SASBADI

2020 ANNUAL REPORT

Enriching Life

Forging Connections

Creating Contents

Developing Technologies

Nurturing Skills

EDUCATION SOLUTIONS PROVIDER

SASBADI HOLDINGS BERHAD

Registration Number: 201201038178 (1022660-T)

SASBADI

Education Solutions Provider
since 1985

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Printed in Malaysia by:
VINLIN Press Sdn. Bhd. (25680-X)
No. 2, Jalan Meranti Permai 1,
Meranti Permai Industrial Park, Batu 15,
Jalan Puchong, 47100, Puchong,
Selangor Darul Ehsan

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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

Tang Yuen Kin
Independent Non-Executive Director
(appointed on 30 July 2020)

AUDIT COMMITTEE

Tang Yuen Kin **(Chairman)** *(appointed on 30 July 2020)*
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
Tang Yuen Kin *(appointed on 30 July 2020)*

REMUNERATION COMMITTEE

Tang Yuen Kin **(Chairman)** *(appointed on 30 July 2020)*
Dato' Salleh Bin Mohd Husein
Dato' Noor Rezan Binti Bapoo Hashim

COMPANY SECRETARY

Tan Fong Shian @ Lim Fong Shian
(SSM PC No. 201908004045) (MAICSA 7023187)

Lim Fei Chia
(SSM PC No. 202008000515) (MAICSA 7036158)

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Fax: (603) 6145 1199
Website: www.sasbadiholdings.com

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Fax: (603) 7890 4670
Website: www.boardroomlimited.com

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Selangor Darul Ehsan
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Fax: (603) 7721 3399

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Alliance Islamic Bank Malaysia Berhad
AmBank Islamic Berhad
Malayan Banking Berhad

STOCK EXCHANGE LISTING

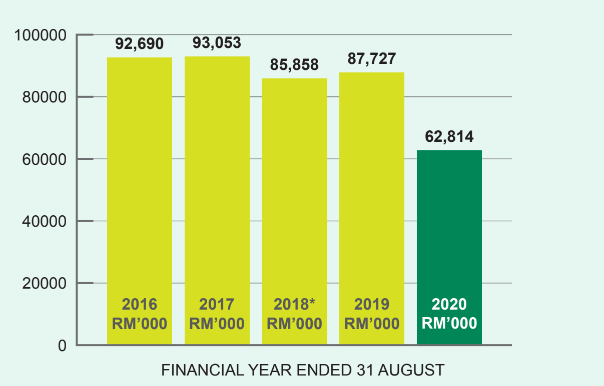
Main Market of Bursa Malaysia Securities Berhad
Sector: Telecommunications & Media
Stock Name: SASBADI
Stock Code: 5252

GROUP OF COMPANIES

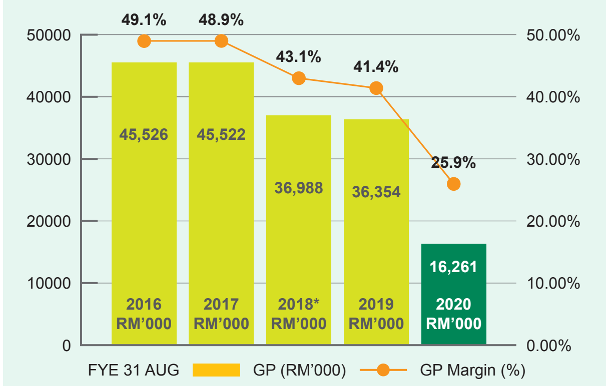
- Sasbadi Holdings Berhad
  - Sasbadi Sdn Bhd
  - Sanjung Unggul Sdn Bhd
    - The Malaya Press Sdn Bhd
      - Big Tree Publications Sdn Bhd
      - Media Distribution Sdn Bhd
      - Jinbang Publication Sdn Bhd
  - MindTech Education Sdn Bhd
  - Sasbadi Online Sdn Bhd
  - Orbit Buku Sdn Bhd
  - United Publishing House (M) Sdn Bhd
    - UPH Distributor Sdn Bhd
    - G-Apple Studio Sdn Bhd
    - Penerbitan Minda Sdn Bhd
    - Penerbitan Daya Sdn Bhd
    - Pinko Creative Sdn Bhd
  - MBP Publications Sdn Bhd
  - Malaysian Book Promotions Sdn Bhd
  - Maya Press Sdn Bhd
  - Sasbadi Learning Solutions Sdn Bhd
    - Distinct Motion Sdn Bhd
      - Distinct Element Sdn Bhd

FINANCIAL HIGHLIGHTS

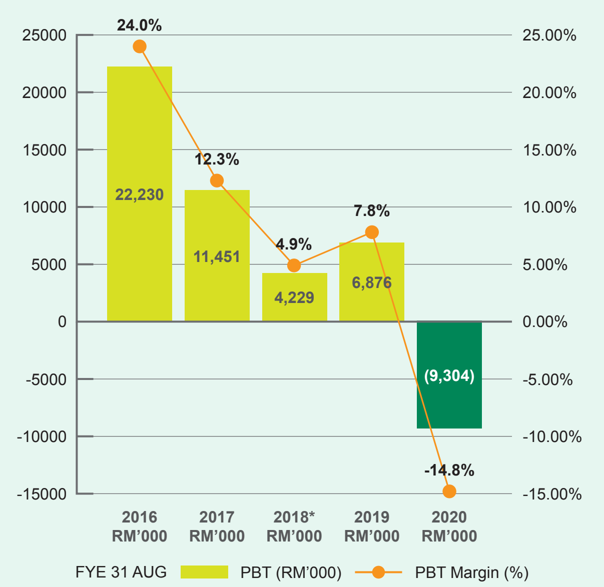
Revenue



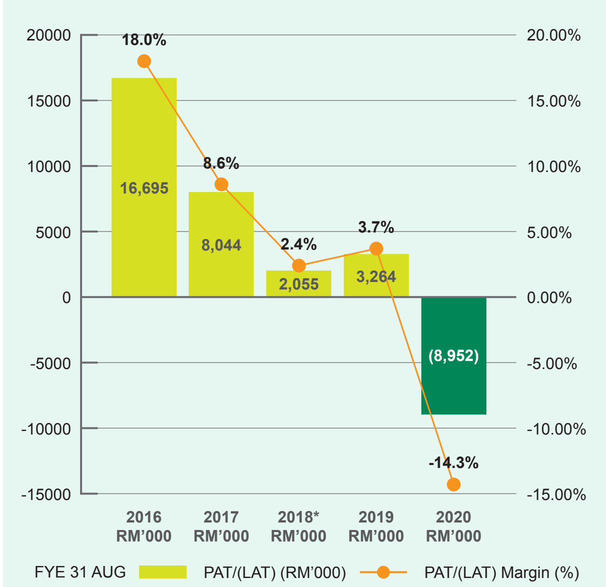
Gross Profit ("GP")



Profit/(Loss) before Tax ("PBT/(LBT)")

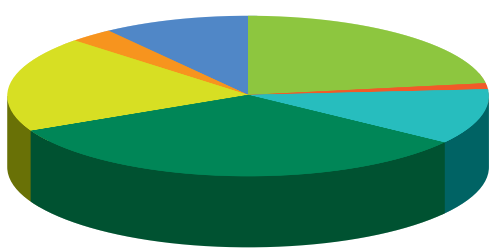


Net Profit/(Loss) After Tax ("PAT/(LAT)")



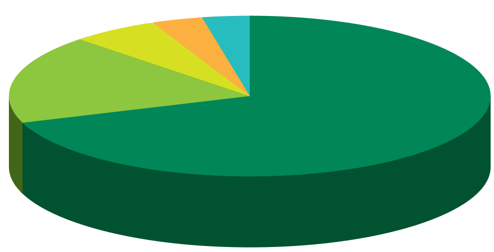
*Restated for effect of MFRS 15

Assets As at 31 August 2020 (RM'000)



Property, plant and equipment	RM46,992 (22.4%)
Investment properties	RM2,426 (1.1%)
Intangible assets	RM23,650 (11.3%)
Inventories	RM69,386 (33.1%)
Trade and other receivables	RM40,356 (19.2%)
Cash and cash equivalents	RM6,230 (3.0%)
Other assets	RM20,726 (9.9%)

Equity and Liabilities As at 31 August 2020 (RM'000)



Shareholders' equity	RM146,042 (69.6%)
Loans and borrowings	RM37,443 (17.8%)
Trade and other payables	RM12,284 (5.9%)
Deferred tax liabilities	RM7,332 (3.5%)
Other liabilities	RM6,665 (3.2%)

ABOUT US

Scan this page with the Sasbadi Play app for interactive content

Nurturing Students for Tomorrow, Today

There is a quote by the late Nelson Mandela, "Education is the most powerful weapon which you can use to change the world". At Sasbadi, providing quality learning materials and resources to ensure our children have the best for their educational needs is the core of our operations. We constantly innovate our products and services, stay abreast with the changing needs of students and teachers, and strive for equality in education so that every child is given the opportunity to build a brighter future.

Content Creation

Since our beginnings in 1985, Sasbadi has been in the business of content creation. We journey with students through school and life by providing an array of academic books and educational materials. Through time our delivery of education may evolve to various forms, but Sasbadi's essence will remain the same – curating quality educational contents trusted by students, parents and teachers, making us a proud Malaysian brand in education.

Championing 21st Century Education

As a leading education solutions provider, we are responsive to the changing education landscape and the corresponding needs of our stakeholders. We recognise the importance of nurturing crucial skills in children that will prepare them for the dynamic environment of the 21st century workforce.

Robotics is regarded as one of the most effective way to promote Science, Technology, Engineering and Mathematics ("STEM") education; a field that encourages skills like problem solving, critical thinking, creativity and teamwork. Hence, in 2005 we partnered with LEGO Education to introduce educational tools and robotics to Malaysian school-going children.

Together with the Ministry of Education Malaysia, we also built what is now the largest robotics competition in the country, the National Robotics Competition ("NRC"), to provide a platform that promotes hands-on learning to students aged 7 to 17 years old.

In 2011, we incorporated Sasbadi Online to begin our digital transformation journey and development of technology-enabled solutions. We leverage on Information and Communications Technology ("ICT") to create innovative educational products that meet the practical needs of students and teachers, whilst providing a 21st century learning experience via interactive and engaging features.

With the Malaysia Education Blueprint 2013-2025 as our guide, we aspire to assist the transformation of our education system and scale up the quality of learning across Malaysia with innovative ICT solutions.

Learning for Life

As Henry Ford once said, "Anyone who keeps learning stays young". Sasbadi is committed to our mission of providing solutions that enrich the journey of lifelong learning.

We publish a range of books for adults, as well as educational materials for young learners and pre-schoolers such as illustrated storybooks, educational comics, novels and encyclopaedias.

To facilitate the upskilling of job seekers and working adults, we provide English language proficiency solutions by partnering with Cambridge Assessment English of the University of Cambridge, and NYC English.

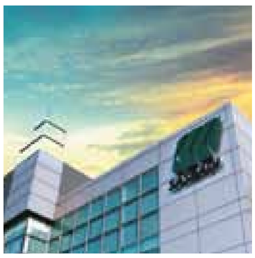
Creating Value through Collaborations

In order to meet the dynamic educational needs of the 21st century, we must be timely in providing innovative and effective solutions. Sasbadi believes that the key to achieving this is to collaborate with like-minded organisations who are mutually aligned with our strategic goals.

In this light, we continue to seek meaningful partnerships in our efforts to deliver value for our stakeholders. Some of our notable collaborations include Huawei Technologies (Malaysia), TM ONE, the University of Malaya, Malaysian English Language Teaching Association, Foreign Language Teaching and Research Press, China Children's Press & Publication Group, The Commercial Press China, Nha Nam Publishing & Communications JSC, Animasia, and Marshall Cavendish Education.

At Sasbadi, we also recognise that quality education should be inclusive, affordable and personalised to individual needs. Therefore, we founded MindTech Education Sdn Bhd, our network marketing division to deliver a personal touch in making our digital education solutions available across Malaysia.

The Group believes that innovation is key to staying ahead of the curve in our fast-changing environment, especially in light of the Fourth Industry Revolution. We remain anchored to our vision that is "Nurturing Students for Tomorrow, Today", and will continue to give our best for the educational needs of all Malaysians.



