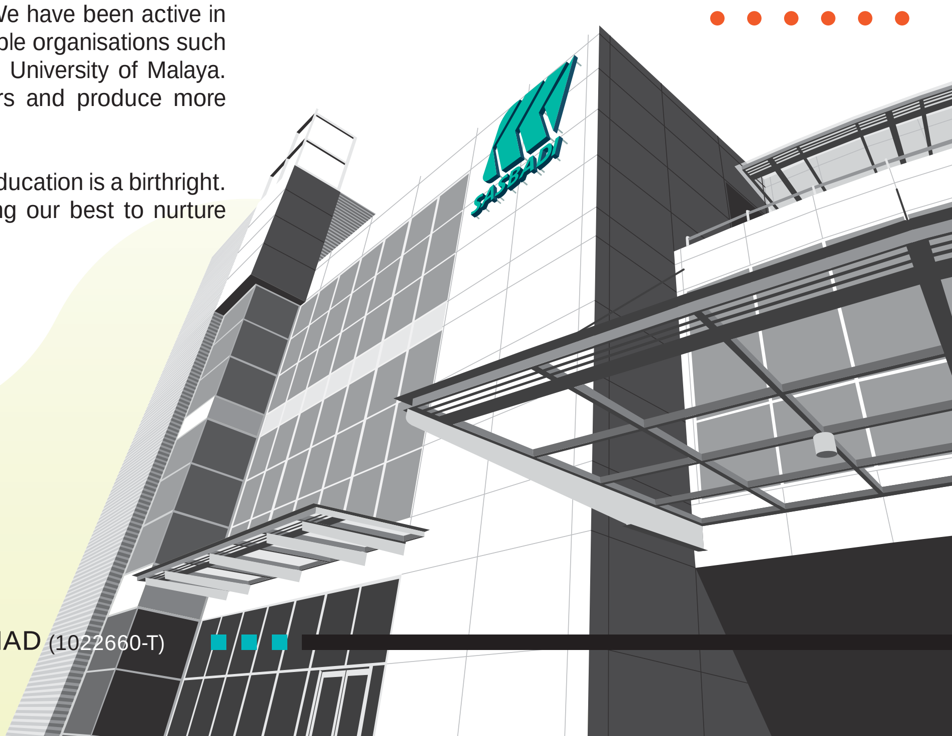
To that end, we also joined up with the Ministry of Education to provide students a platform to hone these 21st century skills and develop their interest in Science, Technology, Engineering and Mathematics (STEM) through the National Robotics Competition (“NRC”).

Education is a lifelong process, and reading is the bridge to education. Thus, promoting reading as a lifestyle preoccupation is important to us. In this regard, we publish a wide range of fiction and non-fiction titles, illustrated storybooks, educational comics, and encyclopedias. More recently, we have stepped up our efforts in producing books for young learners and preschoolers. We are able to strengthen our titles with in-house developed technologies, such as Augmented Reality features and educational games, that complement the content of the books and engage our users.

In 2016, we established a multi-level network marketing arm to communicate more meaningfully with our customers. Through our networking channel, we are able to deliver our products with a personal touch and create a sustainable business for our distributors at the same time.

Aside, Sasbadi also believes that collaboration is key to improving the quality and value of our products and services. We have been active in collaborative initiatives and partnered with reputable organisations such as Animasia, Marshall Cavendish Education and University of Malaya. We hope to better serve our existing customers and produce more products for new market segments this way.

At Sasbadi, we fully subscribe to the notion that education is a birthright. We will continue to serve its cause, always doing our best to nurture students for tomorrow, today.



Anugerah Perdana Munsyi Abdullah: Penerbit Swasta - Anugerah Buku Negara 2010
Awarded to Sasbadi Sdn Bhd

Master Category of the EY Entrepreneur Of The Year 2015 Malaysia Award: Top Nominee
Awarded to Mr Law King Hui, Group Managing Director of Sasbadi Holdings Berhad

Asia Pacific Golden Crown Award 2016-2017: The High Achievers Award
Awarded to Sasbadi Holdings Berhad

The BrandLaureate Great Entrepreneur Brand Icon Leadership Award 2016
Awarded to Mr Law King Hui, Group Managing Director of Sasbadi Holdings Berhad

MLM Golden Midas Award 2016
Awarded to MindTech Education Sdn Bhd

Anugerah Perdana (Tokoh Industri Buku Negara): Anugerah Buku Negara 2013
Awarded to Mr Law King Hui, Group Managing Director of Sasbadi Holdings Berhad

Asia Yes Brand Award 2016
Awarded to i-LEARN Ace (product of MindTech Education Sdn Bhd)

Best Under Billion Awards 2017 by Focus Malaysia: Best in Online Presence
Awarded to Sasbadi Holdings Berhad

MESSAGE TO SHAREHOLDERS

On behalf of the Board of Directors ("the Board") of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company"), it is our pleasure to present to you the Annual Report and the Audited Financial Statements of Sasbadi Holdings and its subsidiaries ("the Group") for the financial year ended ("FYE") 31 August 2018.

Financial Review

Stemming from the weak third and fourth quarters of FYE 31 August 2017, retail market sentiments did not improve but continued to worsen. Coupled with the workbook "ban" enforced by the Ministry of Education Malaysia ("MoE") and interruptions caused by the more than usual public holidays, the Group registered a drop in revenue of RM5.212 million (equivalent to 5.6%) from RM93.053 million for the preceding financial year to RM87.841 million for the current financial year. However, it is to be noted that the preceding financial year's revenue included a one-off contract of RM3.850 million for the supply of robotics sets to the MoE and the textbook reprint orders of approximately RM2.530 million from the MoE which were delayed from the fourth quarter of FYE 31 August 2016 to the first quarter of FYE 31 August 2017. In that regard, if these two (2) revenue items were excluded, the Group would have recorded a slight increase in revenue of RM1.168 million (equivalent to 1.3%) for the current financial year.

During the current financial year, the Group's digital and network marketing segments achieved an increase in revenue of RM2.292 million (equivalent to 37.7%) but it was partly offset by the decline in the print publishing segment.

For FYE 31 August 2018, the Group recorded a profit before tax ("PBT") of RM4.210 million vis-à-vis a PBT of RM11.451 million for the preceding financial year, representing a decrease of RM7.241 million (equivalent to 63.2%). The decrease in PBT was mainly due to higher finance costs, provision for impairment of inventories of RM4.045 million, and lower revenue. It is to be noted that the Group's measures to control cost has resulted in lower distribution, administrative and other operating expenses incurred by the Group during the current financial year.

In terms of earnings per share ("EPS"), the Group's EPS decreased by 1.43 sen from 1.92 sen for FYE 31 August 2017 to 0.49 sen for FYE 31 August 2018.

The equity attributable to owners of the Company was RM156.267 million as at 31 August 2018 vis-à-vis RM145.383 million as at 31 August 2017, while the Group's debt-to-equity ratio was 0.27 times as at 31 August 2018 vis-à-vis 0.25 times as at 31 August 2017.

Further details on the review of the Group's financials and operations are presented in the Management Discussion and Analysis section of this Annual Report.

Prospects

Despite the Group's efforts in pursuing growth for our other segments, i.e. (i) network marketing business; (ii) non-academic print publishing; (iii) early education and private/international schools products; and (iv) rights licensing and export market, the revenue generated during the current financial year was not sufficient to spur the Group's revenue growth. Besides weak market conditions, these segments are relatively new to our Group and we have yet to achieve the optimum efficiency desired.

For FYE 31 August 2019, the Group will continue to pursue growth for all the segments mentioned above by focusing on these markets. The Group will also heighten its participation in textbook and other tenders being offered by the MoE. To mitigate the impact of seasonality patterns and the declining lower primary school workbook market, the Group has reallocated its resources to produce workbooks that target the retail market and contents for the export market. Going forward, the Group will step up its marketing efforts in the rights licensing and export market by participating in all major international book fairs to grow export-based revenue.

Premised on the above and barring any unforeseen circumstances, the Group is optimistic about our prospects and performance for FYE 31 August 2019.

Appreciation

In January 2018, Mr Lee Eng Sang retired from the Board as our non-independent non-executive director. We wish to take this opportunity to extend our sincere appreciation to Mr Lee for his counsel, wisdom and contributions to the Group. We are also grateful and appreciative to all our shareholders, our fellow Board members, the leadership team and employees, our customers and suppliers, associates and business partners for their unwavering support during FYE 31 August 2018. The Group humbly requests for your continuous contribution, support and trust for the years ahead.

Dato' Salleh Bin Mohd Husein
Independent Non-Executive Chairman

Law King Hui
Group Managing Director

Overview of Operations

Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") is an investment holding company while the Group (i.e. Sasbadi Holdings and its subsidiaries) is an education solutions provider. Further details on the Group's subsidiaries are available in the Corporate Structure section of this Annual Report.

The Group's history began with the incorporation of Sasbadi Sdn Bhd ("SSB") in 1985 which commenced its operations as a publisher of printed educational materials within the same year. In order to meet the needs of learning and teaching in the 21st century, the Group evolved from being mainly an educational print publisher to a provider of diverse education solutions including technology that enables online learning, digital education products, applied learning tools that facilitate Science, Technology, Engineering and Mathematics ("STEM") education, education services, and a network marketing business, all of which complement our print publishing business.

On 23 July 2014, the Company was listed on the Main Market of Bursa Malaysia Securities Berhad. The Group's premises include our Head Office in Kota Damansara, Petaling Jaya, Selangor, an office in Sungai Buloh, Selangor where Sanjung Unggul Sdn Bhd ("SUSB") and its subsidiaries ("SUSB Group") operate, an office in Sri Petaling, Kuala Lumpur where United Publishing House (M) Sdn Bhd ("UPH") and its subsidiaries ("UPH Group") operate, and an office in Cova Square, Kota Damansara, Petaling Jaya, Selangor where MindTech Education Sdn Bhd ("MindTech Education") operates.

The Group's operations are divided into the following segments:

(i) Print publishing, which is further divided into the following:

(a) Academic print publishing focusing on both national and national-type (Chinese) schools and also early childhood education;

(b) Non-academic print publishing which includes comic books, novels and other general titles.

(ii) Digital/online and technology-enabled solutions;

(iii) Applied learning products and STEM education services; and

(iv) Network marketing business.

Financial Review

The Group's revenue growth was challenged by weak retail market conditions which persisted throughout the past two years. The Group recorded a drop in revenue of RM5.212 million (equivalent to 5.6%) from RM93.053 million for the preceding financial year to RM87.841 million for the current financial year. However, it is to be noted that the revenue for the preceding financial year included revenues from the non-recurring contract of RM3.850 million for the supply of robotics sets to the Ministry of Education Malaysia ("MoE") and the delayed textbook reprint orders of approximately RM2.530 million from the MoE. The delayed textbook reprint orders were delayed from the fourth quarter of FYE 31 August 2016 to the first quarter of FYE 31 August 2017. If these two (2) revenue items were excluded, the revenue of the Group for the preceding financial year would have been RM86.673 million and the Group would have recorded a slight increase in revenue of RM1.168 million (equivalent to 1.3%) for the current financial year.

The increase in revenue was mainly attributed to the growth achieved by the Group's digital and network marketing segments, and partly offset by the decline in the print publishing segment. The Group's applied learning products ("ALP") segment's revenue decreased from RM7.376 million for the preceding financial year to RM3.638 million for the current financial year mainly due to the non-recurring contract for the supply of robotics sets to the MoE as mentioned above.

The Group recorded a profit before tax ("PBT") of RM4.210 million for the current financial year vis-à-vis PBT of RM11.451 million for the preceding financial year, representing a decrease of RM7.241 million (equivalent to 63.2%). The decrease in PBT was mainly due to higher finance costs and lower revenue as explained above, partly offset by lower distribution, administrative and other operating expenses incurred by the Group. Lower gross profit was mainly due to the provision for impairment of inventories of RM4.045 million.

A detailed analysis of the operating segments is provided below.

The equity attributable to owners of the Company was RM156.267 million as at 31 August 2018 vis-à-vis RM145.383 million as at 31 August 2017. The increase in equity was mainly attributed to the increase in revaluation reserve. During the year, the Group carried out a revaluation of its properties which was conducted by an external independent professional valuer. Revaluation surplus of RM8.888 million has been recognised in other comprehensive income and accumulated in equity under the revaluation reserve.

The Group's debt-to-equity ratio was 0.27 times as at 31 August 2018 vis-à-vis 0.25 times as at 31 August 2017. The increase in the Group's debt-to-equity ratio was mainly due to the additional bank borrowings used by the Group to finance the acquisition of paper to cater for the higher value of textbook tenders secured for academic year 2019 and for working capital purposes. The increase in bank borrowings also resulted in the decline in current ratio from 3.58 times as at 31 August 2017 to 3.10 times as at 31 August 2018.

During the financial year, the Group did not incur any other major capital expenditure.

Review of Operating Segments

Print Publishing Business

The Group's print publishing segment's revenue decreased from RM79.593 million for the preceding financial year to RM75.827 million for the current financial year, which was mainly due to the workbook "ban" for Standard 1 to 3 students enforced by the MoE, continuous weak retail market conditions, disruptions caused by the more than usual public holidays. The group did not benefit from the post general election announcement on the change of Goods and Services Tax rate to 0% as books were pre-existingly zero rated.

(a) Academic Print Publishing – National, National-type (Chinese) and International Schools

To address the weak retail market, the Group has continued to publish a variety of quality titles/books at affordable prices for students and teachers. The Group has also stepped up our efforts to open up new distribution channels and market segments, and to undertake collaboration initiatives.

As part of the collaborative initiatives undertaken by the Group to enter a new market segment, i.e. the private and international schools in Malaysia, our wholly-own subsidiary, Malaysian Book Promotions Sdn Bhd ("MBPSB") entered into a distribution agreement with Marshall Cavendish Education Pte Ltd ("MCE") in November 2017 for the exclusive right to distribute certain MCE-published titles in Malaysia for a term from 1 November 2017 to 30 September 2020 (with renewal options). On the other hand, our wholly-own subsidiary, SSB is now able to enjoy the exclusive licence granted by *Majlis Peperiksaan Malaysia* ("MPM") to prepare, publish, print, distribute, market and sell the collections of past year question papers for the *Sijil Tinggi Persekolahan Malaysia* ("STPM") examination and Malaysian University English Test ("MUET") as the Kuala Lumpur High Court struck out the copyright infringement claim by Penerbitan Pelangi Sdn Bhd ("PPSB"), with no liberty to file afresh, on 18 April 2018.

On the textbook publishing front, during the year, the Group won six (6) new textbook contracts from the MoE valued at an estimated total of RM12.324 million for periods starting from March 2018 to December 2020. The value of textbook contracts secured by the Group in the current year has increased by RM1.182 million (equivalent to 10.59%) as compared to the previous year's total contract values of RM11.142 million. Going forward, the Group will continue to participate in textbook tenders being offered by the MoE.

Towards the end of FYE 31 August 2017, SSB has completed the development of a series of books for early childhood learning named "Funtastic Preschool Series" which consists of 96 titles. The Funtastic Preschool Series leverages on our in-house developed Augmented Reality ("AR") technology and mobile applications to deliver fun and interactive digital contents such as animated chants, writing tutorials, audio recordings, quizzes, as well as interactive games to engage children in their learning process. It also incorporates other features such as well-planned lessons, beautiful and functional illustrations, fun activities, revision and higher order thinking skills questions, as well as standard assessment tables that help teachers to carry out school-based assessments.

The Group has marketed this series at the Bologna Children's Bookfair, Italy in March 2018. We received many positive enquiries and have so far signed licensing agreements with parties from China and Vietnam who will publish 12 and 36 titles respectively in their own countries. Although the profit contribution from this is minimal for FYE 31 August 2018 due to the low minimum order quantity set, exporting our intellectual properties is a new milestone for the Group. Moving forward, we will be receiving royalty income arising from these agreements. The Group will also continue to procure more of such licensing agreements for other products and markets.

(b) Non-Academic Print Publishing

In October 2017, we were granted an exclusive licence by Animasia Studio Sdn Bhd ("Animasia") to create, publish, sell and sub license printed materials based on Animasia's animation television series, Chuck Chicken, in Malaysia and the rest of the world for a period of three (3) years from 6 October 2017 to 5 October 2020. The Chuck Chicken range of products, utilising the Group's in-house AR or mobile application technology, includes colouring books, comic books, hardcover trade books, collectible editions, and activity books.

On 4 May 2018, the Group also completed the acquisition of 100% equity interest in Pinko Creative Sdn Bhd ("Pinko Creative"). Pinko Creative is involved in the creation and production of comic books in Chinese Language, which includes titles such as "Ge Mei Lia" and "Mini Ge Mei Lia". The acquisition of Pinko Creative will further enhance the Group's presence in the segment of Chinese Language comic book publishing.

Digital/Online & Technology-enabled Solutions and our Network Marketing Business

The Group's digital and network marketing segments showed an increase in revenue for the current financial year due to the growth in our network marketing/direct sales business. The combined revenue of MindTech Education and Sasbadi Online Sdn Bhd ("SOSB") grew from RM6.084 million for FYE 31 August 2017 to RM8.376 million for FYE 31 August 2018.

During the year, MindTech Education's main activity was promoting and selling our interactive online learning platform, i-LEARN Ace, via our network marketing/direct selling distribution network. The distribution network continues to grow in both urban and rural areas in Malaysia, with the number of members in our network growing from approximately 8,100 members as at 31 August 2017 to approximately 13,700 members as at 31 August 2018.

In August 2018, MindTech Education launched i-LEARN Ace Junior. i-LEARN Ace Junior is a learning engagement platform designed to nurture the intellectual, spiritual, and emotional development of primary school students from Standard 1 to 3. It is also built to integrate parents/guardians into the learning ecosystem of pupils at this crucial development stage by allowing parents/guardians to conveniently assess and reward children based on their progress. With the ban of workbook usage in schools for Standard 1 to 3 students, i-LEARN Ace Junior will be a suitable solution to complement students' academic learning.

The launching of i-LEARN Ace Junior has allowed us to cater to the full age spectrum of school-going children from Standard 1 to Form 5.

Notwithstanding this, the Group will continue to explore new products that can be suitably sold through our distribution channel.

Applied Learning Products and STEM Education Services

The Group's ALP segment recorded a drop in revenue from RM7.376 million for FYE 31 August 2017 to RM3.638 million for FYE 31 August 2018. The decrease was mainly due to the non-recurring contract from the MoE to supply LEGO Education robotics sets to primary and secondary schools in Malaysia valued at RM3.850 million which was completed by the Group in December 2016. Taking this contract into consideration, our ALP segment's revenue actually has a marginal increase of RM0.112 million for FYE 31 August 2018.

The Group's flagship applied learning programme with the MoE, i.e. the National Robotics Competition ("NRC"), has continued to win accolades year after year. The Malaysian contingent has emerged as the overall champion at the prestigious World Robot Olympiad ("WRO") 2018 held in Chiangmai, Thailand in November 2018 by winning 3 gold medals, 1 bronze medal, and 4 excellence awards. WRO 2018 was well attended by 486 teams from 63 countries. This programme has consistently generated interest among students, parents, and teachers for the STEM field.

On the other hand, the Group's collaborative research and product development efforts with University of Malaya has led to the development of the Professional Robotics Skills Certificate (PRSC), Level 1 to Level 5 certification programme. The PRSC certifies STEM related skills such as technical, creativity, innovation, and higher order thinking skills ("HOTS"). The Group has done a second pilot during the NRC Finals in September 2018 and is now ready to offer the product in the market.

Anticipated or Known Risks

Competition

We face competition from existing competitors as well as potential new entrants in the educational publishing industry. The barriers to entry into the industry are relatively low based on the capital requirements since most of the functions within the publishing process may be outsourced to third parties. However, the operating costs can be high as there is a long lead time between writing manuscripts and transforming them into end products ready for sale to customers.

Our competitive strengths such as our established track record of 33 years in the industry, brand awareness among students, teachers and parents alike, extensive distribution network, large customer base, diverse product range, wide range of publications, in-house content development, experienced management and editorial personnel, economies of scale and, in particular, in-house technology development put us in a strong position to fend off competition.

Seasonality

The Group's business operations are exposed to seasonality patterns as the Group generally experiences significantly higher quarterly sales in the second financial quarter (December to February) and lower quarterly sales in the fourth financial quarter (June to August) compared to the other two (2) financial quarters. This is primarily caused by the timing of the start of the academic year for national schools. As a result, the seasonal sales patterns may adversely impact the Group's quarterly revenue, profit and cash flow.

The Group takes seasonality patterns into consideration in our cash flow planning. In addition, the Group is consistently seeking ways to reduce the impact of seasonality patterns such as stepping up efforts to grow our non-academic and rights licensing segments, which are less prone to seasonality patterns, and the private and international schools segment which follows a different academic year period from that of our national schools.

Fluctuations in the Price of Paper

Paper is a major raw material used in our business. As paper is a commodity, it is subject to fluctuations in world paper prices. In the event of a sustained period of increase in the price of paper, there is a risk that we may not be able to pass the price increase to our customers or, if we do, it may affect the affordability of our products. This may then adversely affect our financial performance.