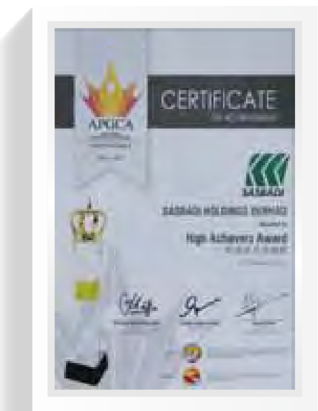
AWARDS AND ACHIEVEMENTS

Most Outstanding Malaysian Brand 2019, by the Branding Association of Malaysia,
Awarded to Sasbadi Holdings Berhad

Industry Excellence Award 2019, Gold Winner for STEM Education, by the Institution of Engineering and Technology ("IET")
Awarded to Sasbadi Learning Solutions Sdn Bhd

FLTRP Best B&R Partner Award 2019 Foreign Language Teaching & Research Press ("FLTRP") Award for Best Belt & Road Category
Awarded to Sasbadi Holdings Berhad

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



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

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

MLM Golden Midas Award 2016
Awarded to MindTech Education Sdn Bhd

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

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

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

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

MESSAGE TO SHAREHOLDERS

On behalf of the Board of Directors ("the Board") of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Group"), it is our pleasure to present to you Sasbadi's Annual Report for the financial year ended ("FYE") 31 August 2020.

Overview

The FYE 31 August 2020 kicked off to a promising start, with the Group seeing an increase of RM1.811 million (equivalent to 4.0%) in revenue excluding textbook contract earnings; that is from RM45.061 million for the six-months period ended 28 February 2019 to RM46.872 million for the six-months period ended 29 February 2020. Unfortunately, on 11 March 2020, COVID-19 was declared a global pandemic by the World Health Organisation ("WHO") and the subsequent implementation of the Movement Control Order ("MCO") lead to an immediate and severe change in our economic landscape.

During the time when the MCO was in place, schools were forced to close which hindered the Group's operations significantly. It was also during this time that the Ministry of Education announced the cancellation of the *Ujian Pencapaian Sekolah Rendah* ("UPSR") and *Pentaksiran Tingkatan Tiga* ("PT3") examinations, and the postponement of the *Sijil Pelajaran Malaysia* ("SPM") and *Sijil Tinggi Persekolahan Malaysia* ("STPM") examinations. Despite the fact that the Group was able to resume operations in early May 2020, retail activity and market sentiment remained low resulting in a poor rate of recovery.

In these trying times, the Group has consolidated resources, enhanced cost efficiencies and implemented various cost cutting measures. At the same time, we strived to develop products that meet the current needs of the market by innovating our solutions to facilitate remote learning and teaching.

Prospects

Despite significant setbacks, the pandemic acted as a catalyst for promising opportunities to our digital and technology-enabled solutions segment. The current circumstances accelerated the digital transformation of education. Sasbadi's array of in-house developed educational technology placed the Group in a strategic position to meet current market demands. For example, our flagship digital learning platform, i-LEARN Ace, which provides comprehensive content and self-learning technologies effectively enables students to study remotely from the safety of their homes. We have also adapted our existing products to facilitate remote teaching by enabling a seamless integration of our content and systems with Google Classroom.

The MCO has also surfaced the urgent need for infrastructure that enables students across the country to access digital learning resources efficiently. With the roll-out of 5G network at the horizon, our collaboration with Huawei Technologies (Malaysia) Sdn Bhd, whom we entered into a Memorandum of Collaboration with during the financial year, will soon present exciting developments in our educational technology front.

As the endeavour to develop a safe and effective vaccine against COVID-19 is beginning to bear fruit, coupled with the government's effort to revitalise the economy through its unique 6R Strategy i.e. Resolve, Resilience, Restart, Recovery, Revitalise and Reform, we believe that we will soon see a turnaround in the state of our economy. Nonetheless, we anticipate that retail market conditions will remain challenging as consumers may continue to spend conservatively. However, taking into consideration our initiatives currently in the pipeline, we are conservatively optimistic about our prospects and performance for the FYE 31 August 2021.

Offer of Options Under Employees' Share Option Scheme ("ESOS")

On 6 December 2019, in our initial anticipation of a better performing financial year, the Group announced an offer of options to eligible employees under our Employee Share Option Scheme ("ESOS") to subscribe for new ordinary shares in Sasbadi Holdings. The offer was made in appreciation of our team and as a form of motivation for our employees to strive for greater results. Unfortunately, the impact of the COVID-19 pandemic on the economy and the share market resulted in none of the offered options to be exercised prior to its expiry date on 5 December 2020.

Appreciation

Our sincerest thanks to our fellow Board members for leading the Group through these unprecedented times. To the management team and employees of Sasbadi, thank you for your tireless efforts and relentless dedication to maintain the Group's operations in the face of great volatility. To our business associates, thank you for your support and the continuous trust and confidence you place in the Group.

We would also like to record our sincere appreciation to Mr Lim Hun Soon @ David Lim who has stepped down from the Board on 30 July 2020, for his invaluable counsel, wisdom and contribution to the Group over the years. At the same time, we are pleased to welcome Mr Tang Yuen Kin as our Independent Non-Executive Director since 30 July 2020. With his vast experience and knowledge, we are confident that he will contribute positively to the Group as a member of the Board.

The Group humbly requests for your continuous support and trust as we pave the way to greater heights in 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 disclosed in Note 6 to the Financial Statements section in 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 learning and teaching needs of the 21st century, the Group evolved from being mainly an educational print publisher to a provider of diverse education solutions including digital technology that enables effective and efficient teaching and learning, applied learning tools that facilitate Science, Technology, Engineering, and Mathematics ("STEM") education, education services, English language learning and assessment solutions and a direct selling business, all of which complement our print publishing business. On 23 July 2014, the Company was successfully 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; and
(b) Non-academic print publishing which includes comic books, novels, dictionaries and other general titles.

(ii) Digital/online solutions and direct selling business; and

(iii) Applied learning products and STEM education services (collectively known as "ALP").

Financial Review

The financial year ended ("FYE") 31 August 2020 proved to be a challenging year for the Group, largely due to the COVID-19 pandemic and the Movement Control Order which significantly impacted the Group's overall operations. The Group recorded a revenue of RM62.814 million for the current financial year whereas RM87.727 million was recorded for the preceding financial year. This shows a decrease of RM24.913 million (equivalent to 28.4%) across all our segments, with the Print Publishing Division taking up the largest portion that is RM21.850 million, with a revenue of RM57.279 million in the current financial year compared to RM79.129 million in the preceding financial year.

The Group's Digital and Direct Selling segment also recorded a decrease in revenue of RM1.595 million (equivalent to 36.0%) from RM4.428 million for the preceding financial year to RM2.833 million for the current financial year. Our ALP segment recorded a decrease in revenue by RM1.468 million (equivalent to 35.2%) from RM4.170 million for the preceding financial year to RM2.702 million for the current financial year.

The significant decrease in revenue has resulted in the Group recording a loss before tax ("LBT") of RM9.304 million for the current financial year vis-à-vis a profit before tax ("PBT") of RM6.876 million for the preceding financial year despite the various cost cutting measures we have implemented. The current financial year's results were also affected by higher provision for inventories write down and general provision for impairment loss on trade receivables (calculated based on MFRS 9) of RM5.293 million and RM1.544 million respectively as compared to RM2.996 million and RM0.482 million respectively in the preceding financial year.

A detailed analysis of the operating segments is provided below.

The equity attributable to owners of the Company decreased from RM154.942 million as at 31 August 2019 to RM146.042 million as at 31 August 2020.

The Group recorded a loss per share ("LPS") of 2.14 sen for FYE 31 August 2020 as compared to an earnings per share ("EPS") of 0.78 sen for FYE 31 August 2019 as a result of the loss incurred during the financial year.

The Group's debt-to-equity ratio was 0.26 times as at 31 August 2020 vis-à-vis 0.23 times as at 31 August 2019. The increase in the Group's debt-to-equity ratio was mainly due to higher loan and borrowings and the decrease in equity attributable to the owners of the Company. The increase in bank borrowings also resulted in the decrease in the current ratio from 3.10 times as at 31 August 2019 to 3.01 times as at 31 August 2020.

For the FYE 31 August 2020, the Group did not incur any major capital expenditure save for the acquisition of two (2) units of retail lots located at Endah Parade, Taman Sri Endah, Kuala Lumpur for a total consideration of RM2.100 million. The purchase consideration was settled through a contra arrangement with an amount due of RM1.500 million and a cash payment of RM0.600 million. Prior to the acquisition, the properties were being tenanted by UPH Group as their office.

Review of Operating Segments

Print Publishing Business

The Group's print publishing segment's revenue decreased from RM79.129 million for the preceding financial year to RM57.279 million for the current financial year, representing a decrease of RM21.850 million (equivalent to 27.6%).

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

(a) Academic Print Publishing – National and International Schools

The series of the Movement Control Order ("MCO") pursuant to the Prevention and Control of Disease Act 1988 ("PCDA") to curb the spread of COVID-19 over an extended period has resulted in significant disruptions to the Company's overall business operations. The significant drop in revenue was also due to the slow economic recovery and decline in retail activities despite the lifting of the MCO.

Besides, the Ministry of Education ("MOE") also announced the cancellation of this year's public examinations for Year 6 and Form 3 i.e. *Ujian Penilaian Sekolah Rendah* ("UPSR") and *Pentaksiran Tingkatan Tiga* ("PT3") respectively, while the Form 5 and Form 6 public examinations i.e. *Sijil Pelajaran Malaysia* ("SPM") and *Sijil Tinggi Persekolahan Malaysia* ("STPM") respectively, are postponed. These changes have a negative impact on the Group as they reduced the consumer's demand for our academic products.

The Group strived to adapt to the current demands by innovating our publications to meet the unique needs of the market during these unprecedented times. While online teaching and learning method are implemented in place of classroom teaching during the MCO period, some students, namely those from rural areas or lower income families, may be left behind due to a lack of Internet accessibility. On the other hand, those who do have proper Internet access may also face difficulties adjusting to these new learning methods, especially when their family members are not as technologically savvy. In response to this, the Group has developed and published a new series comprising of 27 titles for students from Year 1 to 3, named *Praktis Kendiri Pelajar* ("PKP").

This series is specially published to ensure that students have access to Teaching and Learning ("PdPc") at home and are able to complete the academic syllabus effectively. The contents have been developed according to textbooks and are designed to be carried out at home in the absence of a teacher. It also fulfils the requirements of the *Dokumen Standard Kurikulum dan Pentaksiran* ("DSKP") and enables parents or guardians to be directly involved in a student's learning process, in line with the objective of the *Pelibatan Ibu Bapa dan Garis Panduan Pengurusan Pembukaan Semula Sekolah* published by the MOE.

On the textbook publishing front, during the year, the Group won eight (8) new textbook contracts from the government which are valued at an estimated total of RM6.248 million. The value of textbook contracts secured by the Group in the current year has increased by RM2.979 million (equivalent to 91.1%) as compared to the previous year's total contract value of RM3.269 million. As some of the textbook tender processes were delayed due to the MCO, subsequent to the financial year end, the Group won an additional three (3) new textbook contracts valued at an estimated total of RM1.771 million. The revenue for these new textbook contracts will be reflected in the financial year ending 31 August 2021.

The revenue contribution from the new textbook contracts for the FYE 31 August 2020 has decreased by RM6.031 million from RM13.372 million for the preceding financial year to RM7.341 million for the current financial year (equivalent to 45.1%). The decrease was mainly attributable to lesser contracts won in 2019.

(b) Non-Academic Print Publishing

Similar to the Academic Print Publishing segment, the results from the non-academic related segment were also affected by the impact from the MCO and consumers' conservative spending habits.

As part of a collaborative initiative of the Group, our wholly-owned subsidiary, Sasbadi Sdn Bhd ("Licensee") entered into a licensing agreement with HarperCollins Publishers Limited in November 2020 for the rights to 200 titles of levelled and Common European Framework of Reference for Languages ("CEFR") aligned English Readers. The Group will create a Licensee's Edition in accordance with the terms of the agreement. The rights granted include exclusive right to distribute print volumes and non-exclusive right to distribute electronic versions in Malaysia, Singapore and Brunei. The term of the licensing agreement is for five (5) years from the publication date which is scheduled to be on or before 31 March 2021. The Group will leverage on our in-house developed technology such as augmented reality ("AR") and mobile applications to enhance the original works, thus making learning and teaching of the Licensee's Edition more effective and interactive.

Digital/Online Solutions and our Direct Selling Business

The Group's digital and direct selling segment showed a decrease in revenue for the current financial year. The combined revenue of MindTech Education Sdn Bhd ("MTE") and Sasbadi Online Sdn Bhd decreased from RM4.428 million for FYE 31 August 2019 to RM2.833 million (equivalent to 36.0%) for the FYE 31 August 2020. The decrease in revenue was mainly due to the accounting adjustments required under the MFRS 15, Revenue Contract with Customers, where a certain portion of the income from the actual sales of products were deferred to the next financial year due to the amortisation of income over the period of its performance obligation. The Group recorded an actual sales value of RM4.439 million for the FYE 31 August 2020 as compared to RM4.056 million in the previous financial year, representing an increase of RM0.383 million (equivalent to 9.4%).