To mitigate this risk, we always maintain a certain level of inventory of paper for our needs for up to six (6) months, especially during the period when paper prices are on an uptrend.

Foreign Exchange Transaction Risk

As paper is a commodity traded worldwide, its prices are quoted in United States Dollar ("USD). In this regard, even though our purchases of paper are invoiced to us in Ringgit Malaysia ("RM"), the invoiced prices are determined based on the spot exchange rates. In this regard, our purchases of paper are exposed to foreign exchange transaction risk, albeit indirectly. In addition, our purchases of LEGO Education robotics products are also denominated in USD whereas the purchase of MCE products are denominated in Singapore Dollar ("SGD").

As such, any unfavourable movement in USD and SGD against RM may have an impact on our profitability. For FYE 31 August 2018, we did not experience any material losses arising from these transactions. Our Group will use forward exchange contracts to hedge against this risk if necessary.

Stock Returns and Obsolescence

The Group typically publishes new edition of educational materials every year. Some of the educational materials that we sell may be returned to us (subject to compliance with our return policy which includes, among others, obtaining our approval prior to the return, stocks are returned to us within 12 months after the release of a new edition or becoming out of print, stocks are returned in good condition, stocks are to arrive at our warehouse within a specified time frame agreed by us, etc) for either full refund or offset against future sales. Such returns are commonly resold to other customers. Returns that are not resold after a period of time, as with all other stocks that cannot be sold after a period of time, will be obsolete and may need to be written off and sold as scrap. This may adversely affect our profitability if the volume of obsolete stocks is large.

To mitigate this risk, the Group has put in place an inventory management system to monitor the sales and distribution of stocks to our customers. This includes analysing historical and current trends in demand for our titles to enable us to plan our supply effectively to reduce the risk of overproduction and sales returns.

Infringement of Intellectual Properties (IPs")

The Group develops and uses various IPs in connection with our business. In this regard, we are susceptible to claims by third parties to have infringed their IPs and, similarly, we are also susceptible to our IPs being infringed by third parties. In defending our legal rights, the Group may be exposed to suits and counter suits by third parties. Such disputes and the resolution of such disputes may be time consuming and costly.

Therefore, the Group requires our authors to undertake to indemnify us for losses and damages arising out of the contents of their works that have 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.

SSB had, on 21 July 2017, received a Writ and Statement of Claim from PPSB alleging infringement of PPSB's copyright by SSB, resulting from SSB's publishing and sales of books on past year question papers for the STPM examination and MUET under the publishing agreement SSB entered into on 13 March 2017 with MPM. SSB filed its defence against the claim and submitted a counterclaim, and subsequently received a reply whereby PPSB denied SSB's counterclaims and SSB was put to strict proof of the claims.

On 16 April 2018, PPSB, MPM and SSB (collectively, the "Parties") entered into a settlement agreement whereby it was agreed between the Parties that PPSB would withdraw its claim in the lawsuit with no liberty to file afresh and no order as to costs and, simultaneously, SSB would withdraw its counterclaim in the lawsuit with no liberty to file afresh and no order as to costs.

Subsequently, on 18 April 2018, the Kuala Lumpur High Court struck out the claim by PPSB and the counterclaim by SSB in the lawsuit, with no liberty to file afresh and no order as to costs. In this regard, SSB shall continue to enjoy the exclusive licence granted by MPM to SSB to prepare, publish, print, distribute, market and sell the collections of past year question papers for the STPM examination and MUET, during the duration of the Publishing Agreement.

Changes in Educational Curriculum and Policies

As the Group is principally an education solutions provider, any changes in educational curriculum and policies may have an impact on our operations and would require us to react quickly. Nevertheless, the changes are usually announced ahead of time and this would allow sufficient time for us to align our business activities with the changes. In addition, having a pool of experienced editors puts us in a good position as we are able to react quickly to the changes.

Political, Economic and Regulatory Uncertainties

Any adverse development in the political, economic and regulatory environment in Malaysia may materially and adversely affect the financial and operational conditions of the Group. To mitigate this risk, the Group will continue to adopt prudent management, remain vigilant and take precautionary measures against the uncertainties.

Dependency on Key Management Personnel and Experienced Editors

The Group's continued success will depend, to a significant extent, upon the abilities, skills, experience, competency and continuous efforts of our key management personnel (which include our Executive Directors) and experienced editors. As such, the loss of any of our key management personnel and experienced editors, without a suitable and timely replacement, may have a material adverse impact on our business and our continuing ability to compete effectively.

The Group recognises the importance of attracting and retaining our key management personnel and experienced editors, and have put in place competitive compensation packages. In addition, the Group provides a healthy working environment, practises conducive work culture, upholds good work ethics, and fosters good working relationships among our employees. The Group has also put in place succession planning and provides training and career development opportunities to our employees.

Prospects

Based on the Economic Outlook 2019 report by the Ministry of Finance, the Malaysian economy is expected to remain resilient in 2019, with real gross domestic product ("GDP") expected to grow by 4.9%. Private sector expenditure continues to be the primary driver of growth with private investment and consumption growing 5.0% and 6.8%, respectively. Meanwhile, public sector expenditure is expected to decline to 0.9% following the government's efforts to trim and reprioritise its expenditures. The economy will continue to operate under conditions of full employment with an unemployment rate of below 4%, while inflation remains benign. Notwithstanding the above, we anticipate that the retail market conditions will continue to remain weak for FYE 31 August 2019.

Despite the Group's efforts in pursuing growth for our other segments in FYE 31 August 2018, i.e. (i) network marketing/direct sales; (ii) non-academic products; (iii) early education and private/international schools (Marshall Cavendish products); and (iv) rights licensing, the revenue generated was not enough to offset the drop in revenue attributed to the workbook "ban" enforced by the MoE and continued weak retail market conditions in the financial year ended 31 August 2018. The Group's overall performance was also impacted by interruptions caused by the more than usual public holidays.

The revenue from the above mentioned segments has remained low compared to our academic print publishing business as these markets are relatively new to our Group and we have yet to achieve the optimum efficiency desired.

For FYE 31 August 2019, the Group expects better results from all the non-academic related segments mentioned above in anticipation of achieving better efficiency in our marketing and sales efforts. The Group will continue to focus on developing these markets to achieve higher growth. The Group we will also continue to pursue growth through our network marketing/direct sales business.

As the MoE received the highest budget allocation i.e. RM60.2 billion or 19.1% of the total Budget 2019, the Group hopes to benefit from more tender opportunities being offered. Accordingly, the Group will heighten its participation in textbook and other tenders by the MoE. To mitigate the loss of school workbook-related revenue, the Group has reallocated its resources to produce workbooks that target the retail market and contents for the export market.

In order to reduce dependency on the local market, the Group will also step up its marketing efforts in the rights licensing and book export market. We have 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 participate in all major international book fairs as part of our efforts to grow export-based revenue.

Premised on the above and barring any unforeseen circumstances, the Group is optimistic about our prospects and performance for FYE 31 August 2019.

Dividend Policy

The Group has adopted a policy of paying out up to 50% of our yearly profits as dividends, provided that we have excess funds which are not required to be retained to fund our operations.

Given the poorer-than-expected results recorded by the Group, the Board of Directors did not recommend any payment of final dividend for FYE 31 August 2018.

1985

- Incorporation of Sasbadi Sdn Bhd ("□ □□□□□□") and commencement of operations

1987

- Publication of our first Textbook 'Bahasa Malaysia KBSM Tingkatan 1'

1997

- Publication of our first Malay translated publications – 'Make It Work!' and 'Eyewitness Science'.

2002-03

□□□□

- Incorporation of Maya Press Sdn Bhd as an imprint for general titles for Sasbadi

□□□□

- Publication of our first general title, 'Spirit of the Keris', under the imprint of Maya Press

2011-12

□□□□

- Incorporation of Sasbadi Online Sdn Bhd and launched the first online teaching product, Penjana Pentaksiran Instan
- Appointed as the distributor of National Instruments for a range of applied learning products for schools in Malaysia

□□□□

- Co-organised the World Robot Olympiad 2012 with the Government of Malaysia in Kuala Lumpur
- Incorporation of Sasbadi Holdings Berhad ("Sasbadi Holdings")

2013

- Signed an MoU with Yayasan Guru Malaysia Berhad for 20,000 UPSR and SPM candidates for 2013 in Perak under i-TR1M ("Interaktif Tuisyen Rakyat 1Malaysia")
- Sasbadi acquired the rights for National School Curriculum based IP from Pearson Malaysia

2014

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

2015

- Acquired 70% of Sanjung Unggul Sdn Bhd and its subsidiaries (comprising The Malaya Press Sdn Bhd, Jinbang Publication Sdn Bhd, Media Distribution Sdn Bhd and Big Tree Publications Sdn Bhd)
- Celebrated Sasbadi's 30th Anniversary
- Incorporation of MindTech Education Sdn Bhd

OUR HISTORY, OUR LEGACY, OUR SUCCESS

2004

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

2005

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

2009

- Organised our first book fair, 'Bazar Baca'. A total of 112 book fairs organised in that year

2010

- Incorporation of Orbit Buku Sdn Bhd
- Acquired Malaysian Book Promotions Sdn Bhd

2016

- Obtained direct sales license from the Ministry of Domestic Trade, Co-operatives and Consumerism for MindTech Education
- Acquired United Publishing House Sdn Bhd (UPH) and its subsidiaries (comprising Penerbitan Daya Sdn Bhd, Penerbitan Minda Sdn Bhd, G Apple Studio Sdn Bhd and UPH Distributor Sdn Bhd)
- Acquired Distinct Motion Sdn Bhd and its subsidiary, Distinct Element Sdn Bhd
- The BrandLaureate Great Entrepreneur Brand Icon Leadership Award 2016 was awarded to Mr Law King Hui, Group Managing Director of Sasbadi Holdings
- The MLM Golden Midas Award 2016 and the Asia Yes Brand Award 2016 awarded to MindTech Education & i-LEARN Ace (product of MindTech Education) respectively
- The High Achievers Award of the Asia Pacific Golden Crown Award 2016-2017 was awarded to Sasbadi Holdings Berhad
- Signed an MoA with the University of Malaya to collaborate on research and product development of robotics in Science, Technology, Engineering and Mathematics (STEM) education

2017

- Acquired remaining 30% of Sanjung Unggul Sdn Bhd and its subsidiaries
- Launched the Professional Robotics Skills Certificate together with the University of Malaya during the National Robotics Competition 2017
- Signed an agreement with Animasia Studio Sdn Bhd for the global rights to produce and market Chuck Chicken printed materials
- The Best Under Billion Award 2017 for the category of Best in Online Presence by Focus Malaysia was awarded to Sasbadi Holdings
- Signed an agreement with Marshall Cavendish Education Pte Ltd ("MCE") for the exclusive right to promote, market, advertise, sell and distribute certain MCE-published titles in Malaysia

2018

- Acquired Pinko Creative Sdn Bhd as a wholly-owned subsidiary of United Publishing House Sdn Bhd
- MindTech Education received the renewal of the direct sales licence from the Ministry of Domestic Trade, Co-operatives and Consumerism for a period of two years from 26 April 2018
- Launched our digital Learning Engagement Platform for young learners, i-LEARN Ace Junior

Creating Contents

At Sasbadi, our focus is on creating quality educational content. We have dedicated ourselves to doing this since our inception 33 years ago.

In the beginning, we were mainly producing learning materials for students of Malaysia's national primary and secondary schools, including textbooks, reference books, workbooks, test papers and various other educational aids. Through commissioning only seasoned writers and expert teachers to contribute to our publications, we developed Sasbadi into a brand trusted by students, teachers, and parents.

Today, the company has evolved into being a comprehensive content provider, creating content that fulfils a wide range of educational needs. We are constantly innovating and developing new ways to engage our readers, to accompany them on their exploration of education and to cultivate in them the love for learning. Going into the 21st century, Sasbadi now produces content that is accessible in the conventional print form, blended/hybrid form (application-enabled printed materials) and 100% digital solutions.

Our true value lies in the quality of the content we create, so we will continue on this path to ensure that creative content creation remains as our key focus. We believe in it, and we believe it will provide students the support they need in their pursuit of excellence.


Super Skills
ULANG KAJI
SAINS
TINGKATAN KSSM 3
KBAT
WOW KOMIK
UPSR
Matematik
MODUL AKTIVITI
PINTAR BESTARI
PBD & PT3
Bahasa Melayu
UPSR
国文
SOS
FOKUS
SPM
SASBADI

Developing Technologies

Technology plays an essential role in today's education, because skills related to information and communications technology (ICT) will be a prerequisite for future careers. As such, Sasbadi is heavily invested in developing powerful and interactive technology to not only enhance the learning experience but also to help students develop the skills required for their future.

Working with a talented team of programmers, designers and engineers, Sasbadi has to date developed a host of cutting-edge technologies and a variety of classroom solutions that facilitate 21st century teaching and learning in Malaysia.

In time to come, we aim to be the game changer in education technology.


FUNTASTIC
Bahasa Melayu
KSPK
FUNTASTIC AR
My First Alphabet
ABC
PT3
BAHASA MALAYSIA
ace
i-LEARN

Nurturing Skills

Education isn't just about academic performance; it's also very much about life skills. Our children today need to acquire 21st century skills to ensure their future success. They need to be creative, to think critically, to communicate well and to collaborate with others.

Sasbadi firmly believes one thing that is pivotal to the development of these crucial skills is experiential learning.

As such, we set up a division as early as 2005 to focus on providing educational tools and learning platforms that would promote hands-on learning. The educational tools we carry, like those of LEGO Education, and the platforms we have established together with the Ministry of Education, like the National Robotics Competition ("NRC") and FIRST LEGO League ("FLL") Malaysia, are part of our mission to facilitate 21st century skills-learning for students.

Indeed, we believe robotics and programming are particularly effective in nurturing Science, Technology, Engineering and Mathematics ("STEM") related skills. To that end, in 2016 we partnered with the University of Malaya to work on the research and product development of robotics for STEM education. We aim to make available a comprehensive certification programme to provide a framework for the learning and teaching of robotics, as well as to give academic recognition to students furthering their professional skills in the robotics field.

We are determined to become the leading provider of learning solutions that nurture 21st century and STEM skills for all Malaysian students so that they will go on to become globally competitive individuals.

SASBADI


Hello!
FIRST LEGO LEAGUE MALAYSIA
WRO
NATIONAL INSTRUMENTS
LEGO education
NRC

Enriching Life

We believe that learning does not end when one leaves school; it is a lifelong process. “Never stop learning, because life never stops teaching” is an inspirational quote we subscribe to.

As such, Sasbadi is committed to providing quality reading materials not only for students but for people of all ages. We believe that enriching life with knowledge is an important quest for everyone.

For children, we publish supplementary educational materials which include fiction and non-fiction titles, a wide range of comics, illustrated storybooks, young adult literatures, and internationally renowned titles which include works by award-winning authors.

Keeping abreast of the latest developments, we also publish titles which leverage on technology to enhance reader experience, such as technology which provides multimedia content and Augmented Reality features.

Catering for adults, we support Malaysian writers by publishing a variety of genres, ranging from novels to short stories to poems to biographies.

Our ongoing aim is to publish more non-academic titles to promote reading as a popular habit among Malaysians and we dedicate a part of our resources toward this.


MAGICAL LUNA
Three-Tailed Fox
BEN
Chuck Chicken
THE ATTACK OF THE MACHINES
哥妹們
我是过动儿
MAYA PRESS
orbit buku
Why?
SAINS SUKAN

Forging Connections

Fast-changing technologies have made the business landscape and product innovation much more complex than before. In particular, education solutions that are customisable is becoming a trending demand. Teachers, students and families can have different inclinations for choosing their educational materials. Factors that come into play include age, culture, language, genre, technology, just to name a few.

In order to communicate effectively and meaningfully with our stakeholders and understand their highly customised needs, Sasbadi set up MindTech Education, our network marketing division to deliver personalised services.

MindTech Education is now actively educating Malaysians about 21st century learning as well as providing a variety of educational materials with a personal touch.

MindTech Education draws on Sasbadi's substantial experience in education and ensures that quality is always at the forefront of our priorities.


EN. AHMAD ZULFAQAR B
ZAIDI @SAIDI
&
PN. NURKHAIRIYAH NADIA BINTI
ABU BAKAR


MindTech

Law King Hui
Group Managing Director

Lee Swee Hang
Executive Director

Dato' Salleh Bin Mohd Husein
Independent Non-Executive Chairman

Lim Hun Soon @ David Lim
Independent Non-Executive Director

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

Law Yi Chian
Executive Director

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

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

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

Having served well in Perak, he was appointed Principal Assistant Director in charge of curriculum development at the Centre for Curriculum Development, Ministry of Education Malaysia 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 Malaysia 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 Malaysia 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 a member of the Advisory Panel for Excellent School Cluster until 2012.

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

Dato' Salleh Bin Mohd Husein
Malaysian, Male, aged 67
Independent Non-Executive Chairman

Law King Hui
Malaysian, Male, aged 59
Group Managing Director

Law King Hui is the Managing Director of the Group and was appointed to the Board on 7 May 2013. He was a member of the Remuneration Committee until 31 October 2017. As one of the co-founders, he has been instrumental in the development, growth and success of the Group.

He graduated from Tunku Abdul Rahman College with a Certificate in Electronics Engineering in 1980. He started his career in 1980 with a manufacturing company and left to join a local publishing company in January 1981 where he held a diverse range of positions during his employment there. He left the company in April 1985 and co-founded Sasbadi Sdn. Bhd..

Besides being responsible for the development of the Group's strategies and policies, he also plays an active role in product development and innovation. His contributions have led to the transformation of the Group from a pure educational print publisher to a Group with diverse learning and teaching solutions, including technology that enables online learning, a wide range of digital education products, applied learning tools that facilitate Science, Technology, Engineering and Mathematics ("STEM") education, education services via after-school training programmes, and a network marketing business, all of which complement the print publishing business.

An entrepreneur with more than 37 years of experience in the education industry, he has, in the past, held key positions in different organisations such as Majlis Buku Kebangsaan Malaysia ("MBKM") (as Treasurer and Council Member), Malaysian Book Industry Council ("MBIC") (as Chairman and Treasurer), Malaysian Book Publishers Association ("MABOPA") (as President, Vice President, Honorary Secretary and Executive Council Member), and ASEAN Book Publishers Association ("ABPA") (as President) over a span of more than 30 years. More recently, he has been appointed as a member of the Industry Advisory Panel for the Faculty of Language and Communications Studies, University Malaysia Sarawak. He has participated in numerous forums, round-tables, seminars, conferences, and lectures where he contributed ideas, new concepts and strategies aimed at promoting a reading culture and expanding Malaysia's book industry.

His contributions led to him being selected as one of the 21 personalities documented in the publication, "Tokoh-tokoh Perbukuan Malaysia" by the National Library Malaysia, which recognises book activists and professionals who have made significant contributions towards the development of the book industry and reading culture in the country. He was also the recipient of "Anugerah Perdana (Tokoh Industri Buku Negara) 2013" awarded by Yayasan Pembangunan Buku Negara.

In recognition of his efforts and contributions in developing hands-on and experiential learning, he was elected to serve as the Chairman of the World Robot Olympiad ("WRO") from 2016 to 2018. During his time at the WRO, he strived to strengthen the roles of robotics in developing students' STEM skills in line with the global movement, via the WRO platform. Currently, he serves as an ordinary member of the council.

Save for the family relationship with Law Yi Chian, who is his daughter, he has no family relationship with any other director and/or major shareholder of the Company. He does not have any conflict of interests with the Company.

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

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

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

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

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

Lee Swee Hang
Malaysian, Male, aged 65
Executive Director

Law Yi Chian
Malaysian, Female, aged 30
Executive Director

Law Yi Chian is an Executive Director of the Group and was appointed to the Board on 3 May 2016.

She graduated with a Bachelor of Arts in Media & Communication in 2009 and Master of Management in Marketing in 2011, both from the University of Melbourne, Australia.

She had approximately two-and-a-half (2½) years of experience in the areas of media sales, marketing and communications prior to joining the Company as the Group Marketing and Communications ("MARCOM") Manager in December 2014.

As the Group's Head of MARCOM, she is responsible for planning and implementing marketing strategies for the Group to generate brand and product awareness. She also oversees the Group's marketing events which involve business and consumer interactions, and manages the Group's corporate communications with external stakeholders in relation to brand and product related matters.

As the Executive Director, she also contributes towards ensuring the Group's objectives and strategic plans are met, and the Group's business is sustainable. In addition, she also assists the Group Managing Director in the management of the day-to-day operations of the Group.

She does not hold directorship in any other public companies and listed issuers. Save for the family relationship with Law King Hui, who is her father, she has no family relationship with any other director and/or major shareholder of the Company. She does not have any conflict of interests with the Company.