The MCO acted as a catalyst for the digital transformation of education, as students are increasingly adopting digital platforms for their learning. Our flagship digital learning product, i-LEARN Ace, which has been enhanced with new features to meet the dynamic needs of students and teachers today is much suited for this purpose. Besides being comprehensive, i-LEARN Ace is fully aligned with the national curriculum of Malaysia from Year 1 to Form 5 levels.

The Group's digital and direct selling segment has shown resilience throughout the duration of the MCO. The Group has seen an increase in demand and inquiry from end-users and businesses alike. As announced on 30 June 2020, the Group has entered into a Memorandum of Collaboration with Huawei Technologies (Malaysia) Sdn Bhd. This collaboration enables the Group to further strengthen its digital capabilities and enhance its competitiveness as an education solutions provider. Moving forward, the Group will continue to pursue meaningful partnerships and collaborations that enable us to leverage on collective strengths and provide better value to our customers and stakeholders.

Applied Learning Products and STEM Education Services ("ALP")

The Group's ALP segment recorded a decrease in revenue from RM4.170 million for the FYE 31 August 2019 to RM2.702 million for the FYE 31 August 2020 (equivalent to 35.2%). The decrease was mainly attributable to the closure of schools and robotics training centers during the MCO period and also the cancellation of physical robotics competitions, leading to a reduced demand for our products.

Despite the cancellation of physical competitions during the year, the Group continued to pursue its flagship applied learning programme with the MOE, i.e. the National Robotics Competition, virtually and has continued to win international accolades despite the current constraints. The Malaysian contingent has emerged as the overall champion at the first-ever prestigious World Robot Olympiad Robot Virtual Games 2020 ("WRO RVG"). WRO RVG was well participated by more than 1,357 participants from 32 countries. The National Robotics Competition has consistently generated interest in the STEM field among students, parents and teachers.

Anticipated or Known Risks

Competition

We face competition from existing competitors as well as potential new entrants to 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 processes may be outsourced to third parties. However, the product development and operating costs can be high as there is a long lead time between conceptualization to completion of product development.

Our competitive strengths such as our established track record of 35 years in the industry, brand awareness among students, teachers and parents, extensive distribution network, large customer base, diverse product range, 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 attributed to the timing of the national schools' academic year period. As a result, the seasonal sales patterns may adversely impact the Group's quarterly revenues, profit and cash flow.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

The Group takes seasonality patterns into consideration for our cash flow planning. In addition, the Group is consistently seeking ways to reduce the impact of seasonality patterns such as stepping up our efforts to grow our non-academic and rights licensing segments, which are less prone to seasonality, 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 according to world paper prices. In the event that the increase in paper prices is prolonged, there is a risk that we may be unable 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 maintain a certain level of paper inventory which can serve our purposes for up to six (6) months while we source for alternative paper sources that are suitable.

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 by spot exchange rates. As such, purchasing paper exposes us 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").

Therefore, any unfavourable movements in USD and SGD against RM may have an impact on our profitability. For the FYE 31 August 2020, 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 editions of our 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 requires that, among others, our approval is obtained prior to returning the stocks, stocks are returned to us within 12 months after the release of a new edition or when titles become out of print, stocks are returned in good condition, stocks are received at our warehouse within an agreed time frame, etc.) for either a full refund or an offset against future sales. Such returned stocks are commonly resold to other customers. Returned stocks that are not resold after a period of time, as with all other stocks that cannot be sold after a period of time, will become 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. This includes analysing historical and current trends of demand for our titles which enables 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 the copyright of their IPs and, similarly, we are also susceptible to the copyright of our IPs being infringed by third parties. As such, 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 indemnify us of any losses and damages that arise should their works be found to have infringed on any copyright. We also own the copyrights to all published versions of our titles, which are protected under the Copyright Act 1987.

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 which provides us sufficient time to align our business activities with the changes. In addition, having a pool of experienced editors puts us in a good position to respond in a timely manner.

Political, Economic and Regulatory Uncertainties

Any adverse development in the political, economic and regulatory environments in Malaysia may materially and adversely affect the financial and operational conditions of the Group. To mitigate this risk, the Group will continue to be prudent in 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, on 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, practices a 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 2021 report by the Ministry of Finance, Malaysia's real gross domestic product ("GDP") is expected to grow between 6.5% to 7.5% in 2021, after a contraction of 4.5 % in 2020 due to COVID-19 pandemic. The growth will be supported by strong economic fundamentals and a well-diversified economy. However, the favourable outlook hinges on two major factors i.e. the successful containment of the pandemic and sustained recovery of external demand. Private sector expenditure continues to be the primary driver of growth with private investment and consumption growing 6.7% and 7.1%, respectively, after a contraction of 11.7% and 0.7% respectively in 2020. Meanwhile, public sector expenditure is expected to rebound to a positive growth of 6.7% with the continuation of mega projects such as the Mass Rapid Transit 2 (MRT2) and the Pan Borneo Highway. The economy will continue to operate under conditions of full employment with an unemployment rate of 3.5%, while inflation is projected to normalise at 2.5%.

The Malaysia 2021 Budget will focus on caring for the people, enabling local businesses and revitalising the economy under the government's unique 6R Strategy which comprise of six stages i.e. Resolve, Resilience, Restart, Recovery, Revitalise and Reform, to help the nation cope with the COVID-19 pandemic. Notwithstanding the above, we anticipate that the retail market conditions will continue to remain challenging for the financial year ending 31 August 2021.

The digital economy in Malaysia is being spurred by the information and communications technology ("ICT") industry and the prevalent use of ICT by the vertical sectors in Malaysia. As education is one of the sectors with increasing use of digital services, adapting and maximising value from current and future innovations will allow the Group to benefit optimally from communications and multimedia technologies. For the financial year ending 31 August 2021, the Group will continue to allocate more resources to the digital solution segments and remain hopeful that the catalytic effect of the MCO on the digital transformation will help the Group to achieve higher growth.

We also hope that the demand for our English upskilling product, Linguaskill by Cambridge Assessment English will continue to pick up as it has been accepted by the MOE in October 2020 as one of the approved English competency tests to assess the readiness of English teachers in Malaysia with the Common European Framework of Reference for Languages ("CEFR"). In August 2020, Linguaskill also received recognition from the Ministry of Higher Learning ("MOHE"), Malaysian Qualifications Agency ("MQA") and Education Malaysia Global Services ("EMGS") as an official English competency test for university admission and benchmarking. Henceforth, Malaysian and international students may take Linguaskill to enrol into private institutions of higher learning in Malaysia. International students may also take Linguaskill for student visa applications via EMGS. Being fully digital and highly functional, Linguaskill would able to meet the diverse demands of the market today.

The Group will also launch an e-tuition platform, "Tutor2U". Through Tutor2U, students in Malaysia will be able to receive on-demand, e-tuition services from teachers across the country, as well as subscribe to an array of learning resources and videos prepared by teachers. The launch of this platform represents the Group's first step into the gig economy business.

The print publishing segment will continue to remain relevant for the next few years due to the prevailing digital divide. We expect the demand for print publishing products to increase when the schools reopen. The Group also hopes to gain a bigger market share by offering a diverse range of educational products that include both the conventional print publishing products and digital education solutions. The Group aims to expand its market share going forward as we expect the market to consolidate further because of the pandemic. This would benefit the Group as it further strengthens its economies of scale.

The Group will continue to grow the non-academic print publication segment and hopes to ride on the wave of the 10-year National Reading Decade 2021-2030 programme launched by the Minister of Education with the aim to transform Malaysia into a Reading Nation by 2030.

Premised on the above and barring any unforeseen circumstances, the Group is conservatively optimistic about our prospects and performance for the FYE 31 August 2021 despite these challenging times.

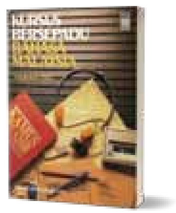
Dividend Policy

The Board of Directors did not recommend any payment of final dividend for the FYE 31 August 2020.

OUR MILESTONES

1985

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



1987

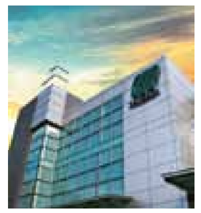
- Publication of our first Textbook 'Bahasa Malaysia KBSM Tingkatan 1'

1997

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

2002

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



2004

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

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

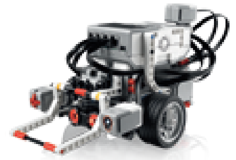
2015

- 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 ("MindTech Education")

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

OUR MILESTONES



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

2011

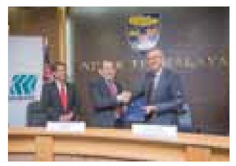
- Incorporation of Sasbadi Online Sdn Bhd ("Sasbadi Online") and launched the first online teaching product, Penjana Pentaksiran Instan
- Appointed as the distributor of National Instruments for a range of applied learning products for schools in Malaysia

2012

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

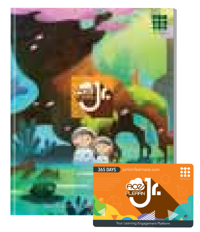
2017

- Acquired the remaining 30% of Sanjung Unggul Sdn Bhd and its subsidiaries
- Launched the Professional Robotics Skills Certificate 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



2019

- Signed an MoU with the Malaysian English Language Teaching Association ("MELTA") to develop two English upskilling programmes for teachers
- Signed an MoU with People's Education Press China ("PEP") to develop two initiatives - Special Education Teaching Materials for Malaysian special education schools and Situational English Learning Programme for learners in China
- Signed an agreement with Cambridge Assessment English as the preferred partner for Linguaskill in Malaysia
- Signed an agreement with NYC English as the Exclusive Partner for NYC English products in Malaysia
- Our awards this year:
  - Foreign Language Teaching & Research Press ("FLTRP") Award for Best Belt & Road Category - Sasbadi Sdn Bhd
  - The Institution of Engineering and Technology ("IET") Industry Excellence Award, Gold Winner for STEM Education - Sasbadi Learning Solutions Sdn Bhd

2020

- Signed an MoC with Huawei Technologies (Malaysia) Sdn Bhd to develop intelligent solutions, empowering both teachers and students to digitalise and transform in the domain of Artificial Intelligence ("AI")
- Obtained the official recognition from the Ministry of Higher Education Malaysia that accepts Linguaskill as a CEFR English entrance assessment for diploma and degree courses in Private Higher Education Institutions ("IPTS") in Malaysia
- Partnered with HarperCollins Publishers Limited to co-develop a series of readers for young learners by embedding audio reading technology, and lead its distribution in Malaysia, Singapore and Brunei
- Launched a nationwide Corporate Social Responsibility initiative to provide SPM 2020 candidates free access to i-LEARN Ace until March 2021

OUR CORE COMPETENCIES

Scan this page with the Sasbadi Play app for interactive content

The strengths of Sasbadi Group are anchored on these five strategic competencies which drive the Company's missions and vision.

Creating Contents

At Sasbadi, creating quality educational content is at the core of what we do. One of our best practices is working only with experienced writers and teachers for our academic publications. We strive to provide the best content to help national primary and secondary school students in Malaysia to excel in their academic pursuits. Aside from publications for academic studies, we also produce content that nurtures one's love for reading and learning. For children, we publish supplementary educational materials which include fiction and non-fiction titles, a wide range of comics, illustrated storybooks, and internationally renowned titles which include works by award-winning authors. For adults, we support local content by publishing a variety of genres such as novels, short stories, poems, biographies, and young adult literatures by Malaysian writers. Our pride lies in the quality of our content. Over the years, we were able to leverage and adapt our contents to meet a diverse range of educational needs. This includes producing digital education solutions and technology-enabled blended learning products. We are dedicated to the continuous pursuit of quality and creativity, as well as staying current in creating contents for people of all ages.

Developing Technologies

At Sasbadi, we aim to be a leader in the education technology space as we believe that the Fourth Industrial Revolution will bring a new wave of exciting opportunities for the education industry. As such, we have dedicated significant resources to continuously develop cutting-edge technologies and digital classroom solutions to facilitate 21st century teaching and learning in Malaysia. Our in-house team of programmers, designers and engineers create PC software, mobile applications and cloud-based solutions that include platforms for self-paced learning and the future classroom. We are also able to enhance the learner's experience via the conventional medium by incorporating Augmented Reality ("AR") and gamified features into our publications. One of our digital solutions is i-LEARN Ace, a mobile learning platform for Year 1 to Form 5 students. A new addition will be our e-tuition and learning resources platform, "Tutor2U", through which students can attend live classes and subscribe to learning materials prepared by tutors across Malaysia, remotely and on-demand. This platform also enables the Group to tap into the gig economy business. In this new century, we embrace technology as a powerful enabler to foster dynamic and ubiquitous learning.

OUR CORE COMPETENCIES

Scan this page with the Sasbadi Play app for interactive content

Nurturing Skills

Sasbadi takes pride in championing STEM (Science, Technology, Engineering and Mathematics) education since 2005. We believe in the value of cultivating the young generation to be future thinkers, creators and innovators. We encourage them to harness their higher order thinking skills such as complex problem solving, critical thinking, creativity and collaboration. We work with the global brand LEGO Education to provide fun and effective educational tools and platforms that promote hands-on learning through robotics and programming. Sasbadi is the organiser of annual robotics competitions such as the National Robotics Competition ("NRC"), National Robotics Open Competition ("NROC"), FIRST LEGO League ("FLL") Malaysia and FIRST LEGO League Junior ("FLL Jr.") Malaysia, in collaboration with the Ministry of Education Malaysia. To strengthen the role of robotics in Malaysia's education landscape, we are working with the University of Malaya on research and product development with an aim to provide a comprehensive certification programme in the field of STEM and robotics skills.

Enriching Life

One of Sasbadi's missions is to facilitate people of all ages on their continuous journey of lifelong learning. In a hyper disruptive environment that runs on a knowledge-based economy, it is crucial for our society to be provided with products and solutions that enable continuous learning. Sasbadi aims to cater to young learners and adults alike through our array of offerings. In 2019, we expanded into providing upskilling products by offering practical and effective English learning solutions for job seekers and working adults. We recognise the importance of English proficiency for employment, professional development and career advancement so we partnered with global experts in the English language to design unique and effective English learning programmes. Sasbadi is a Preferred Partner for Linguaskill by Cambridge Assessment English and an exclusive partner for NYC English products in Malaysia.

Forging Connections

At Sasbadi, we believe collaboration is key in providing value to our customers and stakeholders. Innovation, inclusiveness, and equity are crucial elements in the process of making learning happen. To leverage on the collaborative effort of passionate individuals who share the same goal, we founded MindTech Education, our network marketing division to deliver a personal touch in providing our educational solutions across Malaysia. We understand that our diverse cultural backgrounds, level of accessibility, and experiences mean education solutions should be customisable and personalised to individual needs. Today, MindTech Education is actively reaching out to help close the gaps in education by making our digital education solution, i-LEARN Ace, highly accessible and affordable for all.


Tang Yuen Kin
Independent
Non-Executive Director
Law Yi Chian
Executive Director
Law King Hui
Group Managing Director
Lee Swee Hang
Executive Director
Dato' Noor Rezan Binti Bapoo Hashim
Senior Independent
Non-Executive Director
Dato' Salleh Bin Mohd Husein
Independent Non-Executive Chairman

DIRECTORS' PROFILES

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 First Class Honours from the University of Malaya and holds a Certificate in Education from Maktab Perguruan Sultan Idris, Perak. 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. In 1992, he was promoted to the Perak State Education Department as Principal Assistant Director in charge of administration and state education financing.

In 1993, he was made Principal of Sekolah Menengah Sains Tengku Abdullah, Raub, Pahang 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 to 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 Deputy Director of Schools Division, Ministry of Education Malaysia, to assist in policy matters and implementation. In 2003, he succeeded his predecessor as Director in this same division and served until 2006. In 2006, he was promoted as the Deputy Director General of the Ministry of Education Malaysia to be in charge of policy matters and implementation at Putrajaya, a position he held until his retirement from the civil service in 2007.

After his retirement from an accomplished career, Dato' Salleh served as a member of the Malaysian Education Service Commission at the Prime Minister's Department until 2011. In this role, he actively promoted quality education through the recruitment, appointment and discipline of personnel. During these years, he was also 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
Independent Non-Executive Chairman
Malaysian, Male, aged 69

Law King Hui

Group Managing Director
Malaysian, Male, aged 61

- Recipient of the BrandLaureate Great Entrepreneur Brand Icon Award 2016
- Top Nominee in the Master Category of the EY Entrepreneur of the Year 2015 Malaysia Award
- Recipient of "Anugerah Perdana 2013 - Tokoh Industri Buku Negara" by Yayasan Pembangunan Buku Negara

Law King Hui is the Managing Director of the Group and was appointed to the Board on 7 May 2013. 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. He started his career in 1980 with a semiconductor manufacturing company and left to join a local publishing company in January 1981 where he held various positions during his employment there. He left the company in April 1985 and co-founded Sasbadi Sdn Bhd.

He leads the development of the Group's strategies and policies, and 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 that complement the print publishing business. These include digital learning technology, digital education products, applied learning tools that facilitate Science, Technology, Engineering and Mathematics ("STEM") education, education services via online platform, English language learning and assessment solutions and a network marketing business.

He has enjoyed a colourful career as an entrepreneur with more than 39 years of experience in the education industry. He has held numerous key positions over a span of more than 30 years in various organisations, including Chairman of the World Robot Olympiad ("WRO") Advisory Council; President of the ASEAN Book Publishers Association ("ABPA"); Chairman of the Malaysian Book Industry Council ("MBIC"); President of the Malaysian Book Publishers Association ("MABOPA"); Treasurer of the Majlis Buku Kebangsaan Malaysia ("MBKM") and Treasurer of the Malaysian Chinese Language Council ("MCLC"). He is currently a member of the WRO Advisory Council, a member of the Industry Advisory Panel for the Faculty of Language and Communications Studies, University Malaysia Sarawak ("UNIMAS") and a member of the Industry Advisory Committee, Politeknik Sultan Salahuddin Abdul Aziz Shah.

He is also highly sought after in forums, round-tables, seminars, conferences, and lectures for his new ideas, 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" [1] 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.

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.

[1] *Md Sidin Ahmad Ishak. 2011. Tokoh-tokoh Malaysia. Kuala Lumpur: Perpustakaan Negara Malaysia. ISBN 978-967-931-236-2.*

DIRECTORS' PROFILES

(continued)

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 and started his career in 1975 as a Senior Malay Language Editor with a local publishing company. Here, 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 tenure with the company, he developed, trained and managed an editorial team and a panel of writers. He left the company in 1985 to co-find Sasbadi Sdn Bhd.

As the Publishing Director, he is responsible for the editorial and production teams. During his tenure with the Group, he helped to train and upskill a team of dedicated writers, editors, designers and illustrators to ensure that the teams stayed ahead of the curve on changes in educational policies, production procedures and industry practices. He is also responsible for soliciting new authors and establishing a network of authors for the Group.

With his vast experience, he looks into editorial and commercial strategies. He takes charge of the types of books that the Group publishes yearly and ensures that the deadlines and publications standards are met. He also oversees the trading of copyrights with international buyers and sellers. To keep up with the latest trends and insights, he keeps abreast with the latest developments of the publishing industry that are happening globally.

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
Executive Director
Malaysian, Male, aged 67

Law Yi Chian
Executive Director
Malaysian, Female, aged 32

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 and Communications and Masters of Management in Marketing, both from the University of Melbourne, Australia. Prior to joining the Company as the Group Marketing and Communications ("MARCOM") Manager in December 2014, she had experience in media sales, marketing and communications. As the Head of MARCOM for the Group, she is responsible for planning and implementing marketing strategies for brand building and events management. She also manages the corporate communications with external stakeholders for the Group.

As an Executive Director, she also contributes towards ensuring the Group's objectives and strategic plans are aligned, 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

(continued)

Dato' Noor Rezan Binti Bapoo Hashim is the Senior Independent Non-Executive Director of the Company. She was appointed to the Board as the 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 Remuneration Committee.

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

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

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

After her retirement from 2011 to 2019, she served as the Education Advisor of Khazanah Nasional Berhad, advising on matters involving educational projects, such as Trust Schools, Teach for Malaysia and Promoting Intelligence, Nurturing Talents and Advocating Responsibility ("PINTAR") programme.

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

Senior Independent Non-Executive Director

Malaysian, Female, aged 67

- Recipient of "Tokoh Kepimpinan Pendidikan Kebangsaan 2013"

Tang Yuen Kin
Independent Non-Executive Director
Malaysian, Male, aged 49

Tang Yuen Kin is the Independent Non-Executive Director of the Company and was appointed to the Board on 30 July 2020. He is also the Chairman of the Audit Committee and the Remuneration Committee, as well as a member of the Nomination Committee.

He graduated with a Bachelor of Accounting with First Class Honours from the University of Malaya, Malaysia in 1995. In 2000, he earned a Master of Business Administration (Banking & Finance) from Nanyang Technological University, Singapore. He also obtained a Master of Law Executive (Business Law) from International Islamic University, Malaysia in 2006.

He has been a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants since 2000 and 2015 respectively. Over the span of more than 21 years, he has gained vast experience in the areas of audit, accounting and finance, corporate finance and corporate planning, having worked in, among others, Price Waterhouse (now known as PricewaterhouseCoopers PLT), Securities Commission Malaysia, KPMG Corporate Advisory Sdn. Bhd., AmInvestment Bank Berhad and Alliance Investment Bank Berhad.

His history with the Company began in 2014 when he joined the Group as the Chief Financial Officer and served in that position until 2018. Subsequently, he joined Dancomech Holdings Berhad as the Group Chief Financial Officer where he is presently still serving in that position.

He is currently holding a directorship at Powerwell Holdings Berhad as the Independent Non-Executive Chairman, and 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 2020.

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: 49 **Gender:** Female **Nationality:** Malaysian

Qualification(s):
- Bachelor of Accounting (Honours), Universiti Utara Malaysia, Kedah
- Diploma in Accountancy, Politeknik Ungku Omar, Ipoh
- Chartered Accountant, Malaysian Institute of Accountants

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

Appointment to the current position: May 2018

Ho Mee Lian *Group Human Resource Manager*

Age: 47 **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

Chan Yee Fuan *Group Purchasing Manager*

Age: 43 **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

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

Age: 56 **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

Law En Ruey *Strategy Director, Sasbadi Sdn Bhd*

Age: 35 **Gender:** Male **Nationality:** Malaysian

Qualification:
- MSc. Business Management, University of Bath (Hons)

Working experience:
- More than 10 years of business development experience

Appointment to the current position: October 2019

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

Age: 39 **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

Chok Siew Sin *General Manager, Sasbadi Sdn Bhd*

Age: 48 **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: 60 **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

Chew Yoke Chen *Production Manager, Sasbadi Sdn Bhd*

Age: 63 **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

Additional notes on the above key senior management

Besides Law En Ruey, who is the son of Law King Hui and brother to Law Yi Chian, 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 Holdings" or "the Group") hereby present our Sustainability Statement which outlines our commitment towards being a sustainable organisation and our endeavours to continuously improve across the three pillars of sustainability, i.e. Economic, Environmental and Social ("EES").

SCOPE AND REPORTING BOUNDARY

Our sustainability statement covers the Group's efforts and initiatives undertaken within our financial year ended ("FYE") 31 August 2020. The disclosures within this statement are based on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on sustainability disclosure.

Unless otherwise stated, this statement covers the overall EES performance for all the operating divisions of Sasbadi, all of which are located in the Klang Valley.

This statement is to be read in conjunction with the rest of Sasbadi's Annual Report for the FYE 31 August 2020, which highlights other financial and non-financial aspects of our operations.

SUSTAINABILITY STRATEGY

The strategy put in place revolves around our vision of becoming a total education solutions provider. As our operations impact not only the local economy but also the environment and society at large, sustainability has become an integral part of us where our stakeholders' interests are placed at the heart of our business.

The following serves as a guide for the sustainable growth of our business:

- Support our stakeholders' sustainability initiatives, in both the upstream and downstream channels of our supply chain
- Improve resource efficiency by way of sustainable consumption and production throughout our supply chain, from design through to operations
- Include sustainable alternatives in our development of new products and operating processes to reduce the consumption of natural resources whenever possible
- Minimise waste during production activities and incorporate recycling practices
- Develop measures to monitor and evaluate our Health, Safety, Environmental and Quality performance data, employee development methods, customer satisfaction and our financial performance
- Promote philanthropic actions and behaviour amongst Sasbadi's employees to instil a sustainable mindset and promote harmonious living

GOVERNANCE STRUCTURE

We have established a governance structure to drive and manage sustainable practices across our various operations.

The Board of Directors ("BOD") leads the Group in managing sustainability matters relating to our business operations. They are supported by the Executive Directors ("ED") who are responsible for recommending to the BOD strategies and initiatives to improve the Group's sustainability and obtaining the BOD's approval in these matters. The ED will then monitor the sustainability strategies carried out by members of the senior management team (collectively known as "Management") and external advisers, if required. Management is also responsible for identifying, implementing and managing the sustainability initiatives across the Group.

STAKEHOLDER ENGAGEMENT

We strive for ethical and transparent interactions with our internal and external stakeholders as we believe open platforms for engagement drive the continuous growth of our business.