DIRECTORS' PROFILES

Dato' Noor Rezan Binti Bapoo Hashim is the Senior Independent Non-Executive Director of the Company. She was appointed to the Board as Independent Non-Executive Director on 7 May 2013 and as Senior Independent Non-Executive Director on 22 August 2014. She is the Chairman of the Nomination Committee and a member of the Audit Committee and was appointed as a member of the Remuneration Committee on 31 October 2017

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

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

In 2003, she was promoted to the position of Deputy Director of Schools Division, Ministry of Education Malaysia 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 Malaysia, overseeing all schools under the purview of the Ministry. In 2007, she was promoted to the position of the Deputy Director-General of Education Malaysia overseeing operations of eight (8) divisions in the Ministry which are involved in schools operations. She held this position until her retirement in 2011.

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

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

Dato' Noor Rezan Binti Bapoo Hashim
Malaysian, Female, aged 65
Senior Independent
Non-Executive Director

Lim Hun Soon @ David Lim
Malaysian, Male, aged 63
Independent Non-Executive Director

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

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

He has had an extensive career serving as an Auditor at KPMG, spanning 33 years. During his career with KPMG, he was admitted as Partner of the firm in 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 tasked 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.

He actively served as an examiner for Company Law examinations conducted by the MICPA for over a period of ten (10) years. He was the Chairman of the MICPA Code of Ethics Committee and a member of the MIA Code of Ethics Committee, both from 2002 to 2004. He retired from KPMG in 2011. In 2013, he was appointed as the representative of Malaysia in the Council of the ICAEW. In 2017, his appointment was extended for another term of two (2) years till 2019.

He is an Independent Non-Executive Director of Manulife Insurance Berhad, Manulife Holdings Berhad, Affin Investment Berhad (formerly known as Affin Investment Bank Berhad) (In Members Voluntary Winding Up), Affin Hwang Investment Bank Berhad, Kawan Food Berhad, Ranhill Holdings Berhad and Press Metal Aluminium Holdings Berhad. He was also an Independent Non-Executive Director of Ann Joo Resources Berhad but had recently retired from the board in May 2018. He also holds directorship in Rockwills Trustee Bhd and Fairview Schools Berhad.

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

Additional notes on the Directors:

None of the Directors has any:

(i) conviction for offences within the past five (5) years; and
(ii) public sanction or penalty imposed by the relevant regulatory bodies on him or her during the financial year ended 31 August 2018.

which require disclosure pursuant to paragraph 3(h) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

KEY SENIOR MANAGEMENT'S PROFILES

The Management of the Group is headed by the Group Managing Director, i.e. Law King Hui, and he is assisted by the Executive Directors, i.e. Lee Swee Hang and Law Yi Chian, and the following key senior management:

Chan Yuet Leng *Group Chief Financial Officer*

Age: 47 Gender: Female Nationality: Malaysian

Qualification(s):
• Bachelor of Accounting (Honours), Universiti Utara Malaysia, Kedah
• Chartered Accountant, Malaysian Institute of Accountants

Working experience:
• More than 20 years of experience in the areas of auditing, accounting and finance, having work in KPMG and subsequently in a few public listed companies prior to joining Sasbadi Group in August 2016 as Financial Controller. She was promoted to current position in May 2018

Appointment to the current position: May 2018

Chok Siew Sin *General Manager, Sasbadi Sdn Bhd*

Age: 46 Gender: Male Nationality: Malaysian

Qualification: Sijil Tinggi Pelajaran Malaysia ("STPM")

Working experience:
• More than 25 years of experience in the areas of academic publishing, sales and marketing.
• Joined the editorial department of the Group in July 1993 before moving to the sales department in 1995
• Has served and moved up the ranks in the sales and marketing departments of the Group, including holding the positions of Area Sales Manager, Regional Sales Manager and National Sales Manager (LEGO Education Division)
• Was promoted to Group Marketing Manager in 2009 and to current position in September 2015

Appointment to the current position: September 2015

Chen Yee Cheong *Sales Director, Sasbadi Sdn Bhd*

Age: 58 Gender: Male Nationality: Malaysian

Qualification: Sijil Tinggi Pelajaran Malaysia ("STPM")

Working experience:
• More than 34 years of experience in the academic publishing industry
• Was working in the sales department of a local academic publishing company prior to joining the Group in August 1985
• Has served and moved up the ranks in the sales department of the Group prior to promotion to current position

Appointment to the current position: November 2001

Wan Meow Sang *Sales Director, Sasbadi Learning Solutions Sdn Bhd*

Age: 54 Gender: Male Nationality: Malaysian

Qualification: Sijil Pelajaran Malaysia ("SPM")

Working experience:
• More than 35 years of experience in the academic publishing industry
• Was working in the sales department of a local academic publishing company prior to joining the Group in April 1986
• Has served and moved up the ranks in the sales department of the Group prior to promotion to current position

Appointment to the current position: November 2001

Kuan Shaw Ping
General Manager, United Publishing House (M) Sdn Bhd and The Malaya Press Sdn Berhad ("TMP"). Also, a Director of Sanjung Unggul Sdn Bhd ("SUSB"), i.e. the holding company of TMP, and all the subsidiaries of SUSB

Age: 37 Gender: Male Nationality: Malaysian

Qualification: Sijil Tinggi Pelajaran Malaysia ("STPM")

Working experience:
• More than 15 years of experience in the academic publishing industry, having joined TMP in May 2002
• Has served and moved up the ranks in the sales department of TMP prior to promotion to Assistant General Manager and subsequently to current position

Appointment to the current position: September 2017

Chew Yoke Chen *Production Manager*

Age: 61 Gender: Female Nationality: Malaysian

Qualification:
• Diploma of Illustration, Malaysian Institute of Art, Kuala Lumpur

Working experience:
• More than 39 years of experience in the academic publishing industry
• Was working in the production department of a local academic publishing company prior to joining the Group in August 1988
• Has served and moved up the ranks in the production department of the Group prior to promotion to current position

Appointment to the current position: May 2004

Chan Yee Fuan *Group Purchasing Manager*

Age: 41 Gender: Female Nationality: Malaysian

Qualification:
• Diploma in Accounting, LCCI International Qualifications

Working experience:
• More than 21 years of experience in the areas of accounting and purchasing, having worked in the accounts department of a few private companies prior to joining the accounts department of the Group in September 2005
• Was promoted to the current position to manage the Group's purchases and supply chain in 2012

Appointment to the current position: December 2012

Ho Mee Lian *Group Human Resource Manager*

Age: 45 Gender: Female Nationality: Malaysian

Qualification:
• Bachelor of Business Administration (Marketing), University of Wales

Working experience:
• More than 18 years of experience in the areas of human resources and administration
• Joined the Group at current position in December 2014

Appointment to the current position: December 2014

Additional notes on the above key senior management
None of the above key senior management has any:
(i) directorship in public companies and listed issuers; (ii) family relationship with any director and/or major shareholder of the Company; (iii) conflict of interests with the Company; and (iv) conviction for offences within the past five (5) years, and public sanction or penalty imposed by the relevant regulatory bodies on him or her during the financial year ended 31 August 2018, which require disclosure pursuant to paragraph 4A(g) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Sasbadi Holdings Berhad ("Sasbadi" or "the Company") understands that managing sustainability matters enables us to facilitate, support and drive value not only for the Company, but also for society at large. By taking into consideration the economic, environmental and social ("EES") risks and opportunities alongside financial implications, we aim to generate long term benefits and better serve our stakeholders. This will facilitate the Company's business continuity and ensure we remain a sustainable organisation.

We strive to be aware of matters affecting sustainability in our operating environment and to manage them effectively and responsibly. We have identified a few issues in consideration of their impacts and relevant risks and opportunities associated with the Company's overall objectives. Some of these issues fall under themes that are aligned with international reporting frameworks and sustainability indices such as the Global Reporting Initiatives ("GRI") and the FTSE4Good Bursa Malaysia Index. Sasbadi has also met the globally recognised standards and became a constituent company in the FTSE4Good Bursa Malaysia Index in June 2018.

ECONOMIC

Procurement Practices

The Company's procurement practices add value to local communities as we source nearly all of what is needed for our business locally. Most of our printing, packaging and office maintenance services are outsourced to companies that are based in the Klang Valley. Save and except for products that are not manufactured locally, for example simili paper, we are committed to working with local businesses to fulfil the Company's needs. This is because we believe in contributing to our local economic growth and sustaining a healthy ecosystem for local industries. Moreover, we find that engaging local partners for our procurement practices enhances the Company's efficiency by allowing us to deal with the potential risks of supply chain disruptions, as well as reduces cost in purchasing and compliance. Aside, by sourcing our needs locally we are also able to reduce our carbon footprint.

Community Investment

Sasbadi recognises the importance of corporate social responsibility and believes that giving back to the community and helping those in need is part of our duty as a Malaysian corporate citizen. Every year, we actively participate in and support various initiatives relating to education for the community. We focus on programmes that provide needy children the opportunity and access to quality education, as well as those that nurture the development of skills for the 21st century.

Children in the outskirts of East Malaysia receiving Sasbadi books

Photos above: Children from *Kampung Orang Asli* in Selangor learning with Sasbadi books

Sasbadi has been championing hands-on learning in Malaysia since 2005. We realised early on that crucial skills needed in the 21st century work force may not be obtained from formal learning alone. Therefore, we aspired to create a platform where students can engage in competitive fun and apply knowledge through critical thinking, collaboration and creativity. In order to achieve a common goal, we began partnering with the Ministry of Education Malaysia ("MOE") thirteen (13) years ago to organise the first National Robotics Competition ("NRC"). Today, the NRC has become a yearly event many look forward to and is an effective platform to nurture skills relating to STEM and 21st century skills. Other robotics competitions we organise annually are the FIRST LEGO League ("FLL") Malaysia, the National Robotics Open Competition ("NROC") and the National Advanced Robotics Challenge ("NARC"). Sasbadi provides the manpower, technical and financial support for these important programmes. Aside, our Group Managing Director, Mr Law King Hui served as the Advisory Council Chairman (2016-2018) of the World Robot Olympiad Association, a non-profit organisation dedicated to bringing together young people across the world for the development of their creativity and problem solving skills. He strives to strengthen the role of robotics in developing students' STEM skills in line with the global movement, via the WRO platform. Currently he serves as an ordinary member of the council.

Our Group Managing Director, Mr Law, at the WRO Opening Ceremony in Chiang Mai 2018

FLL Malaysia teams cheering for their teammates

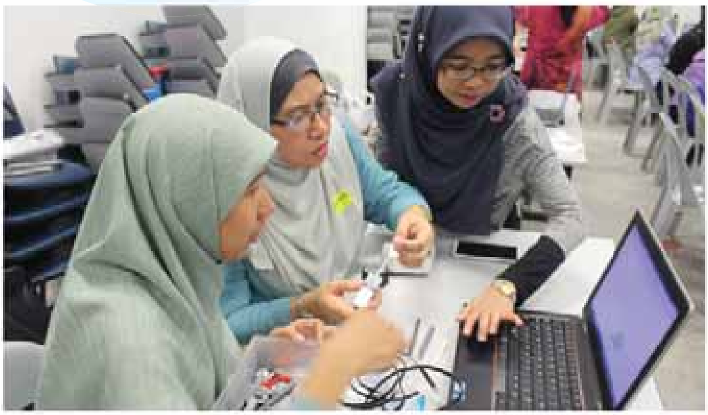
Participants preparing to compete during the NRC Finals

Participants in discussion during the NRC Finals

NRC Football participants watch their robots anxiously during the competition finals

From July to October 2018, Sasbadi also financed and organised a total of 11 seminars named ***Amalan Bestari dan Inovasi dalam Kaedah Pengajaran dan Pembelajaran Mata Pelajaran Sains di Bilik Darjah***. We invited science teachers across Malaysia to attend with the aim of guiding them on Teaching and Facilitating ("PdPc") science lessons in the classroom. Aside from that, the seminars also shared methods about Teaching the Skills of Learning (***Mengajar Kemahiran Belajar***) that would help students master effective ways in learning science. The programme which is aligned with the government's emphasis on ***Pengajaran dan Pembelajaran ("PdP") Abad Ke-21*** was approved and supported by the Ministry of Education Malaysia.

We also participated in the Symposium on Science Education ("SoSE") 2018 which was held at Universiti Tunku Abdul Rahamn Sungai Long Campus. Sasbadi has been a part of this event for four (4) consecutive years and we support this programme by sharing different ideas and techniques on innovative and effective teaching methods for Science, Technology, Engineering and Mathematics ("STEM") subjects. This year, Sasbadi held interactive workshops for STEM educators across Malaysia where we demonstrated how LEGO Education technology facilitates the teaching and learning of Science and Mathematics in class.



Photos above: STEM educators from across Malaysia attend Sasbadi's workshop during SOSE 2018 to explore new ways of engaging students during Mathematics and Science lessons

Lastly, every year Sasbadi donates books to children in need across Malaysia. This year, we made donations through *Yayasan Sukarelawan Siswa* ("YSS"), which is wholly owned by the Ministry of Higher Education, by providing educational books for primary and secondary school children in the outskirts of Sabah and Sawarak, as well as *Kampung Orang Asli* in Selangor. Aside, we also donated books through *Jabatan Perdana Menteri* and *Majlis Perbandaran Subang Jaya* to help children in need from communities in Kedah and Selangor.

Children from outskirts of East Malaysia posing with Sasbadi books

Children from the *Kampung Orang Asli* in Selangor posing for a picture

Volunteers from *Jabatan Perdana Menteri* sorting our books for communities in need

A volunteer showing children the content from one of our books

ENVIRONMENTAL

Waste

In order to avoid contamination of the environment and the unnecessary depletion of natural resources, the Company has waste management processes in order to control waste production. The most significant waste material produced by our business is waste paper generated during the manufacturing process as well as from excess stocks. To reduce waste we apply stringent controls over all our printers and we rely on data-driven decisions to prevent over-printing that leads to excess stocks. Aside, we manage our excess stocks by clearing those still fit for use through markdown sales or donations and recycling the rest.

Energy

The Company takes care to save energy during our daily operations. We mostly use LED lighting on our premises, while some of our lightings are controlled by timers. Moreover, our employees follow a "last out-lights off" policy at our offices, as we believe not only is this an efficient energy-saving method, but it also helps to instill a sense of responsibility and accountability in our employees.

Material

Sasbadi takes great care in planning and executing the consumption of our raw materials, ie. paper. We do our utmost best to reduce material wastage by following standard operating procedures in dealing with our printers, as well as maintaining care in the storage of our raw materials and finished products to avoid material damage.

Whenever possible, the Company also practices responsible sourcing of our paper by purchasing only from manufacturers who subscribe to sustainability programmes such as those under the Sustainable Forestry Initiative ("SFI"), Forest Steward Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC"), etc. Aside, we also use recycled paper for some of our products in our effort to reduce the environmental impact from deforestation.

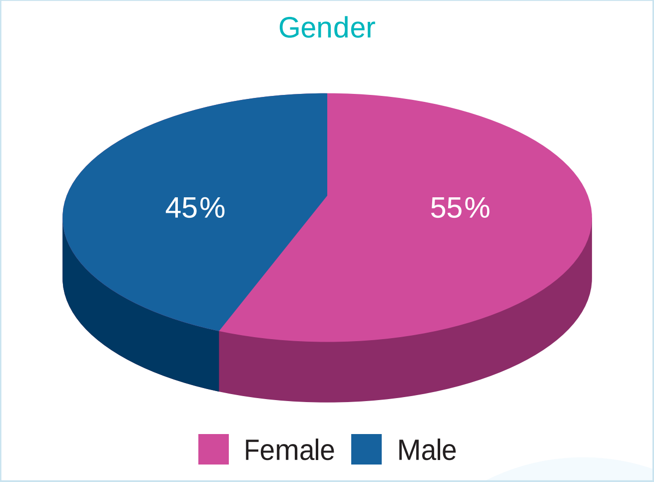
Moreover, keeping abreast with the transformation of educational needs in the 21st century, Sasbadi dedicates a significant part of our resources to the development of digital education solutions. This is part of our efforts in keeping the Company relevant and ready to meet market requirements of the future where educational materials gradually become paperless. By introducing digital products to the market, not only are we empowering our customers with cutting edge technology for education, we are also encouraging them to reduce their environmental footprint by going digital.

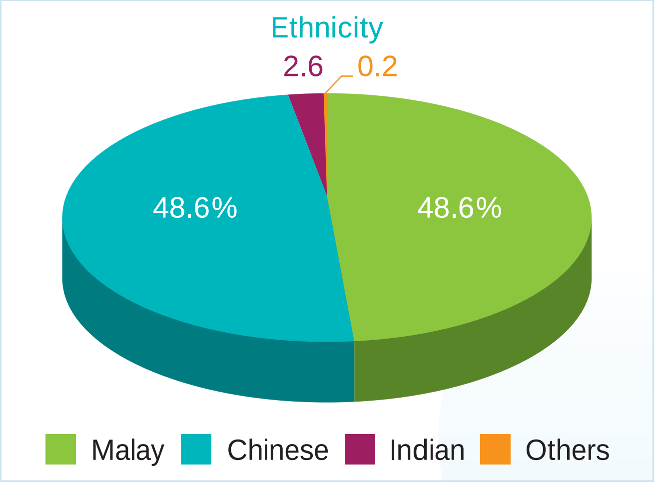
SOCIAL

Diversity

At Sasbadi, we consider the gender, ethnicity and age make-up of our work force as well as provide equal employment opportunities to these groups of people. A culture of mutual trust and respect is fostered in the Company where we treat all our employees fairly and without discrimination.

The Company is comprised of 55% female and 45% male employees. Aside, we also achieved the 30% target of women on our board of directors by having two (2) female to four (4) male directors. We strongly believe that gender diversity is important for improving team performance and unlocking the full potential of our work force. Therefore, we encourage the participation and leadership of our female employees at all levels of the organization.





Note: The percentage of Chinese employees have raised in recent years due to the acquisition of two (2) Chinese Language-based publishing groups, namely Sanjung Unggul and United Publishing House.

Labour Practices

At Sasbadi, our people are regarded as the Company's most valuable asset. We understand that the personal growth and professional development of our employees are essential to the company's growth. We also believe that continuous upskilling will help our employees reach their highest potential. Therefore, we offer them training and opportunities that are relevant to their areas of work, such as on-the-job training particularly in technical and management skills, committee involvement to inculcate accountability and decision-making, as well as seminars or talks that broaden their knowledge and understanding of a subject matter.

Funtastic AR Board Book Demo

Download for free on **Google Play** to try our interactive app!

Interactive content through Augmented Reality to learn about the **Alphabet**

Interactive content through Augmented Reality to learn about **numbers**

Interactive content through Augmented Reality to learn about **colours**

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

This statement provides an overview of the corporate governance practices by the Group during the financial year ended 31 August 2018. This overview takes guidance from the key principles laid out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and is to be read together with the Corporate Governance Report which is available on the Company's website at www.sasbadiholdings.com.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is responsible for the overall strategic direction and leadership of the Group, the adequacy and effectiveness of the Group's risk management and internal control system, compliance with the relevant laws and regulations, and maintaining an oversight over Management.

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

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

In order to ensure the effective discharge of the Board's functions and responsibilities, the Board delegates specific roles and responsibilities to three (3) Board Committees, i.e. Audit Committee, Nomination Committee and Remuneration Committee.

2. Separation of the Positions of Chairman and Managing Director

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

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

3. Support of Qualified and Competent Company Secretaries

The Board is supported by two (2) qualified and experienced Company Secretaries, who are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) pertaining to corporate secretarial matters which include, among others, convening of Board, Board Committee and general meetings, preparation of circular resolutions and minutes of meetings, maintenance of statutory registers and records, prepare and release of announcements to Bursa Malaysia Securities Berhad ("Bursa Securities"), and advising the Board on compliance with the relevant laws and regulations and adoption of corporate governance best practices.

4. **Access to Information and Advice**

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

At the invitation of the Board or Board Committees, key management, external auditors and outsourced internal auditors will attend the meetings to present reports or information pertaining to their respective areas to the Board or Board Committees.

5. **Board Meetings**

The Board shall meet at least four (4) times in a financial year, and additional meetings may be convened as and when necessary. All Directors shall comply with the attendance requirement as set out in the Main Market Listing Requirements ("MMLR") of Bursa Securities. Agenda, Board papers and any other relevant documents shall be distributed in advance to enable the Board members to have sufficient time to prepare for the meeting and to arrive at informed decisions. The Board may also invite members of the Management to attend the Board meeting to provide further information or explanation to the Board members. Any Director who has interests or is conflicted with regard to the business transaction being deliberated at the meeting, shall abstain from participating in the discussion or decision process pertaining to the matter. The Company Secretaries shall keep minutes of the Board meetings.