The following indicates key stakeholder groups, a non-exhaustive list of their areas of interest and our various forms of engagement with them. These stakeholders have been identified and profiled based on their influence on the Group or how they are impacted by the Group. Engagement with each stakeholder is made on an as-needed basis.

Stakeholders	Areas of Interest	Forms of Engagement
Regulatory, Government and Statutory Bodies	• Regulatory and governance compliance • Labour practices • Occupational safety and health	• Inspections/Inquiries by authorities • Necessary reporting • Meetings and engagements • Training programmes
Shareholders/Investors	• Group financial performance • Business strategy • Potential market size • Dividend • Corporate governance, transparency, ethics and integrity	• Annual and extraordinary general meetings • Annual and quarterly reports • Bursa announcements • Our website • Press release and coverage
Employees	• Performance management • Learning and development • Compensation • Workplace safety • Working environment • Balanced lifestyle	• Circulation of internal policies and procedures • Staff induction and appraisals • Remuneration packages • Training/guidance • Employee engagement activities
Customers	• Product quality • Order fulfilment matters • End-user needs • Pricing	• Regular communication with clients • Feedback sessions • Community and networking events • Surveys for product research and development
Suppliers and Service Providers	• Credit terms • Pricing • Order fulfilment matters • Reliability of supply • Business ethics	• Products and services proposals • Evaluation and performance reviews • Contract negotiations • Delivery schedules • Meetings and engagements
Bankers	• Financial health, solvency • Covenants compliance	• Financial health review • Meetings and engagements
Our Community	• Community development • Social issues • Impact of business operations • Transparency and accountability	• Industrial membership • Corporate social responsibility programmes and activities related to education, society and associations • Requests and enquiries

MATERIALITY ASSESSMENT

Part of our ongoing effort is to identify, assess and prioritise sustainability matters that are relevant and significant to the Group and our stakeholders. Organising and reviewing these sustainability matters would enable the Group to manage them more effectively. As such, they are categorised into the three pillars of sustainability that is the EES.

It is appropriate to note here that the impact of the COVID-19 pandemic highlights the importance of dynamic materiality. The Group has seen certain EES issues, particularly those related to managing human resources such as employee health, safety and well-being, presenting heightened risks to the Group's operation and sustainability. Management's timely response in adopting various measures to address these matters proved crucial to ensure the safety of our employees and our business continuity. The impact of the pandemic as well as the Group's commitments and practices across the material EES matters are further elaborated in the following sections.

SOLIDIFYING ECONOMIC PERFORMANCE

The pandemic has caused huge disruptions to the Group's operations, requiring Management and BOD to stay vigilant and act responsively to ensure our business continuity. As such, fundamental reviews of the Group's business and its strategies against the operating environment were conducted. Regular and ad-hoc meetings with respective heads of departments were held to formulate strategies that effectively catered to the market's current needs. Under the current circumstances, it has become clear that being adaptive and responsive is key to the Group's relevance and sustainability.

Financial Performance Overview

In terms of reporting and communication of information, we strive to:

- Provide timely and relevant information to our stakeholders to aid their decision making, especially during these unpredictable times when it is even more important to gauge the Group's standing. A dedicated team was formed to ensure the consistency, completeness and timeliness of our reporting and to report to the Management and BOD on a frequent basis.
- Generate sustainable financial and economic returns without compromising on the value to our stakeholders in order to ensure the sustainability of our business. Please refer to the Management Discussion and Analysis section of this Annual Report for more details regarding the Group's financial performance.

Regulatory Compliance

Regulatory compliance is critical for protecting the Group's integrity and reputation as well as fostering our stakeholders' trust. We ensure on-going efforts in developing effective compliance related programmes and policies for our operations.

Key regulations applicable to our operations are listed but not limited to the following:

- Bursa Malaysia Main Market: Listing Requirements
- Applicable Accounting Standards
- Employment Act 1955
- Personal Data Protection Act 2010
- Malaysian Anti-Corruption Commission Act 2009
- Direct Sales and Anti-Pyramid Scheme Act 1993
- Copyright Act 1987

Ethics and Integrity

Our commitment to business is focused on strong corporate governance and prudent management in view of challenging internal and external environments. We strive to achieve this by observing the following practices. Further details of the below practices can be found on our website.

- Whistle Blowing Policy
- Code of Conduct
- Anti Bribery & Corruption Policy
- Board Charter
- Corporate Governance and Compliance

The Group's Code of Conduct, which has been tailored to our current business operations, serves as a guiding framework for the ethical and legal business decision-making of our Directors, officers and employees. The areas covered are as follows:

- Compliance Procedures
- Conflict of Interest
- Confidentiality
- Insider Information and Securities Trading
- Fair Dealing
- Abuse of Power, Discrimination and Harassment
- Protection of Assets and Resources

We did not record any breach of the Code of Conduct in FYE 31 August 2020.

Investor Relations

We are committed to maintaining a strong relationship with our investors. We strive to be transparent in our ongoing engagements and communication with our investors as well as the general investment community to facilitate a mutual understanding of expectations. As such, we promptly update our investors with the latest information via the available channels such as our corporate website. Updates are made up of, among others, our financial results, annual reports, announcements, circulars and notices of general meetings.

Quality Control

The quality of our products and services remains a priority. This is so that we achieve customer satisfaction and trust which ultimately contribute towards sustainable earnings. To ensure a level of quality, we have identified the following two critical aspects in the production process and implemented quality control measures for them.

Product Responsibility

In order for Sasbadi's products to remain reliable and up to par with the current educational needs, we ensure that, amongst others:

- Authors and their materials are assessed by our Senior Editors, Commissioning Editors and Managing Editor with respect to their qualifications, quality and relevance to Sasbadi's publications. A descriptive and critical review process will take place upon receiving the manuscripts for the purpose of quality control.
- Content development and modification are overseen by the Editorial and Production departments. After multiple rounds of checking and review, the final manuscript will be approved by our Publishing Manager before being published.

SUSTAINABILITY STATEMENT

(continued)

- Editors undergo regular training to ensure they are up to date with the requirements and direction set by the Ministry of Education. We also encourage our authors to keep abreast with such developments.

Copyright compliance is also essential to our business. Thus, we carefully monitor the usage of contents and actively mitigate any copyright infringement risks. We also continuously educate our people on copyright and licensing issues. We are committed to adhering to data protection as data is a valuable asset to the Group. We have developed a policy for information management which provides guidance to our employees on how to control the usage of and restrict access to our data whenever necessary, in the interest of the Group.

Supply Chain Management

Supply chain management is critical in facilitating our operations and the Group strives to build long term mutually beneficial relationships with our suppliers. Therefore, we engage with our suppliers in a fair, transparent and ethical manner. We review our suppliers based on, amongst others, price and payment terms, product and service quality, operation scale and their geographical proximity to our facilities. Suppliers who share similar core values with us would be our preferred suppliers. We take all reasonable effort to conduct appropriate evaluations of our potential suppliers. We would regularly check on the supplies received and occasionally, engage other suppliers on trial basis. This is to promote healthy competition among our suppliers and encourage better performance.

One of our procurement practices is to source for materials locally whenever possible. As such, nearly all of our supplies are obtained from the Klang Valley, save and except for products that are not manufactured locally, such as simili paper. This is because we believe in contributing to our local economic growth and sustaining a healthy ecosystem for local players. We find that engaging local partners enhances the Group's efficiency by allowing us to deal with potential risks that may arise from supply chain disruptions. It also reduces cost of purchasing and compliance, as well as minimises our carbon footprint by reducing emissions related to transportation in the supply chain.

CREATING A SUSTAINABLE WORKPLACE

Our employees are at the core of our existence and our greatest asset. Their skills, dedication and care define the success of the Group. We strive to provide a positive working environment by constantly engaging our people, creating opportunities for their growth and development as well as emphasising the practice of a balanced lifestyle. This is doubly important in times of the pandemic, where livelihoods are threatened and job security becomes a key concern for many employees.

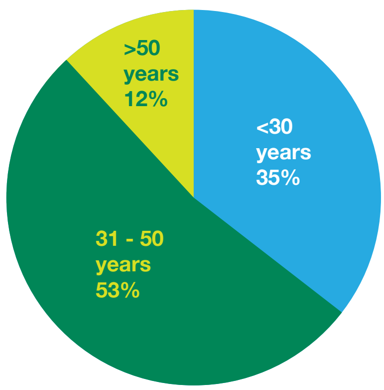
As such, we have put in place policies and guidelines that help our employees navigate through these uncertain times. In line with the relevant labour laws and regulations, they cover issues relating to compensation and dismissal, recruitment and promotion, working hours, leave, career development, diversity, anti-discrimination and other employee welfare related matters. Throughout the pandemic, we also engage with our employees on a regular basis to provide updates on the Group's developments, as well as to motivate them and address any difficulties they may be facing.

Diversity and Equal Opportunities

At Sasbadi, we recruit our people mainly based on their skills, industry experience and interpersonal skills. We conduct an annual review to evaluate our employees' progress and competencies in the context of their roles. This will then be taken into account for their salary and promotion appraisals. Aside from the annual reviews, we also adopt an as needed approach when it comes to reviewing their performance so that we may address matters that require immediate attention.

We believe our people deserve the opportunity to reach their highest potential and thrive in an inclusive and diverse workplace. We strive to accommodate and provide fair treatment to everyone regardless of their disabilities, gender, age, ethnicity or religion.

The majority of our people fall within the 30 to 50 years old age group, which indicates a mature and experienced workforce. At the same time, we also recruit a group of younger staff who are below 30 years old to develop their careers and grow with us. Our workforce is made up of mainly non-executives due to the nature of our operations.



We strongly believe that gender diversity leads to an improved team performance as guided by our Gender Diversity Policy. The gender distribution of Sasbadi is around 46% male to 54% female employees. Participation of female employees is present across all hierarchical positions in Sasbadi.

We encourage the recruitment of local employees as we believe that by providing job opportunities to locals, we are directly contributing to the elevation of Malaysians' socio-economic status. We are pleased to announce that our workforce is fully made up of Malaysians.

Developing Competencies

We aspire to grow with our people and we invest in both their work-related and personal development. In general, we continuously monitor our employees and offer training and upskilling opportunities that are relevant to their areas of work, positions, talents and interests. We provide both internal and external training, as well as on-the-job training, particularly in technical and management skills. Our established appraisal guidelines also enable us to identify and implement development programmes for our employees.

Occupational Safety and Health

The Group endeavours to ensure our employees work in a safe and healthy environment. Not only does it benefit the well-being of our employees, it ensures the Group's productivity which is crucial during these challenging times. We have implemented guidelines and regulations to prevent, reduce and address occupational injuries as well as to stem the spread of COVID-19.

Our internal reporting protocol dictates that any workplace accidents, occupational diseases and matters relating to the health and safety of our employees shall first be reported to the Human Resources Department. They would subsequently be escalated to Management followed by the BOD if necessary, depending on the severity of the matter.

As part of our fight to curb the spread of COVID-19, the Group continues to enforce safe distancing measures and we embrace telecommuting arrangements for employees who can effectively fulfil their roles doing so. Other efforts include the provision of face masks and hand sanitisers to employees, and to actively promote the wearing of face masks at all times. Any suspicion of an infection is actively monitored and the employee will be sent for screening if deemed necessary.

During the FYE 31 August 2020, there has not been any incident of work-related injuries, nor were there any cases of COVID-19 infections amongst our members of staff. We had 2 employees who indicated possibilities of being infected but they were sent for screening and their results returned negative. We will continue to implement control measures and strive for a zero-incident workplace.

ENVIRONMENTAL STEWARDSHIP

We acknowledge that for the long-term sustainability of the Group, sound environmental stewardship is necessary. Thus, we are committed to minimising any adverse impact of our operations on the environment.

Material Sourcing and Managing Waste

We place great care in the usage of our raw materials: paper. We manage material wastage arising from the manufacturing of books as well as excess stocks by applying stringent controls on our printers and making data-driven decisions to prevent over-printing. Proper care is taken to store our raw materials and finished products so as to avoid damages. Older stocks still fit for use are cleared through markdown sales and donated to organisations while remainders are recycled. For the FYE 31 August 2020, production wastage is kept at 1%, which is within the current standard set by the Group. We are continuously evaluating and improving our processes to reduce wastage.

To the best of our abilities, our purchase of raw materials are made from manufacturers who support sustainability initiatives and bodies, such as the Sustainable Forestry Initiative ("SFI"), Forest Stewardship Council ("FSC") and Programme for the Endorsement of Forest Certification ("PEFC"). Without compromising on quality and with the consent of our customers, we would also incorporate products made from recycled paper into our product mix.

To meet the needs arising from the ever changing education landscape, we have dedicated a significant portion of our resources to developing digital education solutions. By offering digital products, we are able to empower our customers with 21st century educational technology while reducing our carbon footprint and other negative impacts on the environment.