For FYE 31 August 2018, there were five (5) Board meetings held and the attendance records of the Directors are as follows:

Member	Attendance
Dato' Salleh Bin Mohd Husein	5 out of 5
Law King Hui	5 out of 5
Lee Swee Hang	5 out of 5
Law Yi Chian	5 out of 5
Dato' Noor Rezan Binti Bapoo Hashim	4 out of 5
Lim Hun Soon @ David Lim	5 out of 5

6. **Code of Conduct and Whistle-Blowing Policy**

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

Any Director or employee who knows of, or suspects, a violation of the Code of Conduct, is encouraged to whistle-blow or report the violation or suspected violation through the Whistle-Blowing Policy of the Company. A copy of the Whistle-Blowing Policy of the Company can be viewed on the Company's website, www.sasbadiholdings.com. For FYE 31 August 2018, there was no report of any violation of the Code of Conduct.

7. **Board Composition**

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

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

The Board through the Nomination Committee ("NC") assess the independence of the Independent Directors on an annual basis based on the criteria formulated by the Nomination Committee. This is to mitigate risks arising from conflict of interest or undue influences from interested parties. Based on the assessment in FYE 31 August 2018, the Board reviewed, assessed and was satisfied with the independence demonstrated by all of the Independent Directors, and their ability to act in the best interest of the Company.

MCCG 2017 recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years and, upon completion of the nine (9) years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. The Board has incorporated this recommendation into the Company's Board Charter. As at the date of approval for issuance of this Statement, the Company's Independent Directors have served on the Board for less than six (6) years.

The NC has put in place a formal process and criteria for the recruitment of directors. The recruitment process involves assessment and recommendation by the NC (including conducting an interview on the shortlisted candidates), evaluation and decision by the Board, appointment to the Board, and induction programme for the new director being carried out by the NC. The recruitment criteria involve assessment of, among others, the candidate's personal and professional ethics and integrity, independence, objectivity and potential conflicts of interest, understanding of the duties and responsibilities of a director of a listed entity, level of advocacy of good corporate governance, interpersonal skills, knowledge of the industry or work experience, and relevant academic and/or professional qualifications, as well as the Board's overall mix of skills, independence and diversity. There was no new Director recruited for FYE 31 August 2018.

The Board acknowledges that gender diversity is one of the key attributes to an effective and balanced board. In this regard, it is committed to having female representation on the Board though no specific target percentage is set. The Board has adopted the Gender Diversity Policy during the FYE 31 August 2018. The Group ensures equal opportunity is given to an individual whether for appointment as a director or employment within the Group, based on merits and not on any gender, age or racial bias. Currently, the Board has two (2) female members out of a total of six (6) Board members, representing a percentage of approximately 33%.

8. Establishment of Nomination Committee

The Nomination Committee comprises the following members:

Chairman : Dato' Noor Rezan Binti Bapoo Hashim (Senior Independent Non-Executive Director)
Members : Dato' Salleh Bin Mohd Husein (Independent Non-Executive Chairman)
Lim Hun Soon @ David Lim (Independent Non-Executive Director)

All the members are Independent Non-Executive Directors and the Chairman, Dato' Noor Rezan Binti Bapoo Hashim is our Senior Independent Non-Executive Director.

The full Terms of Reference setting out the Nomination Committee's composition, meeting proceedings, functions and reporting procedures, can be viewed on the Company's website, www.sasbadiholdings.com.

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

A summary of the activities carried out by the Nomination Committee during FYE 31 August 2018 is as follows:

➢ Reviewed the Board's and Board Committees' structure, size, composition and diversity, and was satisfied with the review given the size of the Group and its business operations;

➢ Reviewed the assessment of performance of the individual Directors, the Board as a whole and the Board Committees, the independence of the Independent Directors, and was satisfied with the experiences, contributions, competencies and mix of skills of the Directors to enable the Board and the Board Committees to discharge their respective duties and responsibilities effectively, as well as with the independence of the Independent Directors. It was also concurred from the assessment that the Board could work as a team and arrive at consensual decisions;

➢ Reviewed and assessed the Directors who are subject to retirement by rotation and casual vacancy, before recommending to the Board the tabling for shareholders' approval of the re-election of the said Directors at the previous Annual General Meeting ("AGM") held on 23 January 2018;

➢ Reviewed the need for continuous training and development for the Directors; and

➢ Reviewed the Gender Diversity Policy and recommended to the Board for approval and adoption.

9. Establishment of Remuneration Committee

The Remuneration Committee comprises the following members:

Chairman : Lim Hun Soon @ David Lim (Independent Non-Executive Director)
Members : Dato' Salleh Bin Mohd Husein (Independent Non-Executive Chairman)
Dato' Noor Rezan Binti Bapoo Hashim (Senior Independent Non-Executive Director) (appointed on 31 October 2017)
Law King Hui (Group Managing Director) (resigned on 31 October 2017)

As shown above, with effect from 31 October 2017, all the members are Independent Non-Executive Directors.

The full Terms of Reference setting out the Remuneration Committee's composition, meeting proceedings, functions and reporting procedures, can be viewed on the Company's website, www.sasbadiholdings.com.

A summary of the activities carried out by the Remuneration Committee during FYE 31 August 2018 is as follows:

➢ Discussed and reviewed the Directors' fees for FYE 31 August 2018 prior to recommending to the Board the tabling for shareholders' approval of the said fees at the previous AGM held on 23 January 2018;

➢ Discussed and reviewed the Executive Directors' remuneration;

➢ Reviewed the employees' unutilised annual leave;

➢ Reviewed the performance of the principal officers/key senior management of the Group for FYE 31 August 2017; and

➢ Reviewed and endorsed the revised Remuneration Framework and Policy for Directors and Senior Management with the objectives of creating a fair and transparent system for determining the appropriate levels of remuneration for both executive and non-executive directors, and to ensure that the levels of remuneration are sufficient to attract and retain persons having the right skills, experience, competence and expertise to serve as executive and non-executive directors in the Company.

10. Board and Board Committee Evaluation

The Board has also put in place a formal process for the assessment of performance of the individual Directors, the Board as a whole and the Board Committees, as well as the independence of the Independent Directors, and the assessment is done on an annual basis.

11. Directors' Training

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

Details of some of the training programmes/forums/seminars/conferences attended/participated by the Directors for FYE 31 August 2018 and up to the date of approval for issuance of this Statement are as follows:

Director	Title of Training Programme/Forum/ Seminar/Conference	Date
Dato' Salleh Bin Mohd Husein	• Sustainability Engagement Series for Directors	6 September 2018
	• Rise Above Uncertainty: Solutions Through Legal Clarity	14 August 2018
	• Modernising Our Tax Law: Perspectives & Recommendations	9 August 2018
	• Companies Act 2016	23 July 2018
Law King Hui	• DTCC Malaysia Industry Forum: Winning in Today's Increasingly Interconnected Capital Market	8 August 2018
	• Bursa Malaysia / RHB Securities, Singapore: Corporate Presenter on "Spotlight on Malaysia 2018"	3 March 2018
	• Motivational speaker for University Sarawak Malaysia on "Graduate Marketability and Employability in IR 4.0 Era – Where Do Humanities' Graduates Stand?"	1 to 2 March 2018
	• Speaker for "The Busy Weekly – Annual Investment Outlook Seminar"	19 November 2017
	• Bursa Malaysia / Maybank Investment Bank: Corporate Presenter on "Consumer & Technology Roadshow"	14 October 2017
	• Corporate Governance Breakfast Series: Thought Leadership Session for Directors – Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World	13 October 2017
	• Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	27 September 2017
Lee Swee Hang	• Corporate Governance Breakfast Series: Thought Leadership Session for Directors – Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World	13 October 2017
Law Yi Chian	• Sustainability Engagement Series for Directors	6 September 2018
	• Crisis Communications in the Digital Age	26 September 2017
Dato' Noor Rezan Binti Bapoo Hashim	• Motivational Speaker for "Teach for Malaysia" ("TFM") 2017 Cohort Alumni Induction in Johor Bahru	23 November 2018

Director	Title of Training Programme/Forum/ Seminar/Conference	Date
Dato' Noor Rezan Binti Bapoo Hashim (Continued)	• Study Visit to four Universities and Kindergartens in Guangzhou and Hai Kou, China	4 to 10 November 2018
	• Panel for forum on "Public-Private Partnership in "Teach for All" at Bangsar South, Kuala Lumpur"	26 October 2018
	• Motivational speaker for TFM Central Zone Reunion at Bahagian Pendidikan Guru (BPG), MOE	24 October 2018
	• Team Teaching: TFM Week at SMK Puchong, Selangor	28 August 2018
	• Yayasan Hasanah Board of Trustees School Visit	13 August 2018
	• Moderator for International Forum with Experts from Finland under Yayasan AMIR Trust School Conference "Transformation Beyond Borders"	30 July to 1 August 2018
	• Khazanah Megatrends Forum 2017	2 to 3 October 2017
	• Panel for "Forum Persidangan Pemimpin Pertengahan Sekolah Negeri Johor 2017"	1 October 2017
Lim Hun Soon @ David Lim	• Affin Bank Group Board of Directors and Management Training: Risk, Challenges & Vulnerabilities Towards Regulatory Compliance	9 November 2018
	• Affin Hwang Capital Conference Series 2018: Rebuilding a New Malaysia	8 November 2018
	• Affin Hwang Investment Bank Bhd: Anti-Money Laundering (AMLA) Training	2 October 2018
	• FIDE Forum: IBM Think Malaysia	16 August 2018
	• FIDE: Blockchain in Financial Services Industry by IBM	17 July 2018
	• Governance Risk and Control – Embracing the Future	11 July 2018
	• MASB: IFRS Regional Workshop: IFRS 17 Insurance Contract	17 May 2018
	• 5th BNM-FIDE Forum Annual Dialogue: Up Close with the Deputy Governor of BNM	19 April 2018
	• ICLIF: Understanding Liquidity Risk Management in Banking	16 April 2018
	• MIA-ICAEW Complimentary Talk: Artificial Intelligence and the Future of Accountancy	10 April 2018
	• Beyond Compliance: Achieving Cyber Resiliency (Moving from Compliance Focused to Robust Readiness)	27 March 2018

Director	Title of Training Programme/Forum/ Seminar/Conference	Date
Lim Hun Soon @ David Lim (Continued)	• FIDE Forum Dialogue: Navigating the VUCA World (1st Distinguished Board Leadership Series)	1 March 2018
	• FIDE: Managing Cyber Risks in Financial Institutions	22 January 2018
	• Half Day Talk: The Implication of MFRS 9 on Business Strategy & Cybersecurity Risk Implications	28 November 2017
	• FIDE Forum: 2nd Securities Commission: Leveraging Technology for Growth	14 November 2017
	• Affin Hwang Capital Conference Series 2017: Opportunities Amidst Geopolitical Shifts	5 October 2017
	• AMLATFPUAA 2001: Risk Challenges & Vulnerabilities Towards Risk Based Approach	19 September 2017

12. Directors'/Key Management Personnel's Remuneration

The Remuneration Committee has put in place a Remuneration Framework and Policy with the objectives of creating a fair and transparent system for determining the appropriate levels of remuneration for both executive and non-executive directors, and to ensure that the levels of remuneration are sufficient to attract and retain persons having the right skills, experience, competence and expertise to serve as executive and non-executive directors in the Company.

Details of the aggregate remuneration received by the Directors from the Company and the Group for FYE 31 August 2018 are as follows:

Director	Fees RM'000	Salary RM'000	Employees' Provident Fund RM'000	Estimated Value of Benefits in Kind RM'000	Total RM'000
Dato' Salleh Bin Mohd Husein	72	–	–	–	72
Law King Hui	72	660	79	32	843
Lee Swee Hang	72	120	8	28	228
Law Yi Chian	72	252	30	17	371
Dato' Noor Rezan Binti Bapoo Hashim	72	–	–	–	72
Lim Hun Soon @ David Lim	72	–	–	–	72
Lee Eng Sang (Retired on 23 January 2018)	30	–	–	–	30
Total	**462**	**1,032**	**117**	**77**	**1,688**

With the best interest of the Group in mind, and taking into consideration the sensitivity, privacy, security, issue of staff poaching, the Board has opted not to disclose on a named basis the remuneration of the top five senior management's in the bands of RM50,000. Instead, the Company will disclose the top five senior management's remuneration on an aggregate basis.

The top five senior management's remuneration on an aggregate for the FYE 31 August 2018, is as follows:

	RM'000
Salaries and bonus	1,037
Other Emoluments	126
Total	**1,163**

Other than the above, the Company has arranged for Directors' and Officers' Liability Insurance to indemnify the directors and officers of the Group against liabilities incurred by them during the discharge of their duties while in office.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The Audit Committee comprises the following members:

Chairman : Lim Hun Soon @ David Lim (Independent Non-Executive Director)
Members : Dato' Salleh Bin Mohd Husein (Independent Non-Executive Chairman)
Dato' Noor Rezan Binti Bapoo Hashim (Senior Independent Non-Executive Director)

Please refer to the Audit Committee Report contained in the Annual Report for more information.

2. Risk Management and Internal Control Framework

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

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

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

3. Relationship with the External Auditors

The Audit Committee reviews and monitors the suitability and independence of the external auditors on an annual basis. In addition, the Audit Committee has obtained confirmation from the external auditors that they are and have been independent throughout the conduct of the audit engagement. For FYE 31 August 2018, the fees incurred by the Group in relation to the non-audit services by the external auditors amounted to RM15,000.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with Stakeholders

The Board recognises the importance of maintaining effective communication between the Company and its potential investors or shareholders together with timeliness and equal dissemination of information. This will enhance their understanding of the Group's performance and position and assist them into making informed decisions.

The Board believes the AGM is a principal forum for dialog and communication with the shareholders. Besides that, the stakeholders are able to obtain latest information on the Group on the Company's website and are encouraged to contact the Company should they require more information. In this regard, Management has meetings and engagements with shareholders regularly upon request and through roadshows, dialogues and forums.

Conduct of General Meetings

Notice of the AGM together with a copy of Annual Report are sent out to the shareholders at least 28 days before the date of the meeting to provide the shareholders with sufficient time to prepare for the meeting and to make informed decisions at the meeting.

The Company will allocate sufficient time during the AGM and extraordinary general meeting(s) ("EGM") for a Question-and-Answer session whereby the Chairman together with the other Board members will be present to answer any questions and possible concerns that the shareholders may have on the Group and its operations.

Senior Management and the Group's external auditors as well as the Company's advisers are also available to respond to shareholders' questions during the AGM/EGM as the case may be.

The Company shall conduct poll voting for all resolutions set out in the notice of any general meeting in accordance with the MMLR of Bursa Securities.

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

MEMBERS OF THE AUDIT COMMITTEE

The members of the Audit Committee are as follows:

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

Members : Dato' Salleh Bin Mohd Husein *(Independent Non-Executive Chairman)*
Dato' Noor Rezan Binti Bapoo Hashim *(Senior Independent Non-Executive Director)*

The composition of the Audit Committee complies with paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), as follows:

- The Audit Committee comprises three (3) members;
- All the members are independent non-executive directors; and
- The Chairman, Lim Hun Soon @ David Lim, is a member of the Malaysian Institute of Accountants.

TERMS OF REFERENCE

The full Terms of Reference setting out the Audit Committee's composition, meeting proceedings, authority, and functions and duties can be viewed on the Company's website, www.sasbadiholdings.com.

ATTENDANCE OF MEETINGS

During the financial year ended ("FYE") 31 August 2018, the Audit Committee held a total of five (5) meetings. The attendance of the members of the Audit Committee at the meetings is as follows:

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

The agendas for the meetings, together with the relevant papers and reports and minutes of the previous meetings, were distributed to the members prior to the meetings. The Company Secretary attended all the meetings held during the financial year under review. In addition, the Group Managing Director and other Executive Directors, the Group Chief Financial Officer, key management personnel, external auditors and outsourced internal auditors also attended the meetings when invited by the Audit Committee to provide and present reports or information during the deliberation of matters pertaining to their respective areas, in the meetings.

SUMMARY OF WORK OF THE AUDIT COMMITTEE DURING FYE 31 AUGUST 2018

During FYE 31 August 2018, the Audit Committee had, in discharging its functions and duties, carried out, among others, the following work:

Financial reporting / Annual reporting

➢ Reviewed and recommended for the Board's approval the unaudited financial results of the Group for announcement to Bursa Securities for the following financial quarters:

- Fourth quarter ended 31 August 2017
- First quarter ended 30 November 2017
- Second quarter ended 28 February 2018
- Third quarter ended 31 May 2018

The review was to ensure that the unaudited quarterly financial results were prepared in accordance with the requirements of Malaysian Financial Reporting Standard 134, International Accounting Standard 34: Interim Financial Reporting, and paragraph 9.22 and Part A of Appendix 9B of the MMLR of Bursa Securities. The review also covered, among others, the accuracy and adequacy of disclosure of information, the Group's performance and financial position for the respective quarters, segmental performance, seasonality of operations, prospects, etc;

➢ Reviewed the audited financial statements for FYE 31 August 2017 before recommending for the Board's approval. The review was to ensure that the financial statements were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016;

➢ Reviewed the assessment report/checklist relating to risk management and internal control prepared by Management for the purpose of the Statement on Risk Management and Internal Control ("SORMIC") for inclusion in the Annual Report for FYE 31 August 2017;

➢ Reviewed and recommended for the Board's approval the SORMIC and the Audit Committee Report ("AC Report") for inclusion in the Annual Report for FYE 31 August 2017. The review was to ensure that the SORMIC and the AC Report were prepared in accordance with the MMLR of Bursa Securities; and

➢ Reviewed the Group's management budget for FYE 31 August 2018 before recommending for the Board's approval and adoption.

External audit

➢ Reviewed and discussed with the external auditors, i.e. KPMG PLT, on the audit for FYE 31 August 2017. At the meeting, KPMG PLT reported that, during the course of the performance of the audit, they had not been made aware of any serious offence involving fraud or dishonesty being or which has been committed in the Group. The Management also represented, among others, the same (i.e. no knowledge of any serious offence involving fraud or dishonesty being or which has been committed in the Group) to KPMG PLT;

➢ Without the presence of Executive Directors and Management, discussed with KPMG PLT on any issues, problems and reservations arising from the audit for FYE 31 August 2017, and any other matters that they would want to bring to the attention of the Audit Committee;

➢ Assessed the suitability of KPMG PLT based on the criteria in relation to the re-appointment of external auditors as prescribed under the MMLR of Bursa Securities such as the adequacy of KPMG PLT's experience and resources and the capability of the audit team assigned to the audit, as well as their independence, before recommending to the Board for the tabling to the shareholders for approval of the re-appointment of KPMG PLT as the external auditors of the Company, at the previous annual general meeting held on 23 January 2018;

➢ Reviewed and discussed with the external auditors on their audit plan for FYE 31 August 2018 covering the audit scope, audit methodology, timetable and milestones, audit materiality, audit focus areas and reported observations in prior year's audit, before endorsing and recommending to the Board for adoption; and

➢ Reviewed the audit and non-audit fees of the external auditors for FYE 31 August 2018 before recommending for the Board's approval.

Internal audit

➢ Reviewed, discussed and approved the outsourced internal auditors' audit plan (covering the scope of work, subsidiaries being audited, estimated number of man days, audit schedule and reporting timeline) and fees for 2018 before recommending for the Board's endorsement; and

➢ Reviewed and deliberated on the outsourced internal auditors' reports as detailed in the Internal Audit Function section below. The Audit Committee took note that, overall, the internal control environment for the functional areas/ sections covered by the outsourced internal auditors for FYE 31 August 2018 is considered "average" where controls are generally in place with some actions for improvement required.

Risk management

➢ Reviewed the updated Registry of Risks and Risk Matrix prepared by the Risk Management Team ("RMT"), whereby the total number of risk factors has increased after incorporating the additional risk of attempts to damage, hack, crack or interfere with the Group's information technology systems. The Audit Committee also takes note of the changes in the ratings of some of the risk factors.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to Sterling Business Alignment Consulting Sdn Bhd, which is independent of the activities and operations of the Group. They carried out a review on the adequacy of the internal control system of the Group. The outsourced internal auditors report directly to the Audit Committee.

A summary of the work carried out by the outsourced internal auditors in FYE 31 August 2018 is as follows:

➢ Prepared and presented an internal audit plan for 2018 to the Audit Committee. The focus of the internal audit plan for 2018, as approved by the Audit Committee was on major subsidiaries of the Company;

➢ Undertook the internal control assessment in accordance with the internal audit plan for 2018, covering the following subsidiaries and functional areas/sections:

- United Publishing House (M) Sdn Bhd:
  - Sales & Marketing

- Mindtech Education Sdn Bhd:
  - Sales & Marketing
  - Operations

- The Malaya Press Sdn Bhd, Big Tree Publications Sdn Bhd and Jinbang Publication Sdn Bhd:
  - Finance and Accounts

- Group Human Resources:
  - Human Resources Management

➢ Presented the reports on internal control assessment setting out their findings and recommendations, and Management's responses and actions, to the Audit Committee for deliberation.

The fees incurred by the Group in relation to the outsourced internal audit function for FYE 31 August 2018 were RM48,000.

INTRODUCTION

The Board of Directors ("the Board") of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") is pleased to present the following Statement on Risk Management and Internal Control of Sasbadi Holdings and our subsidiaries ("the Group") for the financial year ended ("FYE") 31 August 2018. This Statement has been prepared in accordance with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

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

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

RISK MANAGEMENT

The Group has put in place a risk management framework ("RM Framework") to assist the Group in managing the various risks faced in its daily business operations. Under the RM Framework, a Risk Management Team ("RMT"), headed by the Group Chief Financial Officer and comprising the Heads of various functions and departments within the Group, has been established to actively manage the risks faced by the Group. The RMT reports to the Executive Management Team ("EMT") comprising the Executive Directors, and the Audit Committee, both in turn report to the Board.

The RMT adopts a strategic approach towards risk management which involves risk identification, evaluation, treatment, monitoring and review. The RMT has been assessing, monitoring and managing the risks on a monthly basis via the use of a checklist of risks. In addition, the risks identified together with the steps taken/to be taken to mitigate the risks are deliberated during the periodic management meetings attended by the EMT and the RMT.

INTERNAL CONTROL SYSTEM

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

- Defined organisation structure with proper segregation of duties, responsibilities and authorities among the Directors, management and employees;
- Board Committees (i.e. Audit Committee, Nomination Committee and Remuneration Committee) which undertake their duties and responsibilities according to their delegated functions as set out in their respective Terms of Reference;
- Formalised Code of Conduct and Whistleblowing Policy. For the financial year under review, there were no concerns raised of any wrongdoing or improper conduct involving the Group or its Directors or employees;
- Documentation of key business processes and authority matrix to ensure decisions are made by the relevant individuals/groups within the authority limits established;
- Periodic Board, Board Committee and management meetings to discuss, among others, financial, operational, risk and compliance matters;
- Annual budgeting process whereby the annual budget prepared by management is tabled for the Audit Committee's review before being approved by the Board;
- Outsourced internal audit function which reports to the Audit Committee;
- Employment procedures and process to facilitate the recruitment and evaluation of employees; and
- Insurance coverage on the Group's assets, where necessary.

INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to a professional service firm, which is independent of the activities and operations of the Group, to review the adequacy of the internal control system of the Group. The outsourced internal auditors, which report directly to the Audit Committee, conducted internal control assessment on the Group in order to identify areas for improvement, besides compliance with internal best practices, guidelines and objectives.

During the financial year under review, the outsourced internal auditors have carried out an internal control assessment based on the internal audit plan for 2018 as approved by the Audit Committee, covering the following subsidiaries and functional areas/sections:

i. United Publishing House (M) Sdn Bhd
   - Sales & Marketing, in respect of new market identification process and procedures, distributor / agent appointment process and procedures, new customer / sales leads generation and monitoring, pricing control process and procedures, order processing, selling and distribution expenses allocation process and procedures, credit and account receivable management, customer retention management, performance monitoring and reporting and implementation process of business development strategy

ii. Mindtech Education Sdn Bhd
   - Sales & Marketing, in respect of new market identification process and procedures, distributor / agent appointment process and procedures, pricing control process and procedures, order processing, selling and distribution expenses allocation process and procedures, customer retention management, performance monitoring and reporting and implementation process of business development strategy
   - Operations, in respect of member recruitment, registration and withdrawal process and procedures, member complaint management, direct selling business compensation plan, bonus computation and payment distribution process and procedures, compliance with Malaysian Direct Distribution Association (MDDA) Code of ethics and compliance with Direct Sales & Anti-Pyramid Scheme Act 1993

iii. The Malaya Press Sdn Bhd, Big Tree Publications Sdn Bhd and Jinbang Publication Sdn Bhd
   - Finance and Accounts, in respect of billing and collection process and procedures, payment process and procedures, debit notes and credit notes, cash flow management, capital asset management, development cost capitalisation and amortisation procedures and inter-company billing

iv. Group Human Resources
   - Human resources management, in respect of recruitment process and procedures, probation and confirmation, termination and resignation, payroll processing, staff training, staff evaluation process and procedures, compensation and benefit, disciplinary policy and procedures, leave entitlement, application, approval, recording and monitoring process and procedures, attendance record and monitoring process and procedures, overtime claim policy and procedures, allowance entitlement process and procedures and staff advance requisition, approval and repayment monitoring process and procedure

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

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

During FYE 31 August 2018 and up to the date of approval for issuance of this Statement, there were no material losses incurred by the Group arising from weaknesses in its internal control system.

CONCLUSION

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

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

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company has implemented an ESOS of up to ten percent (10%) of the Company's total number of issued shares (excluding treasury shares, if any) for the eligible employees and executive directors of the Group (i.e. Sasbadi Holdings and our subsidiaries) effective from 1 September 2016. As at 19 December 2018, the Company has yet to grant any options under the ESOS.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred by the Company and the Group for services rendered by the external auditors or a firm or corporation affiliated to the external auditors to the Company and the Group during the financial year ended 31 August 2018 are as follows:

	Company	Group
	RM'000	**RM'000**
Audit services		
– KPMG PLT	70	297
– Other auditors	–	13
Non-audit services	15	15

The non-audit services provided by the external auditors were in relation to the review of the Statement on Risk Management and Internal Control.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND/OR MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and/or our subsidiaries involving the interest of Directors and/or major shareholders, either subsisting at the end of the financial year ended 31 August 2018 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS

There were no recurrent related party transactions entered into by the Group during the financial year ended 31 August 2018.

UTILISATION OF PROCEEDS

No proceeds were raised from any corporate proposals during the financial year ended 31 August 2018.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year under review; as well as their results and cash flows for the financial year then ended. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia.

In preparing the financial statements of the Group and the Company for the financial year ended 31 August 2018, the Directors have:

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

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

This statement is made in accordance with the resolution of the Board dated 19 December 2018.

FINANCIAL STATEMENTS

Directors' report for the year ended 31 August 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 August 2018.

Principal activities

The Company is principally engaged in investment holding activities whilst the principal activities of its subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Net profit for the year attributable to:		
Owners of the Company	2,041	241

Reserves and provisions

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

Dividends

There were no dividends paid since the end of the previous financial year.

The Directors do not recommend any final dividend to be paid in respect of the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Dato' Salleh Bin Mohd Husein
Law King Hui
Lee Swee Hang
Dato' Noor Rezan Binti Bapoo Hashim
Lim Hun Soon @ David Lim
Law Yi Chian
Lee Eng Sang (Retired on 23 January 2018)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' statutory financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' interests in shares

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

	Number of ordinary shares			
	At 1.9.2017	**Bought**	**Sold**	**At 31.8.2018**
Interests in the Company:				
Dato' Salleh Bin Mohd Husein	300,000	-	-	300,000
Law King Hui				
- own	76,783,500	-	-	76,783,500
- others(1)	1,050,000	2,400,000	-	3,450,000
Lee Swee Hang	35,506,500	-	-	35,506,500
Dato' Noor Rezan Binti Bapoo Hashim	300,000	-	-	300,000
Lim Hun Soon @ David Lim	540,000	-	-	540,000
Deemed interests in the Company:				
Law King Hui(2)	76,200,001	-	-	76,200,001
Lee Swee Hang(2)	76,200,001	-	-	76,200,001

Notes:

(1) Interest held by spouse and children of the Director pursuant to the Companies Act 2016.

(2) Deemed interested by virtue of their interests in Karya Kencana Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

Directors' interests in shares (continued)

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

Law Yi Chian did not have any interest in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

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

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

Issue of shares and debentures

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

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Qualification of subsidiaries' financial statements

The auditors' report on the audit of the financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

Indemnity and insurance costs

During the financial year, Directors and Officers of Sasbadi Holdings Berhad, together with its subsidiaries, are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM5 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group and the Company was RM13,125.

There were no indemnity and insurance costs effected for auditors of the Group and Company during the financial year.

Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

Other statutory information (continued)

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, other than the effect arising from the acquisition of subsidiaries and non-controlling interest as disclosed in Note 29 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 August 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the financial year

Significant events during the financial year are disclosed in Note 28 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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

……………………………………………………………

Law King Hui
Director

……………………………………………………………

Lee Swee Hang
Director

Kuala Lumpur,

Date: 19 December 2018

Statements of financial position as at 31 August 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	53,941	44,306	-	-
Investment properties	4	2,532	2,584	-	-
Intangible assets	5	26,075	26,217	-	-
Investments in subsidiaries	6	-	-	93,008	93,008
Other investments	7	246	371	-	-
Deferred tax assets	13	1,227	1,369	-	-
Total non-current assets		84,021	74,847	93,008	93,008
Inventories	8	73,462	65,188	-	-
Current tax assets		3,897	2,805	17	12
Trade and other receivables	9	56,032	54,122	16,028	15,785
Prepayments		3,371	2,888	9	-
Cash and cash equivalents	10	6,164	10,246	22	97
Total current assets		142,926	135,249	16,076	15,894
Total assets		226,947	210,096	109,084	108,902
Equity					
Share capital		108,210	108,210	108,210	108,210
Reserves		48,057	37,173	502	261
Total equity	11	156,267	145,383	108,712	108,471
Liabilities					
Loans and borrowings	12	16,558	20,429	-	-
Deferred tax liabilities	13	7,941	6,463	-	-
Total non-current liabilities		24,499	26,892	-	-
Loans and borrowings	12	26,097	16,267	-	-
Provisions	14	1,092	1,203	-	-
Trade and other payables	15	18,992	20,351	372	431
Total current liabilities		46,181	37,821	372	431
Total liabilities		70,680	64,713	372	431
Total equity and liabilities		226,947	210,096	109,084	108,902

The notes on pages 72 to 138 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income for the year ended 31 August 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	16	87,841	93,053	1,080	3,480
Cost of sales		(50,872)	(47,531)	-	-
Gross profit		36,969	45,522	1,080	3,480
Other operating income		739	635	-	-
Distribution expenses		(10,016)	(10,741)	-	(23)
Administrative expenses		(15,665)	(17,524)	(521)	(602)
Other operating expenses		(4,828)	(4,733)	(321)	(326)
Results from operating activities		7,199	13,159	238	2,529
Finance income		22	148	1	49
Finance costs	17	(3,011)	(1,856)	-	-
Profit before tax	18	4,210	11,451	239	2,578
Tax expense	19	(2,169)	(3,455)	2	(15)
Net profit for the year		2,041	7,996	241	2,563
Other comprehensive income for the year, net of tax:					
Item that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		8,888	-	-	-
Item that is or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets		(45)	4	-	-
Total comprehensive income for the year		10,884	8,000	241	2,563
Net profit for the year attributable to:					
Owners of the Company		2,041	8,044	241	2,563
Non-controlling interests		-	(48)	-	-
		2,041	7,996	241	2,563
Total comprehensive income attributable to:					
Owners of the Company		10,884	8,047	241	2,563
Non-controlling interests		-	(47)	-	-
		10,884	8,000	241	2,563
Basic earnings per ordinary share (sen)	21	0.49	1.92		

The notes on pages 72 to 138 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 August 2018

Group	Note	<---------Non-distributable--------- Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Merger deficit RM'000	Fair value reserve RM'000	Revaluation reserve RM'000 --------->	Distributable Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 September 2016		69,850	38,401	-	(50,500)	17	13,596	76,280	147,644	5,467	153,111
Fair value of available-for-sale financial assets		-	-	-	-	3	-	-	3	1	4
Total other comprehensive income		-	-	-	-	3	-	-	3	1	4
Net profit/(loss) for the year		-	-	-	-	-	-	8,044	8,044	(48)	7,996
Total comprehensive income/ (loss) for the year		-	-	-	-	3	-	8,044	8,047	(47)	8,000
Contributions by and distributions to owners of the Company											
Purchase of treasury shares		-	-	(1)	-	-	-	-	(1)	-	(1)
Issue of bonus shares		34,925	(34,925)	-	-	-	-	-	-	-	-
Share issuance expenses		-	(41)	-	-	-	-	-	(41)	-	(41)
Dividends to owners of the Company	20	-	-	-	-	-	-	(6,286)	(6,286)	-	(6,286)
		34,925	(34,966)	(1)	-	-	-	(6,286)	(6,328)	-	(6,328)
Changes in ownership interest in a subsidiary		-	-	-	-	-	-	(3,980)	(3,980)	(5,420)	(9,400)
Total transactions with owners of the Company		34,925	(34,966)	(1)	-	-	-	(10,266)	(10,308)	(5,420)	(15,728)
Transfer in accordance with Section 618(2) of the Companies Act 2016		3,435	(3,435)	-	-	-	-	-	-	-	-
At 31 August 2017		108,210	-	(1)	(50,500)	20	13,596	74,058	145,383	-	145,383
		<---------Note 11					--------->				

Consolidated statement of changes in equity for the year ended 31 August 2018 (continued)

	<------ *Non-distributable*				------>	*Distributable*	
Group	**Share capital RM'000**	**Treasury shares RM'000**	**Merger deficit RM'000**	**Fair value reserve RM'000**	**Revaluation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 September 2017	108,210	(1)	(50,500)	20	13,596	74,058	145,383
Fair value of available-for-sale financial assets	-	-	-	(45)	-	-	(45)
Revaluation of property, plant and equipment, net of tax	-	-	-	-	8,888	-	8,888
Total other comprehensive (loss)/ income	-	-	-	(45)	8,888	-	8,843
Net profit for the year	-	-	-	-	-	2,041	2,041
Total comprehensive (loss)/ income for the year	-	-	-	(45)	8,888	2,041	10,884
At 31 August 2018	108,210	(1)	(50,500)	(25)	22,484	76,099	156,267
	<------			Note 11		------>	

The notes on pages 72 to 138 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 August 2018

Company	Note	<--------Non-distributable--------> Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 September 2016		69,850	38,401	-	3,985	112,236
Net profit for the year		-	-	-	2,563	2,563
Contributions by and distributions to owners of the Company						
Purchase of treasury shares		-	-	(1)	-	(1)
Issue of bonus shares		34,925	(34,925)	-	-	-
Share issuance expenses		-	(41)	-	-	(41)
Transfer in accordance with Section 618(2) of the Companies Act 2016		3,435	(3,435)	-	-	-
Dividends to owners of the Company	20	-	-	-	(6,286)	(6,286)
Total transactions with owners of the Company		38,360	(38,401)	(1)	(6,286)	(6,328)
At 31 August 2017/ 1 September 2017		108,210	-	(1)	262	108,471
Net profit for the year		-	-	-	241	241
At 31 August 2018		108,210	-	(1)	503	108,712
		<-----------------Note 11--------------->				

The notes on pages 72 to 138 are an integral part of these financial statements.

Statements of cash flows for the year ended 31 August 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before tax	4,210	11,451	239	2,578
Adjustments for:				
Amortisation of intangible assets	1,292	2,064	-	-
Depreciation of property, plant and equipment	2,575	2,487	-	-
Property, plant and equipment written off	6	16	-	-
Depreciation of investment properties	52	53	-	-
Dividend income	(9)	(10)	(1,080)	(3,480)
Finance costs	3,011	1,856	-	-
Finance income	(22)	(148)	(1)	(49)
Gain on disposal of property, plant and equipment	(78)	(298)	-	-
Gain on disposal of other investments	(10)	-	-	-
Reversal of impairment loss on trade receivables	(156)	(62)	-	-
Provision/(Reversal) of inventories write-down, net	3,634	(853)	-	-
Impairment loss on trade receivables	2,065	1,149	-	-
(Reversal)/Provision of sales returns, net	(111)	141	-	-
Operating profit/(loss) before changes in working capital	16,459	17,846	(842)	(951)
Changes in inventories	(11,783)	(16,441)	-	-
Changes in trade and other receivables and prepayments	(3,792)	(3,849)	348	8,817
Changes in trade and other payables	(1,490)	(2,095)	(59)	52
Cash (used in)/generated from operations	(606)	(4,539)	(553)	7,918
Dividend received	-	-	480	3,000
Interest paid	(1,514)	(1,218)	-	-
Interest received	22	148	1	49
Tax paid	(6,047)	(6,453)	(12)	(33)
Tax refunded	1,580	590	9	-
Net cash (used in)/generated from operating activities	(6,565)	(11,472)	(75)	10,934

Statements of cash flows for the year ended 31 August 2018 (continued)

		Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Change in pledged deposits		42	-	-	-
Acquisition of intangible assets		(972)	(11)	-	-
Acquisition of property, plant and equipment		(520)	(3,905)	-	-
Acquisition of subsidiaries, net of cash and cash equivalents (Note 29)		(685)	(847)	-	-
Proceeds from disposal of property, plant and equipment		99	336	-	-
Proceeds from disposal of other investments		90	-	-	-
Dividend received from other investments		9	10	-	-
Acquisition of non-controlling interests		-	(9,400)	-	(9,400)
Net cash used in investing activities		(1,937)	(13,817)	-	(9,400)
Cash flows from financing activities					
Dividends paid to owners of the Company		-	(6,286)	-	(6,286)
Interest paid		(1,497)	(638)	-	-
Proceeds from term loan		1,661	15,000	-	-
Repayment of term loans		(5,410)	(1,239)	-	-
Repayment of finance lease liabilities		(28)	(118)	-	-
Drawdown of bankers' acceptance		12,987	9,236	-	-
Repayment of bankers' acceptance		(10,449)	(10,043)	-	-
Share issuance expenses paid		-	(41)	-	(41)
Purchase of treasury shares		-	(1)	-	(1)
Net cash (used in)/generated from financing activities		(2,736)	5,870	-	(6,328)
Net decrease in cash and cash equivalents		(11,238)	(19,419)	(75)	(4,794)
Cash and cash equivalents at beginning of the financial year		(2,774)	16,645	97	4,891
Cash and cash equivalents at end of the financial year	(i)	(14,012)	(2,774)	22	97

Statements of cash flows for the year ended 31 August 2018 (continued)

(i) Cash and cash equivalents

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	5,445	9,538	22	97
Deposits placed with licensed banks	719	708	-	-
	6,164	10,246	22	97
Less: Deposits pledged	(606)	(648)	-	-
Less: Bank overdraft	(19,570)	(12,372)	-	-
	(14,012)	(2,774)	22	97

(ii) Reconciliation of movement of liabilities to cash flows arising from financing activities

The movement of borrowings in the statement of cash flows is as follows:

Group	At 1.9.2017 RM'000	Net changes from financing cash flows RM'000	At 31.8.2018 RM'000
Finance lease liabilities	130	(28)	102
Term loans	24,194	(3,749)	20,445
Bankers' acceptances	-	2,538	2,538
	24,324	(1,239)	23,085

In accordance with the transitional provision of Disclosure Initiative (*Amendment to MFRS 107*) for the reconciliation of movement of liabilities to cash flows arising from financing activities, comparative information is not required for preceding periods.

The notes on pages 72 to 138 are an integral part of these financial statements.

Notes to the financial statements

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

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 August 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 August 2018 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 19 December 2018.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- MFRS 9, *Financial Instruments*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendments, Curtailment or Settlement*
- Amendments to MFRS 123*, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and* MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 September 2018 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2018; and

- from the annual period beginning on 1 September 2019 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

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

(i) MFRS 15, *Revenue from Contracts with Customers*

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

Currently, the Group recognises revenue from contract customers on the basis as prescribed in Note 2(n). Upon adoption of MFRS 15, the Group will recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has assessed the effects of applying the new standard on the Group’s financial statements and anticipates that the application of MFRS 15 will have a significant impact.

a) Sale of goods

Sale of printed books, distribution of applied learning products and trading of paper
These sales are generally made on an outright basis and the Group regards that these sales transactions consist of a single performance obligation. The Group expects the revenue recognition to occur at a point in time when the customers take control of the goods, generally on delivery of the goods. As such, the Group concludes that there will be no impact on the timing of revenue recognition for these sales.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 15, *Revenue from Contracts with Customers (continued)*

a) Sale of goods (continued)

Sale of online/digital educational materials
Upon the adoption of MFRS 15, sales of online digital products will be recognised over time as compared to the existing practice of the Group to recognise the revenue upon delivery of the product login codes, as consumers can only benefit from the usage of the products by logging in to the platform over the contracted period.

b) Variable consideration

Sale of printed books, distribution of applied learning products and trading of paper
The Group's customary business practices provides customers a right of return and early settlement rebates. Upon the adoption of MFRS 15, the Group will change the recognition method on the early settlement rebates from recognising the actual amount incurred as and when customers make payments to recognising the rebates based on an estimate at the time the revenue is recognised.

However, the Group expects that the adjustment to revenue due to returns from customers with a related adjustment to cost of sales will not be significant upon the adoption of MFRS 15 as a provision for sales return has been provided in the financial statements based on historical data.