BUILDING A SUSTAINABLE COMMUNITY

We believe that the responsibility to ensure our young generation receives the quality education they deserve falls on our society as a whole. As a corporate citizen, the Group contributes via our Corporate Social Responsibility activities in our effort to ensure underserved communities do not get left behind.

Reaching out during unprecedented times

The COVID-19 pandemic has disrupted the learning of all Malaysian children, particularly students taking the SPM 2020 exams. Due to the crucial role the examination plays in determining students' pathways to higher education and future careers, SPM is scheduled to commence amidst a multitude of uncertainties. Moreover, due to school closures and the Movement Control Order, the Group feels that SPM 2020 candidates are facing an uphill challenge of receiving the academic support they need to perform well in SPM 2020.

Scan this page with the Sasbadi Play app for interactive content

As such, the Group has stepped forward to provide i-LEARN Ace, our complete e-learning platform, free for all SPM 2020 candidates up until the end of the examination. To ensure our comprehensive learning materials and digital learning tools can be effectively delivered to a potential of 500,000 or so students, Sasbadi has partnered with Huawei Technologies (Malaysia) and TM ONE as our Technology Enabler and Cloud Service Provider respectively.

Via this initiative, school administrators and SPM 2020 candidates began registering for their free access to i-LEARN Ace at the end of November 2020 and may continue to utilise the platform for their revision until the end of March 2021.

In dire times like these, providing access to i-LEARN Ace's contents and technology is another step the Group has taken to bridge the divide and ensure no student gets left behind.

Supporting underserved communities

In December 2019, the Group participated in a charity event named Jingle Baazar, organised by Common Ground and the Malaysian Social Research Institution, to support refugee children and asylum seekers in Malaysia. During the event, Sasbadi sponsored more than 300 refugee children with primary school books and held robotics workshops that were free of charge for participants.

The workshops provided children aged 9 to 15 years old the opportunity to experience a hands-on robotics class using our LEGO Education products. Conducted by our Sasbadi Learning Solutions qualified trainers, the workshops received a positive response from event attendees and refugee children alike.

Championing STEM Education

Since 2005, Sasbadi has been championing Science, Technology, Engineering and Mathematics ("STEM") education for Malaysian children. Experts around the world agree that in order for our young generation to thrive in the 21st century, educators must impart to students a crucial set of skills that include problem solving and collaborative capabilities, as well as creativity and computational thinking.

As such, the Group has partnered with the global brand LEGO Education to provide state of the art robotics products to Malaysian school going students. We joined hands with the Ministry of Education Malaysia ("MoE") to create avenues that nurture hands-on learning and 21st century skills by organising nationwide robotics competitions open to Malaysian students. Each year, the Group invests in the materials and resources needed to run the National Robotics Competition ("NRC"), National Robotics Open Competition ("NROC"), FIRST LEGO League ("FLL") Malaysia and FIRST LEGO League Junior ("FLL Jr.") Malaysia, which also include trainings for educators.

This year, due to the COVID-19 pandemic, our robotics competitions were carried out virtually. We held training sessions for more than 600 participants which included the digital upskilling necessary for them to take part in the virtual robotics competitions.

Malaysian students' top performance at the World Robot Olympiad, a final global competition leading from the NRC, is a testament to our nation's talent and potential; our greatest motivation to continue on this path of nurturing our students for tomorrow, today.

CONCLUSION

We acknowledge that there are still areas for improvement with respect to sustainability. This year has proven to be exceptionally challenging with the inclusion of heightened risks attributed to the COVID-19 pandemic. As the Group continues to establish our strategies to mitigate and recover from the effects of the pandemic, we hold steadfast to our goal of building a sustainable business for the future. We will continue to keep abreast with developments in our operating environments, actively engage our stakeholders and build on our foundation to further promote sustainable practices within our organisation.

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 ("FYE") 31 August 2020. This overview takes guidance from the key principles laid out in the Malaysian Code on Corporate Governance ("MCCG") 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 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") and are qualified pursuant to the requirements of the Companies Act 2016, 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 for the meetings, 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 the FYE 31 August 2020, 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	5 out of 5
Lim Hun Soon @ David Lim *(resigned on 30 July 2020)*	5 out of 5
Tang Yuen Kin *(appointed on 30 July 2020)*	Not applicable

6. Code of Conduct, Whistle-Blowing Policy and Anti Bribery and Corruption 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 the FYE 31 August 2020, there was no report of any violation of the Code of Conduct.

During the FYE 31 August 2020, the Group has established and adopted the Anti-Bribery and Corruption Policy ("ABC Policy"), guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A of the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment 2018). The ABC Policy sets out the parameters to prevent the occurrence of bribery and corrupt practices and to provide information and guidance to all employees, Directors and associated third parties on how to recognise and deal with bribery and corruption issues. The Group is committed to conducting business dealings in an honest and ethical manner. The ABC Policy can be viewed on the Company's website, www.sasbadiholdings.com.

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 composition and size of the Board are assessed by the Board through the Nomination Committee appointed by the Board annually or as and when the need arises.

The Board through the Nomination Committee 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 2020, 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 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 eight (8) years.

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 and 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)
Tang Yuen Kin (Independent Non-Executive Director) *(appointed on 30 July 2020)*
Lim Hun Soon @ David Lim (Independent Non-Executive Director) *(resigned on 30 July 2020)*

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 activities carried out by the Nomination Committee during the FYE 31 August 2020 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, and 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 13 February 2020.
- Reviewed the need for continuous training and development by the Directors.
- Reviewed the term of office and performance of the Audit Committee and each of its members and was satisfied that the Audit Committee had carried out its duties in accordance with its Terms of Reference.
- Reviewed the list of key senior management (including their profiles) and their potential successors.
- Reviewed and recommended to the Board the appointment of Mr Tang Yuen Kin as Independent Non-Executive Director. The Nomination Committee also recommended Mr Tang Yuen Kin to be appointed as the Chairman of the Audit Committee and Remuneration Committee as well as a member of the Nomination Committee in place of Mr Lim Hun Soon @ David Lim.
- Recommended to the Board to accept the resignation of Mr Lim Hun Soon @ David Lim as Independent Non-Executive Director.

9. Establishment of Remuneration Committee

The Remuneration Committee comprises the following members:

Chairman :	Tang Yuen Kin (Independent Non-Executive Director) *(appointed on 30 July 2020)*
	Lim Hun Soon @ David Lim (Independent Non-Executive Director) *(resigned on 30 July 2020)*
Members :	Dato' Salleh Bin Mohd Husein (Independent Non-Executive Chairman)
	Dato' Noor Rezan Binti Bapoo Hashim (Senior Independent Non-Executive Director)

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 activities carried out by the Remuneration Committee during the FYE 31 August 2020 is as follows:

- Discussed and reviewed Directors' fees for the FYE 31 August 2020 prior to recommending to the Board the tabling for shareholders' approval of the said fees at the previous AGM held on 13 February 2020.
- 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 the FYE 31 August 2019.
- Reviewed and recommended to the Board the implementation of the Employees' Share Option Scheme to the senior management of the Group.
- Discussed and reviewed that the reduction in Directors' fees for the FYE 31 August 2020 from RM72,000 per annum to RM40,000 in view of the poor performance of the Group albeit a total Directors' fees not exceeding RM560,000 for the FYE 31 August 2020 have been approved by the shareholders of the Company at the last AGM held on 13 February 2020.

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 continuous 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 the FYE 31 August 2020 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	• Nikkei Asia Webinar: The Asian Century in 2040	7 October 2020
	• LHAG Thursday Talk Series: Trade Facilitation: Investments, Trade Barriers and Remedies In Malaysia	5 September 2019
Law King Hui	• CIMB Private Bank Investment Solutions Team: Building Resilience In Business and Legacy Planning – Navigating Through a Covid-19 World	24 September 2020
	• Bursa Virtual Series 2: Series 2 – Powering Malaysia's Growth Engines	20 July 2020
	• Bursa Virtual Series 1: Series 1 – Economic Recovery: Policies & Opportunities	7 July 2020
	• EY Webcast: Due Diligence Considerations In A Disrupted Environment	26 June 2020
	• EY Unstoppable Entrepreneurs: Retail and F&B – Being Unstoppable In Challenging Times	16 June 2020
	• KPMG Webinar Series with ZICO: Section 17A MACC Act 2009 – A New Horizon In Malaysian Corporate Accountability	12 June 2020
	• LHAG: Liquidation – An Alternative Way Forward	10 June 2020
	• CIMB Private Bank Investment Solutions team: 2Q Market Outlook Update Webinar	28 April 2020
	• EY Thought Center: The CEO Perspective – How COVID-19 Is Defining Business Purpose	17 April 2020
	• Special Education International Conference (SEIC) 2019: Special Education – Access and Quality	26 – 27 September 2019
	• MDDA CEO Forum: The Future Landscape of Distributive Trade	25 September 2019

Director	Title of Training Programme/Forum/ Seminar/ Conference	Date
Lee Swee Hang	• KPMG Captains' Forum: Transformation Towards Recovery (Operational Resilience)	9 October 2020
	• KPMG: Captains' Forum: Transformation Towards Recovery (Financial Resilience)	25 September 2020
	• BDO RDS: Restructuring Options And Legal Updates	23 September 2020
	• RDS: Securing a Stay Order In Tax and Customs Disputes	13 August 2020
	• LHAG Thursday Talk Series: Trade Facilitation: Investments, Trade Barriers And Remedies In Malaysia	5 September 2019
Law Yi Chian	• MalaysiaKini: Talent Reboot – Acquiring Talent & Improving Performance Through AI Powered English Language Testing	11 August 2020
	• KPMG Webinar Series With ZICO: Section 17A MACC Act 2009 – A New Horizon In Malaysian Corporate Accountability	12 June 2020
	• LHAG Thursday Talk Series: Product Liability Lawsuits – What To Expect?	21 November 2019
Dato' Noor Rezan Binti Bapoo Hashim	• Yayasan Amir: Certification of Trust School for 18 schools in Johor	29 September 2020
	• Public Private Partnership ("PPP") for Social Good (CAPS X) and UNICEF Hong Kong: Interview On PPP – The Malaysian Experience	25 September 2020
	• ICDM: Safeguarding The Business – Section 17A	9 July 2020
	• Yayasan Amir : Seminar And Launching Of Amanah Jamalullail School In Perlis With Inauguration By DYTM Raja Muda Perlis	3 March 2020
	• Yayasan Amir: School Visit – Mini Convention Program For Trust School, Jeli, Kelantan Cluster	6 February 2020
Tang Yuen Kin	• BDO Tax Services Sdn Bhd: BDO Tax Budget Webinar 2020	18 November 2020
	• Powerwell Holdings Berhad: MACC Act 2009, Section 17A Corporate Liability Awareness Talk	27 August 2020
	• National University of Singapore Business School Executive Education: Business Analytics for Strategic Decisions	16 June – 4 August 2020
	• Grant Thornton Malaysia PLT: Seminar on Recent MFRS Developments – Highlights on the Practical Application Issues of MFRS 15 Revenue From Contracts With Customers And MFRS 16 Leases	10 December 2019
	• The Iclif Leadership And Governance Centre: Mandatory Accreditation Programme For Directors of Public Listed Companies	21 – 22 November 2019

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 aggregate remuneration received by the Directors from the Company and the Group for the FYE 31 August 2020 are as follows:

Director	Fees RM'000	Salaries RM'000	Employees' Provident Fund RM'000	Estimated Value of Benefit -in-Kind RM'000	Total RM'000
Dato' Salleh Bin Mohd Husein	40	–	–	–	40
Law King Hui	40	210	25	35	310
Lee Swee Hang	40	35	2	–	77
Law Yi Chian	40	161	20	17	238
Dato' Noor Rezan Binti Bapoo Hashim	40	–	–	–	40
Lim Hun Soon @ David Lim *(resigned on 30 July 2020)*	40	–	–	–	40
Tang Yuen Kin *(appointed on 30 July 2020)*	3	–	–	–	3
Total	**243**	**406**	**47**	**52**	**748**

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 top five senior management's remuneration 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 2020, is as follows:

	RM'000
Salaries and bonus	888
Other Emoluments	108
Total	**996**

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	:	Tang Yuen Kin (Independent Non-Executive Director) *(appointed on 30 July 2020)*
		Lim Hun Soon @ David Lim (Independent Non-Executive Director) *(resigned on 30 July 2020)*
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, embedding 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 of 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 services 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 of 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 the FYE 31 August 2020, the fees incurred by the Group in relation to the non-audit services by the external auditors amounts to RM15,000.

The external auditors, KPMG PLT had on 29 July 2020 informed the Audit Committee that they would not be seeking for re-appointment as external auditors of the Company for the financial year ending 31 August 2021.

An assessment on the suitability and independence of the proposed external auditors, BDO PLT was carried out on 8 December 2020. The Audit Committee was satisfied with the results of the aforesaid assessment and made recommendation to the Board for the appointment of BDO PLT as the external auditors of the Company, in place of the retiring auditors, KPMG PLT, for the financial year ending 31 August 2021 at the forthcoming 8th AGM.

The Board having received the recommendation from the Audit Committee, were in consensus to recommend for the shareholders' approval at the Company's forthcoming 8th AGM the appointment of BDO PLT as external auditors of the Company for the financial year ending 31 August 2021, and at a remuneration and terms to be agreed upon with the Company.

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 shareholders. Stakeholders are also able to obtain latest information on the Group from the Company's website and are encouraged to contact the Company should they require more information. In this regard, Management hold meetings and engagements with stakeholders regularly upon request and through roadshows, dialogues and forums.

2. 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.

AUDIT COMMITTEE REPORT

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 processes 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 Audit Committee comprises the following members:

Chairman : Tang Yuen Kin (Independent Non-Executive Director) *(appointed on 30 July 2020)*
Lim Hun Soon @ David Lim (Independent Non-Executive Director) *(resigned on 30 July 2020)*
Members : Dato' Salleh Bin Mohd Husein (Independent Non-Executive Chairman)
Dato' Noor Rezan Binti Bapoo Hashim (Senior Independent Non-Executive Director)

Mr Tang Yuen Kin was appointed as the Chairman of the Audit Committee on 30 July 2020 in place of Mr Lim Hun Soon @ David Lim who resigned on the even date.

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, Tang Yuen Kin, 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, authorities, 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 2020, 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
Dato' Salleh Bin Mohd Husein	5 out of 5
Dato' Noor Rezan Binti Bapoo Hashim	5 out of 5
Lim Hun Soon @ David Lim *(resigned on 30 July 2020)*	5 out of 5
Tang Yuen Kin *(appointed on 30 July 2020)*	Not applicable

The agenda 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 THE FYE 31 AUGUST 2020

During the FYE 31 August 2020, 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 2019
  - First quarter ended 30 November 2019
  - Second quarter ended 29 February 2020
  - Third quarter ended 31 May 2020

  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 the FYE 31 August 2019 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 the FYE 31 August 2019;

- Reviewed and recommended for the Board's approval the SORMIC and the Audit Committee Report ("AC Report") for inclusion in the Annual Report for the FYE 31 August 2019. The review was to ensure that the SORMIC and the AC Report were prepared in accordance with the MMLR of Bursa Securities;

- Reviewed the Group's management budget for the FYE 31 August 2020 before recommending for the Board's approval and adoption; and

- Reviewed the revised Audit Committee Terms of Reference before recommending for the Board's endorsement.

External audit

- Reviewed and discussed with the external auditors, i.e. KPMG PLT, on the audit for the FYE 31 August 2019. 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 the FYE 31 August 2019, 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 13 February 2020;

- Reviewed and discussed with the external auditors on their audit plan for the FYE 31 August 2020 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 the FYE 31 August 2020 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 the FYE 31 August 2020 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 the FYE 31 August 2020 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 remained. The Audit Committee also take note of the changes in the rating 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 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 during the FYE 31 August 2020 is as follows:

- Prepared and presented an internal audit plan for the FYE 31 August 2020 to the Audit Committee. The focus of the internal audit plan for the FYE 31 August 2020, 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 the FYE 31 August 2020, covering the Inventory Management functions of United Publishing House (M) Sdn Bhd and its subsidiaries;

- Undertook gap assessment on the Group's Anti Bribery and Corruption Management System against the recommended best practices as set out in the Corporate Integrity System Malaysia ("CISM") Framework;

- Undertook follow-up review on previously reported audit findings to ensure weaknesses identified have been or are being addressed; and

- 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 outsourced internal audit function for the FYE 31 August 2020 were RM36,000.

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 2020. This Statement has been prepared in accordance with the Statement on Risk Management and 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, Whistleblowing Policy and Anti Bribery and Corruption Policy. For the financial year under review, there were no concerns raised of any wrongdoings 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 processes 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 services 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 the FYE 31 August 2020 as approved by the Audit Committee, covering the following subsidiaries and functional areas/sections:

i. Inventory Management functions of United Publishing House (M) Sdn Bhd and its subsidiaries.

   - Inventory Management, in respect of warehouse/store management, physical stock handling, packing processes and procedures, receiving and delivery monitoring processes and procedures, backorders monitoring processes and procedures, stock return handling, physical stock count procedures, stock variance justification and verification control procedures and inventory system updating and recording.

ii. Gap Assessment on the Anti Bribery and Corruption Management System of Sasbadi Holdings Berhad

   - Assessment of the Anti Bribery and Corruption Management System in accordance with the Corporate Integrity System Malaysia ("CISM") Framework by reviewing the existing business policies and procedures against the recommended best practices as set out in the CISM Framework.

iii. Follow-up review on previously reported audit findings to ensure weaknesses identified have been or are being addressed.

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 the FYE 31 August 2020 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.

ADDITIONAL COMPLIANCE INFORMATION

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.

The Company had on 6 December 2019, offered 10,000,000 options at an exercise price of RM0.17 each to its eligible employees under ESOS. The ESOS will be exercisable within one (1) year from the date of offer. There were no options offered to any Director of the Company.

None of the share options granted were exercised during the financial year.

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 ("FYE") 31 August 2020 are as follows:

	Company	Group
	RM'000	**RM'000**
Audit services		
– KPMG PLT	60	282
– Other auditors	–	6
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 FYE 31 August 2020 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 FYE 31 August 2020.

UTILISATION OF PROCEEDS

No proceeds were raised from any corporate proposals during the FYE 31 August 2020.

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 and 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 2020, 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 and to prevent and detect fraud and other such irregularities.

This statement is made in accordance with the resolution of the Board dated 18 December 2020.

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SASBADI

Directors' report for the year ended 31 August 2020

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 August 2020.

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 (loss)/profit for the year attributable to:		
Owners of the Company	(8,952)	34

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
Law Yi Chian
Tang Yuen Kin (Appointed on 30 July 2020)
Lim Hun Soon @ David Lim (Resigned on 30 July 2020)

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 1.9.2019	**Bought**	**Sold**	**At 31.8.2020**
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]	3,450,000	1,250,000	-	4,700,000
Lee Swee Hang	35,506,500	-	-	35,506,500
Dato' Noor Rezan Binti Bapoo Hashim	300,000	-	-	300,000
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 Section 59(11)(c) of 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.

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.

The other Directors holding office at 31 August 2020 had no 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 apart from the issue of options pursuant to the Employees Share Option Scheme ("ESOS") as disclosed in Note 16.6 and Note 19.

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 RM12,000.

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.

Other statutory information (continued)

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.

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, except as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 August 2020 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.

Auditors

The auditors, KPMG PLT, retire and are not seeking re-appointment.

The auditors' remuneration is disclosed in Note 22 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: 18 December 2020

Statements of financial position as at 31 August 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Property, plant and equipment	3	46,992	52,238	-	-
Investment properties	4	2,426	2,480	-	-
Intangible assets	5	23,650	25,056	-	-
Investments in subsidiaries	6	-	-	92,730	93,008
Other investments	7	227	265	-	-
Deferred tax assets	8	1,396	1,426	-	-
Total non-current assets		74,691	81,465	92,730	93,008
Inventories	10	69,386	73,446	-	-
Right to recover returned goods	11	1,283	2,035	-	-
Current tax assets		5,537	2,945	6	4
Contract costs	12	597	381	-	-
Trade and other receivables	13	40,356	49,482	23,529	23,101
Prepayments		4,688	4,271	9	9
Cash and cash equivalents	14	6,230	7,443	47	24
		128,077	140,003	23,591	23,138
Asset classified as held for sale	15	6,998	-	-	-
Total current assets		135,075	140,003	23,591	23,138
Total assets		209,766	221,468	116,321	116,146
Equity					
Share capital		108,210	108,210	108,210	108,210
Reserves		37,832	46,732	1,110	676
Total equity	16	146,042	154,942	109,320	108,886
Liabilities					
Loans and borrowings	17	10,149	13,033	-	-
Lease liabilities		1,318	-	-	-
Deferred tax liabilities	8	7,332	8,275	-	-
Total non-current liabilities		18,799	21,308	-	-
Loans and borrowings	17	27,294	22,327	-	-
Lease liabilities		993	-	-	-
Refund liabilities	11	2,414	3,851	-	-
Trade and other payables	18	12,284	17,484	7,001	7,260
Contract liabilities	12	1,940	1,239	-	-
Current tax liabilities		-	317	-	-
Total current liabilities		44,925	45,218	7,001	7,260
Total liabilities		63,724	66,526	7,001	7,260
Total equity and liabilities		209,766	221,468	116,321	116,146

The notes on pages 63 to 140 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income for the year ended 31 August 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	20	62,814	87,727	840	960
Cost of sales		(46,553)	(51,373)	-	-
Gross profit		16,261	36,354	840	960
Other operating income		1,450	460	-	-
Distribution expenses		(7,536)	(9,088)	-	-
Administrative expenses		(12,562)	(14,443)	(296)	(480)
Net loss on impairment of financial instruments		(1,544)	(482)	-	-
Other operating expenses		(3,116)	(3,069)	(511)	(307)
Results from operating activities		(7,047)	9,732	33	173
Finance income		22	26	1	1
Finance costs	21	(2,279)	(2,882)	-	-
(Loss)/Profit before tax	22	(9,304)	6,876	34	174
Taxation	23	352	(3,612)	-	-
Net (loss)/profit for the year attributable to owners of the Company		(8,952)	3,264	34	174
Other comprehensive (loss)/income for the year, net of tax:					
Items that will not be reclassified subsequently to profit or loss					
Reversal of revaluation gain on property, plant and equipment		(310)	-	-	-
Net changes in fair value of equity investments designated at fair value through other comprehensive income		(38)	19	-	-
		(348)	19	-	-
Total comprehensive (loss)/income for the year attributable to owners of the Company		(9,300)	3,283	34	174
Earnings per ordinary share (sen)	24				
- Basic		(2.14)	0.78		
- Diluted		(2.14)	-		

The notes on pages 63 to 140 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 August 2020

Group	Note	Share capital RM'000	Treasury shares RM'000	Merger deficit RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total equity RM'000
			<---------------	***Attributable to owners of the Company***					--------------->
		<---------------		***Non-distributable***			--------------->	***Distributable***	
At 1 September 2018		108,210	(1)	(50,500)	(25)	22,484	-	71,491	151,659
Net change in fair value of equity investments designated at fair value through other comprehensive income		-	-	-	19	-	-	-	19
Total other comprehensive income		-	-	-	19	-	-	-	19
Net profit for the year		-	-	-	-	-	-	3,264	3,264
Total comprehensive income for the year		-	-	-	19	-	-	3,264	3,283
At 31 August 2019/1 September 2019		108,210	(1)	(50,500)	(6)	22,484	-	74,755	154,942
Reversal of revaluation gain on property, plant and equipment, net of tax		-	-	-	-	(310)	-	-	(310)
Net change in fair value of equity investments designated at fair value through other comprehensive income		-	-	-	(38)	-	-	-	(38)
Total other comprehensive loss		-	-	-	(38)	(310)	-	-	(348)
Net loss for the year		-	-	-	-	-	-	(8,952)	(8,952)
Total comprehensive loss for the year		-	-	-	(38)	(310)	-	(8,952)	(9,300)
Transaction with owners of the Company									
Share-based payment transactions	19	-	-	-	-	-	400	-	400
At 31 August 2020		108,210	(1)	(50,500)	(44)	22,174	400	65,803	146,042
		<---------------			Note 16		--------------->		

The notes on pages 63 to 140 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 August 2020

		<----------*Non-distributable*-------->			*Distributable*	
Company	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Share option reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 September 2018		108,210	(1)	-	503	108,712
Net profit and total comprehensive income for the year		-	-	-	174	174
At 31 August 2019/ 1 September 2019		108,210	(1)	-	677	108,886
Net profit and total comprehensive income for the year		-	-	-	34	34
Transaction with owners of the Company						
Share-based payment transactions	19	-	-	400	-	400
At 31 August 2020		108,210	(1)	400	711	109,320
		<--------------- Note 16 --------------->				

The notes on pages 63 to 140 are an integral part of these financial statements.