Sale of online/digital educational materials
The Group previously classified the performance bonus paid to its distributors in its cost of sales. Under MFRS 15, the Group is required to determine whether the consideration paid to its distributors is a payment for distinct goods or services. The performance bonus paid to its distributors are classified as follows:

(i) Personal sales bonus
(ii) Group network sales bonus

The Group is of the view that the personal sales bonus is a reduction of transaction price and will be recognised over time, consistent with the recognition of revenue. The group network sales bonus is a consideration paid to distributors for the provision of distinct services and will be charged out to profit or loss as it is incurred.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 15, *Revenue from Contracts with Customers (continued)*

c) Costs to obtain contract

Sale of online/digital educational materials
Upon the adoption of MFRS 15, the Group expects to capitalise sales bonus (for newly-acquired members in the direct marketing business of online/digital educational products) as costs to obtain or fulfil a contract with a customer when they are incremental and expected to be recovered over the service period. These costs will be amortised consistently with the transfer of the service to the customer. Currently, these costs are recognised in profit or loss.

(ii) MFRS 9, *Financial Instruments*

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

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

Based on management’s preliminary assessment, the Group estimates a significant increase in impairment allowance of the Group and an increase in allowance will be adjusted to retained earnings.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

1. Basis of preparation (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 5 – measurement of the recoverable amounts of cash-generating units
- Note 13 – deferred tax assets/(liabilities)
- Note 14 – provisions
- Note 29 – business combinations

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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

(iii) Acquisitions of non-controlling interest

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

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

(v) Non-controlling interests

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

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

(vi) Transactions eliminated on consolidation

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

2. Significant accounting policies (continued)

(b) Foreign currency

Foreign currency transactions

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Financial instrument categories and subsequent measurement

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

Financial assets

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

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

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

Financial liabilities

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other operating income” or “other operating expenses” respectively in profit or loss.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Condominiums	50 years
Leasehold land	60 to 99 years
Buildings	50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	10 years
Renovation	10 years
Computers	3 to 5 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 or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

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

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

(ii) Operating lease

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

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

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

(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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iii) Subsequent expenditure

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

(iv) Amortisation

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

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

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

Intellectual properties	15 years
Development costs	10 years
Software	10 years

During the current financial year, the Group changed its estimates of the useful lives of intellectual properties from 10 years to 15 years. This change in estimates has been applied prospectively.

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

(g) Investment properties

Investment properties are land and/or buildings which are held to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses. The depreciation policy adopted for investment properties is similar to property assets under property, plant and equipment as disclosed under Note 2(d) to the financial statements.

Cost includes expenditure that is directly attributable to the acquisition of the investment property includes the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period of retirement or disposal.

2. Significant accounting policies (continued)

(h) Inventories

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

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

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

(i) Cash and cash equivalents

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

(j) 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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

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

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

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

(ii) Other assets

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

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

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

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

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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

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

(k) 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.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share capital account or distributable reserves, or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. Significant accounting policies (continued)

(l) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(m) 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.

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.

(n) Revenue and other income

(i) Goods sold

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

2. Significant accounting policies (continued)

(n) Revenue and other income (continued)

(ii) Dividend income

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

(iii) Interest income

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

(o) 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.

(p) Tax expense

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

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

2. Significant accounting policies (continued)

(p) Tax expense (continued)

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

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

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

(q) Earnings per ordinary share

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

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

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

(r) Operating segments

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

2. Significant accounting policies (continued)

(s) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

(t) Fair value measurements

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

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

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

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

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

3. Property, plant and equipment

Group	Condominiums RM'000	Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Total RM'000
Cost/Valuation								
At 1 September 2016	298	15,425	23,360	10,440	3,141	347	1,995	55,006
Acquisitions through business combinations (Note 29)	-	-	-	61	187	192	11	451
Additions	-	-	2,666	167	314	657	101	3,905
Disposals	-	-	-	(1,083)	-	-	-	(1,083)
Written off	-	-	-	-	(55)	-	-	(55)
At 31 August 2017/1 September 2017	298	15,425	26,026	9,585	3,587	1,196	2,107	58,224
Acquisitions through business combinations (Note 29)	-	-	-	-	22	9	11	42
Additions	-	-	-	77	201	89	153	520
Disposals	-	-	-	(628)	(53)	-	(77)	(758)
Written off	-	-	-	-	(18)	(9)	-	(27)
Adjustment for revaluation	22	10,260	(1,066)	-	-	-	-	9,216
At 31 August 2018	320	25,685	24,960	9,034	3,739	1,285	2,194	67,217
Representing items at:								
Cost	-	-	-	9,034	3,739	1,285	2,194	16,252
Directors' valuation	320	25,685	24,960	-	-	-	-	50,965
At 31 August 2018	320	25,685	24,960	9,034	3,739	1,285	2,194	67,217

3. Property, plant and equipment (continued)

Group	Condominiums RM'000	Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovation RM'000	Computers RM'000	Total RM'000
Accumulated depreciation								
At 1 September 2016	16	466	783	6,843	2,363	275	1,679	12,425
Acquisitions through business combinations (Note 29)	-	-	-	20	41	24	5	90
Charge for the year	4	293	490	1,243	193	72	192	2,487
Disposals	-	-	-	(1,045)	-	-	-	(1,045)
Written off	-	-	-	-	(39)	-	-	(39)
At 31 August 2017/1 September 2017	20	759	1,273	7,061	2,558	371	1,876	13,918
Acquisitions through business combinations (Note 29)	-	-	-	-	11	4	5	20
Charge for the year	5	427	555	1,103	195	102	188	2,575
Disposals	-	-	-	(611)	(50)	-	(76)	(737)
Written off	-	-	-	-	(17)	(4)	-	(21)
Adjustment for revaluation	(23)	(905)	(1,551)	-	-	-	-	(2,479)
At 31 August 2018	2	281	277	7,553	2,697	473	1,993	13,276
Carrying amounts								
At 1 September 2016	282	14,959	22,577	3,597	778	72	316	42,581
At 31 August 2017/1 September 2017	278	14,666	24,753	2,524	1,029	825	231	44,306
At 31 August 2018	318	25,404	24,683	1,481	1,042	812	201	53,941

3. Property, plant and equipment (continued)

Titles

The strata title for the condominiums and individual title for certain leasehold land have not yet been issued to a subsidiary. The lease period of the leasehold land expires between 21 November 2061 and 18 May 2083.

Revaluation

The Group's condominiums, leasehold land and buildings are stated at Directors' valuation which is supported by the professional valuation done in February 2018 by an external independent valuation company, KGV International Property Consultants (M) Sdn. Bhd., using the Market Value basis of valuation.

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

	Group	
	2018 RM'000	**2017 RM'000**
Condominiums	216	225
Leasehold land	6,009	2,108
Buildings	6,971	6,248
	13,196	8,581

Finance lease liabilities

Included in property, plant and equipment of the Group are motor vehicles acquired under finance lease arrangements with carrying amounts of RM39,000 (2017: RM159,000).

Security

Certain land and buildings of the Group with carrying amounts of RM47,415,000 (2017: RM36,772,000) were charged to banks as security for banking facilities granted to the Group (see Note 12).

4. Investment properties

	Group Buildings RM'000
Cost	
At 1 September 2016/31 August 2017/1 September 2017/ 31 August 2018	2,640
Accumulated depreciation	
At 1 September 2016	3
Charge for the year	53
At 31 August 2017/1 September 2017	56
Charge for the year	52
At 31 August 2018	108
Carrying amounts	
At 1 September 2016	2,637
At 31 August 2017/1 September 2017	2,584
At 31 August 2018	2,532

Investment properties comprise of commercial buildings that are leased to third parties. Each of the lease contains an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessees with an average renewal period of 2 years. No contingent rents are charged.

The investment properties of the Group are charged to banks as security for banking facilities granted to the Group (see Note 12).

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2018 RM'000	2017 RM'000
Rental income	105	104
Direct operating expenses	(74)	(94)

Fair value information

Fair value of the investment properties are categorised as follows:

	Group	
	2018 Level 3 RM'000	2017 Level 3 RM'000
Commercial buildings	2,680	2,640

4. Investment properties (continued)

Level 3 fair value

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.

Description of valuation techniques and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Sales comparison method: Entails recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustment made for differences in location, physical characteristics, time element, if any and other relevant characteristics to arrive at the market value.	Price per square foot (RM138 to RM610)	The estimated fair value would increase if the price per square foot is higher.

5. Intangible assets

Group	Note	Goodwill RM'000	Development costs RM'000	Software RM'000	Intellectual properties RM'000	Total RM'000
Cost						
At 1 September 2016		10,253	1,570	109	18,545	30,477
Additions		-	-	11	-	11
Acquisitions through business combinations	29	533	-	-	-	533
At 31 August 2017/ 1 September 2017		10,786	1,570	120	18,545	31,021
Additions		-	969	3	-	972
Acquisitions through business combinations	29	178	-	-	-	178
At 31 August 2018		10,964	2,539	123	18,545	32,171
Accumulated amortisation						
At 1 September 2016		-	224	3	2,513	2,740
Charge for the year		-	198	11	1,855	2,064
At 31 August 2017/ 1 September 2017		-	422	14	4,368	4,804
Charge for the year		-	165	12	1,115	1,292
At 31 August 2018		-	587	26	5,483	6,096
Carrying amount						
At 1 September 2016		10,253	1,346	106	16,032	27,737
At 31 August 2017/ 1 September 2017		10,786	1,148	106	14,177	26,217
At 31 August 2018		10,964	1,952	97	13,062	26,075
		Note 5.1			Note 5.2	

5. Intangible assets (continued)

5.1 Goodwill

Subsumed within goodwill are the brand names and the synergies expected to be achieved from integrating Sanjung Unggul Sdn. Bhd. ("Sanjung Unggul") and its subsidiaries ("Sanjung Unggul Group"), Distinct Motion Sdn. Bhd. and its subsidiary ("Distinct Motion Group") and Pinko Creative Sdn. Bhd. ("Pinko Creative") into the Group's existing publishing and applied learning products business.

5.2 Intellectual properties

The intellectual properties comprise the publishing rights and production files in relation to educational and learning materials for national schools and institutes of teacher education acquired by the Group as well as the publishing rights and production files in relation to dictionaries, comics, storybooks, educational and learning materials for early education and national-type Chinese schools recognised through the acquisitions of United Publishing House (M) Sdn. Bhd. and Sanjung Unggul by the Company.

The intellectual properties are amortised over 15 years as the management estimates that the intellectual properties can be used for commercial activities for a duration of 15 years.

Change in estimate

During the current financial year, the Group conducted a review of the intellectual properties which resulted in changes in the expected usage period of the intellectual properties. The intellectual properties which were previously amortised over 10 years, have been determined to have a longer useful life of 15 years based on the Group's historical records of use of intellectual properties. As a result, the Group has changed the basis for amortisation of the intellectual properties from 10 to 15 years in the current financial year. The effect of these changes on amortisation expense, recognised in administrative expenses, in current and future periods is as follows:

	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Later RM'000
(Decrease)/ Increase in amortisation expense	(740)	(740)	(740)	(740)	(740)	3,699

5.3 Impairment testing for cash-generating units containing goodwill

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

5. Intangible assets (continued)

5.3 Impairment testing for cash-generating units containing goodwill (continued)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2018 RM'000	2017 RM'000
Sanjung Unggul Group	10,253	10,253
Distinct Motion Group	533	533
Pinko Creative	178	-
	10,964	10,786

In assessing whether goodwill is impaired, the carrying amount of the CGU (including goodwill) is compared with the recoverable amount of the CGU.

Sanjung Unggul Group

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

- Cash flows were projected based on actual operating results and financial budget approved by management covering a 5-year business plan.
- The anticipated sales in 2019 includes approximately RM973,000 of sales from new product line. The anticipated sales growth rate is 1.39% per annum from 2019 to 2023.
- The operating expenditure growth was assumed to be 2.43% per annum. The estimated growth rate was based on the average of historical growth levels experienced over the past 5 years and the forecasted inflation rate.
- The projected gross margins which reflects the average historical gross margin, adjusted for projected market and economic conditions and internal resource efficiency.
- The unit will continue its operations indefinitely.
- A pre-tax discount rate of 13.2% (2017: 8.1%) was applied in determining the recoverable amount of the CGU. The discount rate applied was estimated based on the Group's weighted average cost of capital.

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

Sensitivity analysis

Management believe that any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount of the CGU. Based on their review, there is no evidence of impairment on the goodwill allocated to the Sanjung Unggul Group.

5. Intangible assets (continued)

5.3 Impairment testing for cash-generating units containing goodwill (continued)

Distinct Motion Group

The recoverable amount of the business unit is higher than its carrying amount and was based on its value in use. Value in use was determined by discounting future cash flows to be generated from the continuing operation of the business as a provider of learning activities relating to robotics and science, technology, engineering and mathematics (STEM) education and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and financial budget approved by management covering a 5-year business plan.
- The anticipated sales is approximately RM800,000 in 2019. The anticipated sales growth rate is 2.43% per annum from 2020 to 2023.
- The operating expenditure growth was assumed to be 2.43% per annum. The estimated growth rate was based on the forecasted inflation rate.
- The projected gross margins which reflects the average historical gross margin, adjusted for projected market and economic conditions and internal resource efficiency.
- The unit will continue its operations indefinitely.
- A pre-tax discount rate of 13.2% (2017: 8.1%) was applied in determining the recoverable amount of the CGU. The discount rate applied was estimated based on the Group's weighted average cost of capital.

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

Sensitivity analysis

Management believe that any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount of the CGU. Based on their review, there is no evidence of impairment on the goodwill allocated to the Distinct Motion Group.

5. Intangible assets (continued)

5.3 Impairment testing for cash-generating units containing goodwill (continued)

Pinko Creative

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

- Cash flows were projected based on actual operating results and financial budget approved by management covering a 5-year business plan.
- The anticipated sales is approximately RM1,000,000 per annum from 2019. The anticipated sales growth rate is 2.43% per annum from 2020 to 2023.
- The operating expenditure growth was assumed to be 2.43% per annum. The estimated growth rate was based on the forecasted inflation rate.
- The projected gross margins which reflects the average historical gross margin, adjusted for projected market and economic conditions and internal resource efficiency.
- The unit will continue its operations indefinitely.
- A pre-tax discount rate of 13.2% was applied in determining the recoverable amount of the CGU. The discount rate applied was estimated based on the Group’s weighted average cost of capital.

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

Sensitivity analysis

Management believe that any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount of the CGU. Based on their review, there is no evidence of impairment on the goodwill allocated to Pinko Creative.

6. Investments in subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost	93,008	93,008

Details of the subsidiaries, which are all incorporated in Malaysia, are as follows:

Name of subsidiary	Principal activities	Effective ownership interest and voting interest 2018 %	Effective ownership interest and voting interest 2017 %
Sasbadi Sdn. Bhd.	Publisher of printed educational materials, distribution of applied learning products, and trading of paper	100	100
Maya Press Sdn. Bhd.	Imprint for general titles	100	100
Orbit Buku Sdn. Bhd.	Publisher of supplementary educational materials	100	100
Sasbadi Online Sdn. Bhd.	Publisher of online/digital educational materials	100	100
Malaysian Book Promotions Sdn. Bhd.	Publishing and distribution of printed educational materials and organiser of book fairs and exhibitions	100	100
MBP Publications Sdn. Bhd.	Imprint for printed educational materials	100	100
Mindtech Education Sdn. Bhd.	Direct marketing of online/digital educational products	100	100
Sanjung Unggul Sdn. Bhd.	General trade and investment holding	100	100
United Publishing House (M) Sdn. Bhd.	Publishing of dictionaries and books	100	100
Sasbadi Learning Solutions Sdn. Bhd.	Distribution of applied learning products	100	100
Subsidiary of Sanjung Unggul Sdn. Bhd.			
The Malaya Press Sdn. Bhd.	Publishing of books	100	100

6. Investments in subsidiaries (continued)

Name of subsidiary	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiaries of United Publishing House (M) Sdn. Bhd.			
G-Apple Studio Sdn. Bhd.	Dormant	100	100
Penerbitan Daya Sdn. Bhd.	Dormant	100	100
Penerbitan Minda Sdn. Bhd.	Dormant	100	100
UPH Distributor Sdn. Bhd.	Dormant	100	100
Pinko Creative Sdn. Bhd.*	Publishing of books and trading of all kinds of printed materials	100	-
Subsidiary of Sasbadi Learning Solutions Sdn. Bhd.			
Distinct Motion Sdn. Bhd.*	Provider of learning activities related to robotics and science, technology, engineering and mathematics (STEM) education	100	100
Subsidiaries of The Malaya Press Sdn. Bhd.			
Media Distribution Sdn. Bhd.	Dormant	100	100
Jinbang Publication Sdn. Bhd.	Publication of books	100	100
Big Tree Publications Sdn. Bhd.	Publication of books	100	100
Subsidiary of Distinct Motion Sdn. Bhd.			
Distinct Element Sdn. Bhd.*	Provider of learning activities related to robotics and STEM education	100	100

* Subsidiaries not audited by KPMG PLT.

7. Other investments

	Group	
	2018 RM'000	2017 RM'000
Available-for-sale financial assets		
Club membership	37	37
Shares quoted in Malaysia	209	334
	246	371
Market value of quoted investments	209	334

8. Inventories

	Group	
	2018 RM'000	2017 RM'000
At cost/net realisable value		
Raw materials	9,027	9,102
Finished goods	64,435	56,086
	73,462	65,188
Recognised in profit or loss:		
Inventories recognised as cost of sales	22,460	24,011
Write-down/(Reversal of write down) to net realisable value	3,634	(853)

Reversal of write down of inventories

The reversal of write down of inventories was due to the Group's ability to sell the written down inventories.

9. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade					
Trade receivables		51,510	48,650	-	-
Less: Impairment losses		(3,590)	(1,697)	-	-
		47,920	46,953	-	-
Non-trade					
Amount due from subsidiaries	9.1	-	-	16,025	15,783
Other receivables and deposits		8,112	7,169	3	2
		8,112	7,169	16,028	15,785
		56,032	54,122	16,028	15,785

9.1 Amount due from subsidiaries

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

10. Cash and cash equivalents

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash and bank balances		5,445	9,538	22	97
Deposits placed with licensed banks	10.1	719	708	-	-
		6,164	10,246	22	97

10.1 Pledged deposits

Included in the deposits placed with a licensed bank of the Group is RM606,000 (2017: RM648,000) pledged for bank facilities granted to certain subsidiaries.

11. Capital and reserves

11.1 Share capital

	Group and Company			
	Number of shares 2018 '000	Amount 2018 RM'000	Number of shares 2017 '000	Amount 2017 RM'000
Issued and fully paid:				
At 1 September	419,100	108,210	279,400	69,850
Issue of bonus shares	-	-	139,700	34,925
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	-	-	3,435
At 31 August	419,100	108,210	419,100	108,210

Bonus issue

During the previous financial year, the Company completed the bonus issue of 139,699,500 new ordinary shares involving one (1) bonus share being credited as fully paid-up for every two (2) existing ordinary shares of the Company.

Ordinary shares

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

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty four (24) months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of the Companies Act 2016). As at the reporting period, the Company did not utilise the share premium amounting to RM3,435,000.

Employees' share option scheme ("ESOS")

The salient features of the Company's ESOS are, inter alia, as follows:

i) The maximum number of shares which may be issued and allotted pursuant to the ESOS shall not exceed 10% of the total issued and paid-up share capital of the Company (excluding treasury shares, if any), at any point of time during the duration of the ESOS;

11. Capital and reserves (continued)

11.1 Share capital (continued)

Employees' share option scheme ("ESOS") (continued)

ii) Any employee or executive director of the Group is eligible to participate in the ESOS provided that, as at the date of offer:

a) The employee or executive director is a Malaysian citizen who has attained eighteen (18) years of age;

b) The employee or executive director is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

c) The employee or executive director must have been confirmed in service and have served at least six (6) months in the employment of the Group;

d) Where the employee or executive director is under an employment contract, the contract is for a duration of at least one (1) year and shall have not expired within three (3) months from the date of offer; and

e) The employee or executive director has fulfilled any other criteria as may be imposed by the ESOS Committee from time to time.

Notwithstanding the above, the ESOS Committee may, at its sole and absolute discretion, waive any of the eligibility conditions set out above.

iii) Not more than 10% of the shares available under the ESOS shall be allocated to any individual eligible person, who, either singly or collectively through persons connected with the eligible person, holds 20% or more of the issued and paid-up share capital (excluding treasury shares, if any) of the Company;

iv) Not more than 80% of the options available under the ESOS shall be allocated, in aggregate to executive directors and senior management;

v) The ESOS shall be in force for a period of five (5) years from the effective date of 1 September 2016, and may be extended for a further five (5) years or a shorter period from the expiry of the first five (5) years; and

vi) The exercise price shall be fixed based on the higher of a discount of not more than 10% to the five (5)-day volume weighted average market price of the shares of the Company immediately preceding the date of offer or the par value of the shares of the Company;

The Company has received all the relevant approvals, complied with the requirements pertaining to the ESOS, and submitted the final copy of the By-Laws of the ESOS to Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to paragraph 6.42 of the Bursa Securities Listing Requirements on 1 September 2016. The implementation of ESOS is thus effective from 1 September 2016. As at the date of this report, no options have been granted pursuant to the ESOS.

11. Capital and reserves (continued)

11.2 Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the annual general meeting held on 23 January 2018, renewed their approval for the Company's plan to purchase up to ten percent (10%) of its issued and paid-up capital at any point of time.

During the previous financial year, the Company purchased 1,000 of its own shares from the open market at a price of RM1.11 per share, which was financed by internally generated funds. The purchased shares are being held as treasury shares in accordance with the requirements under Section 127 of the Companies Act 2016.

11.3 Merger deficit

The merger deficit comprises the differences between the cost of acquisition and the nominal value of shares acquired during the acquisition of Sasbadi Sdn. Bhd. in 2014.

11.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

11.5 Revaluation reserve

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

12. Loans and borrowings

	Note	Group 2018 RM'000	Group 2017 RM'000
Non-current			
Finance lease liabilities	12.1	72	103
Term loans - secured	12.2	16,486	20,326
		16,558	20,429
Current			
Bank overdrafts - secured	12.3	19,570	12,372
Bankers' acceptances - secured	12.4	2,538	-
Finance lease liabilities	12.1	30	27
Term loans - secured	12.2	3,959	3,868
		26,097	16,267
		42,655	36,696

12.1 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000
Less than one year	34	(4)	30	34	(7)	27
Between one and five years	77	(5)	72	111	(8)	103
	111	(9)	102	145	(15)	130

12. Loans and borrowings (continued)

12.2 Term loans

The term loans of the Group are secured by charges over the land and buildings (Note 3), investment properties (Note 4), land and building of a company owned by a former director of a subsidiary, corporate guarantees by the Company and letter of negative pledge.

12.3 Bank overdrafts

The bank overdrafts of the Group are secured by charges over the land and buildings (Note 3), pledged deposits (Note 10.1), corporate guarantees by the Company, land and building of a company owned by a former director of a subsidiary, and letter of negative pledge.

12.4 Bankers' acceptances

The bankers' acceptances are secured by charges over the land and buildings (Note 3), corporate guarantees by the Company and letter of negative pledge.

13. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

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

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment						
- capital allowance	54	66	(426)	(348)	(372)	(282)
- revaluation	-	-	(7,112)	(4,305)	(7,112)	(4,305)
Intangible assets	-	-	(2,253)	(2,435)	(2,253)	(2,435)
Tax losses	419	1,015	-	-	419	1,015
Provisions	2,604	952	-	(39)	2,604	913
Tax assets/(liabilities)	3,077	2,033	(9,791)	(7,127)	(6,714)	(5,094)
Set off of tax	(1,850)	(664)	1,850	664	-	-
	1,227	1,369	(7,941)	(6,463)	(6,714)	(5,094)

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

Recognised deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the financial year:

	At 1.9.2016 RM'000	Recognised in profit or loss (Note 19) RM'000	Arising from business combinations (Note 29) RM'000	At 31.8.2017/ 1.9.2017 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in revaluation reserve RM'000	Arising from business combinations (Note 29) RM'000	At 31.8.2018 RM'000
Property, plant and equipment								
- capital allowance	(370)	94	(6)	(282)	(88)	-	(2)	(372)
- revaluation	(4,305)	-	-	(4,305)	-	(2,807)	-	(7,112)
Intangible assets	(2,724)	289	-	(2,435)	182	-	-	(2,253)
Tax losses	548	467	-	1,015	(596)	-	-	419
Provisions	440	473	-	913	1,691	-	-	2,604
	(6,411)	1,323	(6)	(5,094)	1,189	(2,807)	(2)	(6,714)

Unrecognised deferred tax assets

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

	Group 2018 RM'000	Group 2017 RM'000
Unutilised tax losses	142	142

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiary companies can utilise the benefits.

14. Provisions

	Group	
	2018 RM'000	2017 RM'000
Sales returns		
At 1 September	1,203	1,062
Provision made during the year	122	335
Provision reversed during the year	(233)	(194)
At 31 August	1,092	1,203

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

15. Trade and other payables

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade payables		7,299	8,646	-	-
Non-trade					
Amount due to a subsidiary	15.1	-	-	-	1
Other payables and accrued expenses	15.2	11,693	11,705	372	430
		18,992	20,351	372	431

15.1 Amount due to a subsidiary

Amount due to a subsidiary is non-trade in nature, unsecured, interest free and repayable on demand.

15.2 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group are accrued royalties payable of RM5,614,000 (2017: RM7,234,000).

Included in other payables and accrued expenses of the Group and of the Company is an amount due to Directors of RM312,000 (2017: RM380,000).

16. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of goods	87,841	93,053	-	-
Dividend income	-	-	1,080	3,480
	87,841	93,053	1,080	3,480

17. Finance costs

	Group	
	2018 RM'000	2017 RM'000
Interest expense:		
- bank facilities	3,005	1,830
- finance lease liabilities	6	26
	3,011	1,856

18. Profit before tax

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year is arrived at after charging:				
Auditors' remuneration				
Audit fees				
KPMG PLT	297	273	70	50
Other auditors	13	4	-	-
Non-audit fees				
KPMG PLT	15	23	15	23
Amortisation of intangible assets	1,292	2,064	-	-
Depreciation of property, plant and equipment	2,575	2,487	-	-
Depreciation of investment properties	52	53	-	-
Impairment loss on trade receivables	2,065	1,149	-	-
Trade receivables written off	7	10	-	-
Property, plant and equipment written off	6	16	-	-
Inventories write down	4,045	86	-	-
Provision for sales returns	122	335	-	-
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	2,698	2,840	-	-
- Wages, salaries and others	20,388	20,672	-	-
Realised foreign exchange loss	17	10	-	-
Rental of premises	873	854	-	-
Rental of machinery	25	19	-	-
Finance costs	3,011	1,856	-	-

18. Profit before tax (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year is arrived at after crediting:				
Bad debts recovered	6	-	-	-
Gain on disposal of property, plant and equipment	78	298	-	-
Gain on disposal of other investments	10	-	-	-
Dividend income from a				
- subsidiary (unquoted)	-	-	1,080	3,480
- available-for-sale financial assets (quoted)	9	10	-	-
Finance income	22	148	1	49
Realised foreign exchange gain	33	-	-	-
Reversal of impairment loss on trade receivables	156	62	-	-
Reversal of inventories write down	411	939	-	-
Reversal of provision for sales returns	233	194	-	-

19. Tax expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
- current year	3,321	5,073	-	12
- prior year	37	(295)	(2)	3
	3,358	4,778	(2)	15
Deferred tax expense				
Origination and reversal of temporary differences	(1,373)	(818)	-	-
Under/(Over) provision in prior year	184	(505)	-	-
	(1,189)	(1,323)	-	-
	2,169	3,455	(2)	15

19. Tax expense (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Reconciliation of tax expense				
Profit before tax	4,210	11,451	239	2,578
Income tax using Malaysian tax rate of 24% (2017: 24%)	1,010	2,748	57	619
Non-deductible expenses	958	1,647	202	228
Non-taxable income	(20)	(17)	(259)	(835)
Recognition of previously unrecognised deferred tax assets	-	(123)	-	-
	1,948	4,255	-	12
Under/(Over) provision in prior year	221	(800)	(2)	3
Tax expense	2,169	3,455	(2)	15

20. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2017			
Final 2016 ordinary	1.25	3,492	22 February 2017
Interim 2017 ordinary	1.00	2,794	31 May 2017
		6,286	

The Directors do not recommend any final dividend to be paid in respect of the financial year under review.

21. Earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 August 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2018	2017
Group		
Profit attributable to ordinary shareholders (RM'000)	2,041	8,044
Weighted average number of ordinary shares at 31 August ('000)	419,099	419,099
Basic earnings per ordinary shares (sen)	0.49	1.92

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 August 2018 (2017: None).

22. Operating segments

Segmental information was previously presented by the Group in accordance with the Group's entities. However, beginning this current financial year, the Group has changed the presentation of the segmental information in accordance with the Group's operations and products, to provide for better monitoring and management, and clearer performance reporting. The Group has restated the corresponding items of segmental information for the previous financial year.

For each operation and product, the Group's Managing Director ("GMD"), who is the chief operating decision maker, reviews internal management reports regularly.

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

22. Operating segments (continued)

Group 2018	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Corporate RM'000	Total RM'000
Segment profit/(loss)	10,752	1,228	(5)	223	12,198
Included in the measure of segment profit/(loss) are:					
Revenue from external customers	75,827	8,376	3,638	-	87,841
Inter-company revenue	14,946	3,077	673	1,080	19,776
Not included in the measure of segment profit/(loss) but provided to GMD:					
Depreciation and amortisation	(3,564)	(292)	(63)	-	(3,919)
Finance income	21	-	-	1	22
Finance costs	(3,011)	-	-	-	(3,011)
Tax expense	(1,853)	(225)	(93)	2	(2,169)
Segmental assets	215,729	18,809	4,271	109,093	347,902
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	696	1,002	14	-	1,712

* Digital/Online and Technology-enabled Solutions and Network Marketing Business Division
^ Applied Learning Products ("ALP") and Science, Technology, Engineering and Mathematics ("STEM") Education Services Division

22. Operating segments (continued)

Group 2017	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Corporate RM'000	Total RM'000
Segment profit/(loss)	19,166	(882)	445	2,514	21,243
Included in the measure of segment profit/(loss) are:					
Revenue from external customers	79,593	6,084	7,376	-	93,053
Inter-company revenue	11,409	62	67	3,480	15,018
Not included in the measure of segment profit/(loss) but provided to GMD:					
Depreciation and amortisation	(4,242)	(306)	(56)	-	(4,604)
Finance income	99	-	-	49	148
Finance costs	(1,856)	-	-	-	(1,856)
Tax expense	(3,986)	170	376	(15)	(3,455)
Segmental assets	213,603	17,574	7,996	108,910	348,083
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	3,093	786	1,021	-	4,900

* Digital/Online and Technology-enabled Solutions and Network Marketing Business Division
^ Applied Learning Products ("ALP") and Science, Technology, Engineering and Mathematics ("STEM") Education Services Division

22. Operating segments (continued)

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

	Group	
	2018 RM'000	**2017 RM'000**
Profit or loss		
Total profit for reportable segments	12,198	21,243
Elimination of inter-segment profits	(1,080)	(3,480)
Depreciation and amortisation	(3,919)	(4,604)
Finance costs	(3,011)	(1,856)
Finance income	22	148
Consolidated profit before tax	4,210	11,451

Group	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	Additions to non-current assets RM'000
2018						
Total reportable segments	107,617	(3,919)	(3,011)	22	347,902	1,712
Elimination of inter-segment transactions or balances	(19,776)	-	-	-	(120,955)	-
Consolidated total	87,841	(3,919)	(3,011)	22	226,947	1,712
2017						
Total reportable segments	108,071	(4,604)	(1,856)	148	348,083	4,900
Elimination of inter-segment transactions or balances	(15,018)	-	-	-	(137,987)	-
Consolidated total	93,053	(4,604)	(1,856)	148	210,096	4,900

22. Operating segments (continued)

Geographical segments

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

Major customer

Revenue from a customer of the Group amounted to RM10,559,000 (2017: RM16,100,000) contributed to more than 10% of the Group's revenue.

23. Financial instruments

23.1 Categories of financial instruments

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

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

2018	Carrying amount RM’000	L&R/ (FL) RM’000	AFS RM’000
Financial assets			
Group			
Other investments	246	-	246
Trade and other receivables	56,032	56,032	-
Cash and cash equivalents	6,164	6,164	-
	62,442	62,196	246
Company			
Trade and other receivables	16,028	16,028	-
Cash and cash equivalents	22	22	-
	16,050	16,050	-
Financial liabilities			
Group			
Loans and borrowings	(42,655)	(42,655)	-
Trade and other payables	(18,992)	(18,992)	-
	(61,647)	(61,647)	-
Company			
Trade and other payables	(372)	(372)	-

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

2017	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
Financial assets			
Group			
Other investments	371	-	371
Trade and other receivables	54,122	54,122	-
Cash and cash equivalents	10,246	10,246	-
	64,739	64,368	371
Company			
Trade and other receivables	15,785	15,785	-
Cash and cash equivalents	97	97	-
	15,882	15,882	-
Financial liabilities			
Group			
Loans and borrowings	(36,696)	(36,696)	-
Trade and other payables	(20,351)	(20,351)	-
	(57,047)	(57,047)	-
Company			
Trade and other payables	(431)	(431)	-

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gain/(loss) on:				
Loans and receivables	(1,888)	(949)	1	49
Financial liabilities measured at amortised cost	(2,995)	(1,866)	-	-
Available-for-sale financial assets	19	14	-	-
	(4,864)	(2,801)	1	49

23. Financial instruments (continued)

23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

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 statements of financial position.

As at 31 August 2018, the Group has significant concentration of credit risk in the form of outstanding balances from 5 trade customers which amounted to RM10,617,000 (2017: RM11,448,000) representing 22% (2017: 24%) of total trade receivables. The Directors are of the opinion that the outstanding balances from these customers are fully recoverable based on the following:

- Significant payments have subsequently been received from 4 customers after the reporting period; and
- The Directors have made assessments that all these customers have the ability to repay the balances outstanding.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The Group has entered into a small number of contracts, all of which are monitored individually for completion and payment by the Directors and management. The Directors are confident that, based on their knowledge of payment patterns and subsequent payments received, the Group is able to fully recover the amounts due from its customers.

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

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

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2018			
Not past due	10,842	-	10,842
Past due 1 – 30 days	3,878	-	3,878
Past due 31 – 120 days	8,468	-	8,468
Past due more than 120 days	28,322	(3,590)	24,732
	51,510	(3,590)	47,920
2017			
Not past due	9,582	-	9,582
Past due 1 – 30 days	3,417	-	3,417
Past due 31 – 120 days	14,420	-	14,420
Past due more than 120 days	21,231	(1,697)	19,534
	48,650	(1,697)	46,953

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

	Group 2018 RM'000	Group 2017 RM'000
At 1 September	1,697	736
Impairment loss recognised	2,065	1,149
Impairment loss reversed	(156)	(62)
Impairment loss written off	(16)	(126)
At 31 August	3,590	1,697

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Group monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM40,693,000 (2017: RM32,188,000) representing the outstanding term loan, bankers acceptance and bank overdrafts of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

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

23. Financial instruments (continued)

23.4 Credit risk (continued)

Investments and other financial assets (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. 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.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

23.5 Liquidity risk

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

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

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

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis

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

2018	Carrying amount RM'000	Contractual interest/Profit rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
Group						
Non-derivative financial liabilities						
Bank overdrafts	19,570	4.55% to 8.17%	21,132	21,132	-	-
Bankers' acceptances	2,538	5.70% to 5.75%	2,538	2,538	-	-
Finance lease liabilities	102	2.49% to 3.39%	111	34	77	-
Term loans	20,445	5.00% to 8.17%	26,813	5,240	14,885	6,688
Trade and other payables	18,992	-	18,992	18,992	-	-
Financial guarantees	-	-	598	598	-	-
	61,647		70,184	48,534	14,962	6,688
Company						
Non-derivative financial liabilities						
Trade and other payables	372	-	372	372	-	-
Financial guarantees	-	-	40,693	40,693	-	-
	372		41,065	41,065	-	-

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis (continued)

2017	Carrying amount RM'000	Contractual interest/Profit rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
Group						
Non-derivative financial liabilities						
Bank overdrafts	12,372	4.55% to 8.17%	13,325	13,325	-	-
Finance lease liabilities	130	2.49% to 3.39%	145	34	111	-
Term loans	24,194	5.35% to 7.92%	30,223	5,439	18,692	6,092
Trade and other payables	20,351	-	20,351	20,351	-	-
Financial guarantees	-	-	643	643	-	-
	57,047		64,687	39,792	18,803	6,092
Company						
Non-derivative financial liabilities						
Trade and other payables	431	-	431	431	-	-
Financial guarantees	-	-	32,188	32,188	-	-
	431		32,619	32,619	-	-

23. Financial instruments (continued)

23.6 Market risk

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

23.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

Group	***2018 Denominated in***		***2017 Denominated in***	
	USD RM'000	**SGD RM'000**	**USD RM'000**	**SGD RM'000**
Trade payables	91	642	123	-

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

23.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

Exposure to interest rate risk

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

	Group	
	2018 RM'000	2017 RM'000
Floating rate instruments		
Financial liabilities	(40,012)	(36,523)
Fixed rate instruments		
Financial assets	719	708
Financial liabilities	(2,643)	(173)
	(1,924)	535

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

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	
Group	100 bps increase RM'000	100 bps decrease RM'000
2018		
Floating rate instruments	(304)	304
2017		
Floating rate instruments	(278)	278

23. Financial instruments (continued)

23.7 Fair value information

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

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018										
Financial assets										
Available-for-sale financial assets	209	-	37	246	-	-	-	-	246	246
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	111	111	111	102
Term loans	-	-	-	-	-	-	21,304	21,304	21,304	20,445
	-	-	-	-	-	-	21,415	21,415	21,415	20,547
2017										
Financial assets										
Available-for-sale financial assets	334	-	37	371	-	-	-	-	371	371
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	145	145	145	130
Term loans	-	-	-	-	-	-	25,285	25,285	25,285	24,194
	-	-	-	-	-	-	25,430	25,430	25,430	24,324

23. Financial instruments (continued)

23.7 Fair value information (continued)

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

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

23. Financial instruments (continued)

23.7 Fair value information (continued)

The following table shows the valuation technique used in the determination of fair values within Level 3.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease liabilities and term loans	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.

24. Capital management

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

The debt-to-equity ratios are as follows:

	Note	Group 2018 RM'000	Group 2017 RM'000
Total loans and borrowings	12	42,655	36,696
Less: Cash and cash equivalents	10	(6,164)	(10,246)
Net debt		36,491	26,450
Total equity		156,267	145,383
Net debt-to-equity ratio		0.23	0.18

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

25. Operating leases

Leases as lessee

Non-cancellable operating lease rental are payable as follows:

	Group 2018 RM'000	Group 2017 RM'000
Less than one year	330	303
Between one and three years	175	18
	505	321

The Group leases a number of office premises under operating leases. The leases typically run for a period of one to three years, with an option to renew the lease after the date of expiration. None of the leases includes contingent rentals.

Leases as lessor

The Group leases out its investment properties (see Note 4). The future minimum lease receivables under non-cancellable leases are as as follows:

	Group 2018 RM'000	Group 2017 RM'000
Less than one year	60	46
Between one and five years	55	-
	115	46

26. Contingencies

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

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Bank guarantees obtained by the Group to the Ministry of Education	26.1	598	643	-	-
In respect of corporate guarantees issued for subsidiaries		-	-	40,693	32,188

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

26. Contingencies (continued)

Material litigation

Sasbadi Sdn. Bhd. ("SSB"), a wholly-owned subsidiary of the Company, had on 21 July 2017, received a copy of the sealed Writ and Statement of Claim dated 29 June 2017 from Messrs Skrine, acting on behalf of Penerbitan Pelangi Sdn. Bhd. ("PPSB"). The legal suit brought against SSB was due to the alleged infringement of PPSB's copyright by SSB resulting from SSB's publishing and sales of books on past year question papers for the Sijil Tinggi Persekolahan Malaysia ("STPM") examination and the Malaysian University English Test ("MUET") under the publishing agreement entered into on 13 March 2017 between SSB and Majlis Peperiksaan Malaysia ("MPM").

SSB had on 30 August 2017, via its solicitors, filed its defence against the claim and submitted a counterclaim. SSB had, on 27 September 2017, via its solicitors, received a reply whereby PPSB denied SSB's counterclaims and SSB is put to strict proof of the said claims.

On 16 April 2018, PPSB, MPM and SSB (collectively, the "Parties") entered into a settlement agreement whereby it was agreed between the Parties that PPSB would withdraw its claim in the lawsuit with no liberty to file afresh and no order as to costs and, simultaneously, SSB would withdraw its counterclaim in the lawsuit with no liberty to file afresh and no order as to costs.

Subsequently, on 18 April 2018, the Kuala Lumpur High Court struck out the claim by PPSB and the counterclaim by SSB in the lawsuit, with no liberty to file afresh and no order as to costs. In this regard, SSB shall continue to enjoy the exclusive licence granted by MPM to SSB to prepare, publish, print, distribute, market and sell the collections of past year question papers for the STPM examination and MUET, during the duration of the Publishing Agreement.

27. Related parties

Identity of related parties

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

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

27. Related parties (continued)

Identity of related parties (continued)

The Group and the Company have related party relationship with its subsidiaries and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 9 and Note 15.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Subsidiary:				
Net advances given/(received)	-	-	243	(8,336)
Dividend income	-	-	(1,080)	(3,480)
Key management personnel:				
Directors' remuneration				
- Fees	462	560	462	560
- Other emoluments	1,226	1,536	-	-
	1,688	2,096	462	560

The estimated monetary value of Directors' benefit-in-kind of the Group is RM77,000 (2017: RM77,000).

28. Significant event

On 17 April 2018, United Publishing House (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a share acquisition agreement to acquire 100% equity interest in Pinko Creative Sdn. Bhd. The acquisition was completed on 4 May 2018 (See Note 29.1).

29. Acquisition of subsidiaries and non-controlling interests

29.1 Acquisition of subsidiaries

On 4 May 2018, United Publishing House (M) Sdn. Bhd. completed the acquisition of 100% equity interest in Pinko Creative Sdn. Bhd. ("Pinko Creative"), comprising 50,000 ordinary shares, for a total cash consideration of RM860,000.

From the date of acquisition of 4 May 2018 to 31 August 2018, Pinko Creative contributed Nil revenue and loss of RM41,000. If the acquisition had occurred on 1 September 2017, management estimates that Pinko Creative would have contributed revenue and loss of RM765,170 and RM165,519, respectively for the current financial year.

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

29.1 Acquisition of subsidiaries (continued)

On 21 October 2016, Sasbadi Learning Solutions Sdn. Bhd. completed the acquisition of 100% equity interest in Distinct Motion Sdn. Bhd. ("Distinct Motion"), comprising 740,000 ordinary shares, for a total cash consideration of RM850,000. Distinct Motion has a wholly-owned subsidiary, Distinct Element Sdn. Bhd. (Note: Distinct Motion and its subsidiary are herein collectively known as “Distinct Motion Group”).

From the date of acquisition of 21 October 2016 to 31 August 2017, Distinct Motion Group contributed revenue of RM218,000 and loss of RM320,000. If the acquisition had occurred on 1 September 2016, management estimates that Distinct Motion Group would have contributed revenue and loss of RM264,000 and RM349,000, respectively for the previous financial year.

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

	Group	
	2018 RM’000	**2017 RM’000**
Fair value of consideration transferred		
Cash and cash equivalents	860	850
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	22	361
Trade and other receivables	510	73
Cash and cash equivalents	175	3
Inventories	125	25
Current tax liabilities	(17)	-
Trade and other payables	(131)	(95)
Borrowings	-	(44)
Deferred tax liabilities	(2)	(6)
Total identifiable net assets	682	317
Net cash outflow arising from acquisition of subsidiaries		
Purchase consideration settled in cash and cash equivalents	(860)	(850)
Cash and cash equivalents acquired	175	3
	(685)	(847)

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

29.1 Acquisition of subsidiaries (continued)

Goodwill was recognised in the current financial year for the acquisition of Pinko Creative as follows:

	Group 2018 RM'000
Total consideration transferred	860
Fair value of net identifiable assets	(682)
Goodwill	178

Goodwill was recognised in the previous financial year for the acquisition of the Distinct Motion Group as follows:

	Group 2017 RM'000
Total consideration transferred	850
Fair value of net identifiable assets	(317)
Goodwill	533

29.2 Acquisition of non-controlling interests – Sanjung Unggul Sdn. Bhd.

On 31 July 2017, the Company acquired the remaining 30% equity interest in Sanjung Unggul Sdn. Bhd. ("Sanjung Unggul") for a total cash consideration of RM9,400,000. Sanjung Unggul has a wholly-owned subsidiary, i.e. The Malaya Press Sdn. Bhd., which, in turn, has three (3) wholly-owned subsidiaries, i.e. Big Tree Publications Sdn. Bhd., Jinbang Publication Sdn. Bhd. and Media Distribution Sdn. Bhd. (Note: Sanjung Unggul and its subsidiaries are herein collectively known as "Sanjung Unggul Group"). The carrying amount of Sanjung Unggul Group's net assets in the Group's financial statements on the date of the acquisition was RM18,067,000. Subsequent to this acquisition, the Company's effective controlling interest in Sanjung Unggul Group is 100%.

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 64 to 138 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

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

…………………………………………………………

Law King Hui
Director

…………………………………………………………

Lee Swee Hang
Director

Kuala Lumpur,

Date: 19 December 2018

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Chan Yuet Leng**, the officer primarily responsible for the financial management of Sasbadi Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 138 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Chan Yuet Leng, NRIC: 710622-08-6002, MIA: CA 15995, at Kuala Lumpur in the Federal Territory on 19 December 2018.

....
Chan Yuet Leng

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SASBADI HOLDINGS BERHAD

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sasbadi Holdings Berhad, which comprise the statements of financial position as at 31 August 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2018 and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of intangible assets
Refer to Note 5 to the financial statements.

The key audit matter	How the matter was addressed in our audit
Goodwill recognised in the consolidated statement of financial position mainly arose from the Group's acquisition of Sanjung Unggul Sdn. Bhd. and its subsidiaries, Distinct Motion Sdn. Bhd. and its subsidiary and Pinko Creative Sdn. Bhd. The Group estimated the recoverable amount of the cash generating units containing goodwill based on discounted future cash flow using estimates of profit forecast, including discount rate, sales growth rate, terminal growth rate and gross profit margin. There is a risk that the carrying value of this goodwill may not be recovered from future cash flows which may be affected due to the inherent uncertainty involved in forecasting and discounting future cash flows.	We performed the following audit procedures, amongst others, around the impairment of goodwill: • We assessed the key assumptions used in the cash flow forecast such as discount rate, sales growth rate, terminal growth rate and gross profit margin by comparing them to externally derived data as well as our own assessments which took into account historical trends; • We tested the sensitivity of the impairment calculations to changes in key assumptions used to evaluate the impact on recoverable amounts for each cash generating unit; and, • We considered the adequacy of the Group's disclosures in respect of impairment testing, and whether the disclosures in relation to the sensitivity of outcome of the impairment assessment to changes in any assumptions reflected the risks inherent in the valuation.

Key Audit Matters (continued)

2. Valuation of trade receivables
Refer to Note 9 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's exposure to credit risk arises principally from its receivables from customers. The recoverability of trade receivables is a key audit matter as the recoverability and the level of impairment loss of trade receivables involved Group's judgement. The level of impairment loss involves Group's judgement based upon the debtors' credit risk evaluation, historical payment trends, subsequent to year end collections. These factors could have a material impact on the level of impairment loss determined by the Group.	We performed the following audit procedures, amongst others, around recoverability of trade receivables: • We checked the accuracy of trade receivables ageing; and, • We evaluated the Group's estimates and judgement in arriving the impairment amount by: - checking disputes with customers - checking past payment trend - checking credit history of customers - considering receivables where their ageing profile had deteriorated - considering receivables where there is evidence that the credit quality of the debtor is considered a risk - assessing the receipts during the year and subsequent to year end collections - considering actions taken by the Group to recover the debts.

Key Audit Matters (continued)

3. Valuation of inventories
Refer to Note 8 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The valuation of inventories is a key audit matter because of the judgement involved in assessing the level of allowance for inventories write down required and the inventories balance as at year end is material to the Group.	We performed the following audit procedures, amongst others, around the valuation of inventories: • We evaluated the design and implementation processes over the identification of slow moving inventories and tested their effectiveness; • From samples selected, we checked the inventories to sales subsequent to the year end to determine that these were sold at more than its cost; and, • We assessed the adequacy of the allowance for inventories write down by comparing against the Group's policies.

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company 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 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Foo Siak Chung
Approval Number: 03184/02/2020 J
Chartered Accountant

Petaling Jaya,

Date: 19 December 2018

Registered/ Beneficial Owner	Location	Description/ Existing Use	Tenure	Land Area/ Built–up Area (sq. ft.)	Approximate Age of Building (Years)	Net Book Value as at 31 August 2018 (RM'000)	Date of Valuation/ Acquisition
Sasbadi Sdn Bhd	Lot 12, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Industrial land erected upon with a single storey warehouse building with a three (3)-storey office cum internal warehouse building annex/ Industrial warehouse and office	Registered lease 60 years (from 22.11.2001 to 21.11.2061)	105,562/ 76,945	14	34,261	28.02.2018^
Sasbadi Sdn Bhd	Unit No. C-10-5, Block C, Bay View Villas, PD World Marina International Resort, 6th Mile Jalan Pantai, Teluk Kemang, 71050 Port Dickson, Negeri Sembilan Darul Khusus	Three (3)-bedroom apartment/ Apartment (currently unoccupied)	Leasehold (99 years expiring on 17.12.2101)	Not applicable/ 1,278	19	90	28.02.2018^
Sasbadi Sdn Bhd	Unit No. B 1-2, Block B, The Regency Tanjung Tuan Beach Resort, 5th Mile, Jalan Pantai, 71050 Port Dickson, Negeri Sembilan Darul Khusus	Two (2)-bedroom apartment/ Holiday apartment	Leasehold (99 years expiring on 13.05.2081)	Not applicable/ 969	32	228	28.02.2018^
Sasbadi Sdn Bhd	2, Jalan Teknologi 3/5A, Pusat Teknologi Sinar Damansara, PJU 5, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	Three (3)-storey factory building/ Office and warehouse	Leasehold (99 years expiring on 18.10.2106)	12,464.53/ 9,600	7	7,951	28.02.2018^
Sasbadi Sdn Bhd	L1-09 and L1-10, Cova Square, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan	Two (2) units of retail lots/ Rented out to fellow subsidiary, MindTech Education Sdn Bhd, for use as office and training centre	Leasehold (99 years expiring on 27.04.2107)	Not applicable/ Each measuring 2,260	9	2,672	28.02.2018^

Registered/ Beneficial Owner	Location	Description/ Existing Use	Tenure	Land Area/ Built–up Area (sq. ft.)	Approximate Age of Building (Years)	Net Book Value as at 31 August 2018 (RM'000)	Date of Valuation/ Acquisition
United Publishing House (M) Sdn Bhd	Nos. 5077-5079, Lorong 18/64A, Taman Sri Serdang, 43300 Seri Kembangan, Selangor Darul Ehsan	Three (3) units of adjoining one-and-a-half (1½) storey terrace factory buildings/ Office and warehouse	Leasehold (99 years expiring on 18.05.2083)	11,474.7/ 19,683	23	5,203	28.02.2018^
United Publishing House (M) Sdn Bhd	Nos. 21 (Basement, Ground and Mezzanine Floors), 23 (Basement, Ground and Mezzanine Floors), 25 (Basement) and 27 (Basement), Jalan Taiping, 50410 Kuala Lumpur	Four (4) basement, two (2) ground and two (2) mezzanine floors of four (4) units of adjoining four-and-a-half (4½) storey shop/office/apartment buildings/ Rented out as investment properties	Freehold	Not applicable/ 13,832	41	2,532	12.08.2016#

Notes:

^ *Date of valuation.*

\# *Date of acquisition of United Publishing House (M) Sdn Bhd by Sasbadi Holdings Berhad.*

ANALYSIS OF SHAREHOLDINGS AS AT 30 NOVEMBER 2018

Number of Issued Shares : 419,099,500 *(Including 1,000 shares bought back and retained as treasury shares)*
Class of Shares : Ordinary
Voting Rights : One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

AS PER THE RECORD OF DEPOSITORS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held^	% of Issued Share Capital
Less than 100	40	1.27	1,370	0.00
100 – 1,000	229	7.25	132,934	0.03
1,001 – 10,000	1,395	44.14	8,203,000	1.96
10,001 – 100,000	1,262	39.94	43,815,595	10.45
100,001 to 20,954,924 *	231	7.31	178,455,600	42.58
20,954,925 and above **	3	0.09	188,490,001	44.98
Total	**3,160**	**100.00**	**419,098,500**	**100.00**

Notes:
^ *Excluding a total of 1,000 shares bought back and retained as treasury shares*
* *Less than 5% of issued shares*
** *5% and above of issued shares*

DIRECTORS' SHAREHOLDINGS

AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Director	Direct No. of Shares Held	Direct %	Indirect No. of Shares Held	Indirect %
Dato' Salleh Bin Mohd Husein	300,000	0.07	–	–
Law King Hui	76,783,500 –	18.32 –	76,200,001(1) 3,450,000(2)	18.18 0.82
Lee Swee Hang	35,506,500	8.47	76,200,001(1)	18.18
Law Yi Chian	–	–	–	–
Dato' Noor Rezan Binti Bapoo Hashim	300,000	0.07	–	–
Lim Hun Soon @ David Lim	540,000	0.13	–	–

Note:
(1) *Deemed interest by virtue of his interest in Karya Kencana Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016*
(2) *Disclosure of shareholdings of spouse and children pursuant to Section 59(11)(c) of the Companies Act, 2016*

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

	Direct		Indirect	
Name of Substantial Shareholder	**No. of Shares Held**	**%**	**No. of Shares Held**	**%**
Law King Hui	76,783,500	18.32	76,200,001[1]	18.18
Karya Kencana Sdn Bhd	76,200,001	18.18	–	–
Lee Swee Hang	35,506,500	8.47	76,200,001[1]	18.18
Lee Eng Sang	19,050,000	4.55	76,200,001[1]	18.18
Employees Provident Fund Board	26,936,750	6.43	–	–

Note:

(1) *Deemed interest by virtue of his interest in Karya Kencana Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016*

THIRTY LARGEST SHAREHOLDERS

AS PER THE RECORD OF DEPOSITORS

No.	Name of Shareholder	No. of Shares Held	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LAW KING HUI (PB)	76,783,500	18.32
2	KARYA KENCANA SDN BHD	76,200,001	18.18
3	LEE SWEE HANG	35,506,500	8.47
4	LEE ENG SANG	19,050,000	4.55
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	12,130,700	2.89
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	10,188,100	2.43
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (DANA EKT PRIMA)	10,056,300	2.40
8	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	7,213,400	1.72
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (BALANCE)	6,518,400	1.56
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	5,520,800	1.32
11	LAW KING YONG	5,450,000	1.30
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F.TEMISLAMIC)	4,617,950	1.10
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	4,143,550	0.99
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	3,608,100	0.86
15	TASEC NOMINEES (TEMPATAN) SDN BHD TA INVESTMENT MANAGEMENT BERHAD FOR PEMBANGUNAN SUMBER MANUSIA BERHAD (PSMB)	3,552,700	0.85
16	CHEA LAI MENG	3,000,000	0.72

THIRTY LARGEST SHAREHOLDERS *(CONT'D)*

AS PER THE RECORD OF DEPOSITORS

No.	Name of Shareholder	No. of Shares Held	%
17	ANG CHING AN	2,898,000	0.69
18	RHB NOMINEES (TEMPATAN) SDN BHD OSK TECHNOLOGY VENTURES SDN BHD	2,703,150	0.64
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (SHAREHOLDERS)	2,633,950	0.63
20	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	2,513,700	0.60
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MIDF AM IS EQ)	2,490,500	0.59
22	CHOK KWONG MING	2,073,000	0.49
23	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	1,914,600	0.46
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB PRNCP ISLM)	1,850,100	0.44
25	AMANAHRAYA TRUSTEES BERHAD CIMB ISLAMIC EQUITY AGGRESSIVE FUND	1,517,400	0.36
26	MA TIEN LEONG	1,396,200	0.33
27	LEE KIM SANG	1,281,000	0.31
28	NG CHEE KWONG	1,241,600	0.30
29	LEE PEK HUN	1,210,000	0.29
30	LOW NAI TOH	1,200,000	0.29
	TOTAL	**310,463,201**	**74.08**

SASBADI

SASBADI HOLDINGS BERHAD
(Company No.: 1022660-T)
(Incorporated in Malaysia)

NOTICE OF SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of Sasbadi Holdings Berhad will be held at The Greens III Function Room, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 29 January 2019 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 August 2018 and the Reports of Directors and Auditors thereon.
2. To approve the payment of a sum of not exceeding RM560,000.00 as total Directors' Fees and benefits for the financial year ending 31 August 2019. ***Ordinary Resolution 1***
3. To re-elect the following Directors who are retiring by rotation pursuant to the Company's Constitution:-

   3.1 Mr Law King Hui ***Ordinary Resolution 2***
   3.2 Mr Lim Hun Soon @ David Lim ***Ordinary Resolution 3***
4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 4***

SPECIAL BUSINESS

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

5. **AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES** ***Ordinary Resolution 5***

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

6. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY** ***Ordinary Resolution 6***

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

(a) the aggregate number of shares purchased does not exceed ten percent (10%) of the total number of issued shares of the Company ("Purchased Shares") at any point in time;

(b) the maximum amount of funds to be allocated by the Company for the purposes of purchasing the Purchased Shares shall not exceed the aggregate amount of the retained earnings of the Company at the time of purchase;

(c) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until:-

    (i) the conclusion of the next AGM of the Company at which time the authority shall lapse unless it is renewed, either unconditionally or subject to conditions; or
    (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
    (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting;

    whichever occurs first,

(d) upon completion of the purchase by the Company of the Purchased Shares, the Directors of the Company be and are hereby empowered to deal with Purchased Shares in the following manner:-

    (i) cancel the Purchased Shares;
    (ii) retain the Purchased Shares as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act);
    (iii) retain part of the Purchased Shares as treasury shares and cancel the remainder;
    (iv) in any other manner as may be prescribed by the Act, the Main Market Listing Requirements of Bursa Securities and any other relevant authorities for the time being in force.; or

    any combination of the above (i), (ii), (iii) and (iv).

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

7. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ("Proposed New Constitution")** ***Special Resolution***

"THAT the Company's existing Memorandum and Articles of Association be hereby deleted in its entirety and that the new Constitution as set out in Part B of the Circular/ Statement to Shareholders dated 28 December 2018 be and is hereby adopted as the new Constitution of the Company.

AND THAT the Directors be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed New Constitution with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Constitution.

By Order of the Board
SASBADI HOLDINGS BERHAD

TAN FONG SHIAN (MAICSA 7023187)
LIM FEI CHIA (MAICSA 7036158)
Secretaries

Kuala Lumpur
28 December 2018

Notes:

(1) A member may appoint up to two (2) proxies to attend and vote instead of him/her at the meeting. If the member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company.

(2) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(3) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

(4) Only a depositor whose name appears in the Company's Record of Depositors as at 22 January 2019 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.

(5) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(6) The original instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.

(7) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us or our agents your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and/or authorisation of all persons whose personal data you have disclosed and/or processed, in connection with the foregoing.

EXPLANATORY NOTES

Ordinary Resolution 1

There is no increase in the Directors' Fees for the financial year ending 31 August 2019.

Ordinary Resolution 5

The proposed Ordinary Resolution 5, if passed, will renew the authority given to the Directors of the Company to allot and issue new shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the number of shares issued during the preceding twelve (12) months, does not exceed 10% of the total number of issued shares of the Company at the time of issue. This General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

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

The Company did not issue any new shares pursuant to mandate obtained at the Fifth AGM of the Company held on 23 January 2018.

Ordinary Resolution 6

The proposed Ordinary Resolution 6, if passed, will renew the authority given to the Directors to purchase issued ordinary shares in the Company of not exceeding 10% of the total number of issued shares of the Company through Bursa Securities in accordance with the Companies Act, 2016, the provisions of the Constitution of the Company and the requirements of Bursa Securities. This authority unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

Details on the proposal contained under Ordinary Resolution 6 above are set out in Part A of the Circular/Statement to Shareholders dated 28 December 2018.

Special Resolution

The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the Companies Act 2016 and the amendments to the Main Market Listing Requirements of Bursa Securities.

The proposed new Constitution is set out in Part B of the Circular/Statement to Shareholders dated 28 December 2018.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is standing for election as Director at the forthcoming Sixth Annual General Meeting of the Company.

FORM OF PROXY

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

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

of ______________________________
(ADDRESS)

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

______________________________ of ______________________________
(ADDRESS)

____

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

of ______________________________
(ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING* as my/our proxy to vote for me/us and on my/our behalf at the Sixth Annual General Meeting of the Company to be held at The Greens III Function Room, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 29 January 2019 at 10.00 a.m. and any adjournment thereof. My/Our proxy/proxies shall vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1	Approval of the payment of Directors' Fees and benefits		
Ordinary Resolution 2	Re-election of Mr Law King Hui as Director		
Ordinary Resolution 3	Re-election of Mr Lim Hun Soon @ David Lim as Director		
Ordinary Resolution 4	Re-appointment KPMG PLT as Auditors of the Company		
Ordinary Resolution 5	Authority for Directors to allot and issue shares		
Ordinary Resolution 6	Proposed Renewal of Share Buy-Back Authority		
Special Resolution	Proposed New Constitution		

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

Number of ordinary shares held

Dated this ____________ day of ________________

Central Depository System Account No.

____
Signature/Common Seal of Member

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

Notes:-

(1) A member may appoint up to two (2) proxies to attend and vote instead of him/her at the meeting. If the member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy may but need not be a member of the Company.

(2) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(3) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

(4) Only a depositor whose name appears in the Company's Record of Depositors as at 22 January 2019 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend and vote on his/her behalf.

(5) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(6) The original instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting.

(7) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us or our agents your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and/or authorisation of all persons whose personal data you have disclosed and/or processed, in connection with the foregoing.

FOLD HERE

AFFIX
STAMP

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

FOLD HERE

This page has been intentionally left blank.

This page has been intentionally left blank.

Nurturing Students For Tomorrow, Today.

SASBADI

SASBADI HOLDINGS BERHAD 1022660-T

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

+603-6145 1188

+603-6145 1199

www.sasbadiholdings.com