Statements of cash flows for the year ended 31 August 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
(Loss)/Profit before tax	(9,304)	6,876	34	174
Adjustments for:				
Amortisation of intangible assets	1,421	1,407	-	-
Depreciation of property, plant and equipment	2,763	2,335	-	-
Property, plant and equipment written off	-	180	-	-
Depreciation of investment properties	54	52	-	-
Dividend income	(5)	(7)	(840)	(960)
Finance costs	2,279	2,882	-	-
Finance income	(22)	(26)	(1)	(1)
Gain on disposal of property, plant and equipment	(133)	(108)	-	-
Net write down of inventories	5,293	2,996	-	-
Net impairment loss on trade receivables	1,544	482	-	-
Impairment loss on property, plant and equipment	345	-	-	-
Impairment loss on investment in subsidiaries	-	-	278	-
Income from rent concession	(12)	-	-	-
Share-based payment	400	-	-	-
Unrealised foreign exchange gain	-	(10)	-	-
Operating profit/(loss) before changes in working capital	4,623	17,059	(529)	(787)
Changes in inventories	(1,233)	(2,980)	-	-
Changes in trade and other receivables and prepayments	5,665	1,116	(148)	(340)
Changes in trade and other payables	(5,200)	(1,498)	(259)	35
Changes in contract costs	(216)	651	-	-
Changes in contract liabilities	701	(1,803)	-	-
Changes in right to recover returned goods	752	(778)	-	-
Changes in refund liabilities	(1,437)	1,502	-	-
Cash generated from/(used in) operations	3,655	13,269	(936)	(1,092)
Dividend received	-	-	960	1,080
Interest paid	(1,430)	(1,492)	-	-
Interest received	22	26	1	1
Tax paid	(4,258)	(5,164)	(2)	(4)
Tax refunded	886	4,410	-	17
Net cash (used in)/generated from Operating activities	(1,125)	11,049	23	2

Statements of cash flows for the year ended 31 August 2020 (continued)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from investing activities					
Change in pledged deposits		(10)	(15)	-	-
Acquisition of intangible assets		(15)	(388)	-	-
Acquisition of property, plant and equipment	(i)	(908)	(538)	-	-
Proceeds from disposal of property, plant and equipment		164	110	-	-
Dividend received from other investments		5	7	-	-
Net cash used in investing activities		(764)	(824)	-	-
Cash flows from financing activities					
Interest paid		(849)	(1,390)	-	-
Payment of lease liabilities		(746)	-	-	-
Repayment of term loans		(2,367)	(3,795)	-	-
Repayment of hire purchase		(17)	-	-	-
Repayment of finance lease liabilities		-	(40)	-	-
Drawdown of bankers' acceptance		13,420	14,752	-	-
Repayment of bankers' acceptance		(10,421)	(15,366)	-	-
Net cash used in financing activities		(980)	(5,839)	-	-
Net (decrease)/increase in cash and cash equivalents		(2,869)	4,386	23	2
Cash and cash equivalents at beginning of the financial year		(9,626)	(14,012)	24	22
Cash and cash equivalents at end of the financial year	(ii)	(12,495)	(9,626)	47	24

Cash outflows for leases as a lessee

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Included in net cash from operating activities:				
Payment relating to short-term lease	(356)	-	-	-
Payment relating to low-value assets	(27)	-	-	-
Interest paid in relation to lease liabilities	(93)	-	-	-
Included in net cash from financing activities:				
Payment of lease liabilities	(746)	-	-	-
Total cash outflows for leases	(1,222)	-	-	-

Statements of cash flows for the year ended 31 August 2020 (continued)

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM3,692,000 (2019: RM814,000), of which RM160,000 (2019: RM276,000) were acquired by means of hire purchase, RM1,124,000 (2019: Nil) were related to additions of right-of-use assets and RM1,500,000 (2019: Nil) were acquired by contra of amount due from a vendor.

(ii) 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	5,485	6,710	47	24
Deposits placed with licensed banks	745	733	-	-
	6,230	7,443	47	24
Less: Deposits pledged	(631)	(621)	-	-
Less: Bank overdraft	(18,094)	(16,448)	-	-
	(12,495)	(9,626)	47	24

Statements of cash flows for the year ended 31 August 2020 (continued)

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

	At 1.9.2018 RM'000	Addition of new lease RM'000	Net changes from financing cash flows RM'000	At 31.8.2019 RM'000	Adjustment on initial application of MFRS 16 (Note 30) RM'000	At 1.9.2019 RM'000	Addition of new lease RM'000	Income from rent concession RM'000	Net changes from financing cash flows RM'000	At 31.8.2020 RM'000
Finance lease liabilities	102	276	(40)	338	(338)	-	-	-	-	-
Term loans	20,445	-	(3,795)	16,650	-	16,650	-	-	(2,367)	14,283
Bankers' acceptances	2,538	-	(614)	1,924	-	1,924	-	-	2,999	4,923
Hire purchase	-	-	-	-	-	-	160	-	(17)	143
Lease liabilities	-	-	-	-	1,945	1,945	1,124	(12)	(746)	2,311
	23,085	276	(4,449)	18,912	1,607	20,519	1,284	(12)	(131)	21,660

The notes on pages 63 to 140 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 2020 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 2020 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 18 December 2020.

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:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement,* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4*, Insurance Contracts* and MFRS 16*, Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3*, Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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*

The Group and the Company have chosen to early adopt Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions* during the current financial year. This Amendment to MFRS 16 applies the practical expedient allowing the Group and the Company not to assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are lease modifications.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 September 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020;

- from the annual period beginning on 1 September 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021;

- from the annual period beginning on 1 September 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 141 which is not applicable to the Group and the Company; and,

- from the annual period beginning on 1 September 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group and the Company.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical 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 8 - deferred tax assets/(liabilities)
- Note 9 - extension options and incremental borrowing rate in relation to leases
- Note 26.4 - measurement of expected credit loss (“ECL”)

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.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 30.

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Non-controlling interests

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

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency

Foreign currency transactions

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Recognition and initial 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 asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Fair value through other comprehensive income

Equity investments

This category comprises investment in equity that is not held for trading, and the Group irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) 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), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:
(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(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 asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be 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.

2. Significant accounting policies (continued)

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 September 2019, if any. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

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

2. Significant accounting policies (continued)

(e) Leases (continued)

Previous financial year (continued)

As a lessee (continued)

(ii) Operating lease

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

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

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

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of intellectual properties acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Subsequent expenditure

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

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(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

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.

(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.

2. Significant accounting policies (continued)

(h) Inventories (continued)

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) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

2. Significant accounting policies (continued)

(l) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(ii) Other assets

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

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

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

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

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

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

2. Significant accounting policies (continued)

(m) 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.

(n) 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.

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(o) 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.

2. Significant accounting policies (continued)

(p) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Sale with right of return

In some contracts, an entity transfers control of a product to a customer and also grants the customer the right to return the product for various reasons and receive any combination of the following:

(a) a full or partial refund of any consideration paid;

(b) a credit that can be applied against amounts owed, or that will be owed, to the entity; and

(c) another product in exchange.

To account for the transfer of products with a right of return, an entity shall recognise all of the following:

(a) revenue for the transferred products in the amount of consideration to which the entity expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

2. Significant accounting policies (continued)

(p) Revenue and other income (continued)

(iii) 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.

(iv) 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.

(q) 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.

2. Significant accounting policies (continued)

(r) Tax expense

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

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

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

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

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

(s) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share-based payments to employees, where applicable.

2. Significant accounting policies (continued)

(t) 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.

(u) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

2. Significant accounting policies (continued)

(v) 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 2018	320	25,685	24,960	9,034	3,739	1,285	2,194	67,217
Additions	-	-	-	335	241	135	103	814
Reclassification	-	7,165	(7,165)	-	-	-	-	-
Disposals	-	-	-	(888)	-	-	(5)	(893)
Written off	-	-	-	-	(141)	(164)	-	(305)
At 31 August 2019	320	32,850	17,795	8,481	3,839	1,256	2,292	66,833
Adjustment on initial application of MFRS 16	-	-	1,607	-	-	-	-	1,607
At 1 September 2019	320	32,850	19,402	8,481	3,839	1,256	2,292	68,440
Additions	-	-	3,224	207	50	47	164	3,692
Disposals	-	-	-	(563)	(2)	-	-	(565)
Written off	-	-	-	-	(321)	(25)	(24)	(370)
Adjustment for revaluation	-	(206)	(24)	-	-	-	-	(230)
Transfer to asset classified as held for sale	-	(6,959)	(810)	-	-	-	-	(7,769)
At 31 August 2020	320	25,685	21,792	8,125	3,566	1,278	2,432	63,198
Representing items at:								
Cost	-	-	3,224	8,125	3,566	1,278	2,432	18,625
Directors' valuation	320	25,685	18,568	-	-	-	-	44,573
At 31 August 2020	320	25,685	21,792	8,125	3,566	1,278	2,432	63,198

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 and impairment loss								
At 1 September 2018	2	281	277	7,553	2,697	473	1,993	13,276
Charge for the year	5	647	466	777	192	123	125	2,335
Reclassification	-	41	(41)	-	-	-	-	-
Disposals	-	-	-	(888)	-	-	(3)	(891)
Written off	-	-	-	-	(58)	(67)	-	(125)
At 31 August 2019/ 1 September 2019	7	969	702	7,442	2,831	529	2,115	14,595
Charge for the year	5	642	1,199	502	186	107	122	2,763
Disposals	-	-	-	(533)	(1)	-	-	(534)
Written off	-	-	-	-	(321)	(25)	(24)	(370)
Impairment loss during the year	-	310	35	-	-	-	-	345
Adjustment on revaluation	-	159	19	-	-	-	-	178
Transfer to asset classified as held for sale								
- accumulated depreciation	-	(363)	(63)	-	-	-	-	(426)
- accumulated impairment loss	-	(310)	(35)	-	-	-	-	(345)
At 31 August 2020	12	1,407	1,857	7,411	2,695	611	2,213	16,206
Carrying amounts								
At 1 September 2018	318	25,404	24,683	1,481	1,042	812	201	53,941
At 31 August 2019	313	31,881	17,093	1,039	1,008	727	177	52,238
At 31 August 2020	308	24,278	19,935	714	871	667	219	46,992

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed under Note 9.

3. Property, plant and equipment (continued)

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	
	2020	**2019**
	RM'000	**RM'000**
Condominiums	198	207
Leasehold land	2,940	3,003
Buildings	8,410	8,645
	11,548	11,855

Security

Certain land and buildings of the Group with carrying amounts of RM37,542,000 (2019: RM46,354,000) were charged to banks as security for banking facilities granted to the Group (see Note 17).

4. Investment properties

	Buildings RM'000
Group	
Cost	
At 1 September 2018/31 August 2019/1 September 2019/ 31 August 2020	2,640
Accumulated depreciation	
At 1 September 2018	108
Charge for the year	52
At 31 August 2019/1 September 2019	160
Charge for the year	54
At 31 August 2020	214
Carrying amounts	
At 1 September 2018	2,532
At 31 August 2019/1 September 2019	2,480
At 31 August 2020	2,426

4. Investment properties (continued)

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.

In the previous year, the investment properties of the Group are charged to banks as security for banking facilities granted to the Group (see Note 17).

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Rental income	108	118
Direct operating expenses	(16)	(14)

Fair value information

Fair value of the investment properties are categorised as follows:

	Group Level 3	
	2020	**2019**
	RM'000	**RM'000**
Commercial buildings	2,680	2,680

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	Goodwill RM'000	Development costs RM'000	Software RM'000	Intellectual properties RM'000	Total RM'000
Cost					
At 1 September 2018	10,964	2,539	123	18,545	32,171
Additions	-	388	-	-	388
At 31 August 2019/ 1 September 2019	10,964	2,927	123	18,545	32,559
Additions	-	-	15	-	15
At 31 August 2020	10,964	2,927	138	18,545	32,574
Accumulated amortisation					
At 1 September 2018	-	587	26	5,483	6,096
Charge for the year	-	280	12	1,115	1,407
At 31 August 2019/ 1 September 2019	-	867	38	6,598	7,503
Charge for the year	-	293	14	1,114	1,421
At 31 August 2020	-	1,160	52	7,712	8,924
Carrying amount					
At 1 September 2018	10,964	1,952	97	13,062	26,075
At 31 August 2019/ 1 September 2019	10,964	2,060	85	11,947	25,056
At 31 August 2020	10,964	1,767	86	10,833	23,650
	Note 5.1			Note 5.2	

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. Intangible assets (continued)

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.

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.

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Sanjung Unggul Group	10,253	10,253
Distinct Motion Group	533	533
Pinko Creative	178	178
	10,964	10,964

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

5. Intangible assets (continued)

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

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 2021 includes approximately RM480,000 of sales from new product line. The anticipated sales growth rate is 1.11% per annum from 2021 to 2025.
- The operating expenditure growth was assumed to be 1.95% 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 11.84% (2019: 11.50%) 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 2021. The anticipated sales growth rate is 1.95% per annum from 2022 to 2025.
- The operating expenditure growth was assumed to be 1.95% 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 11.84% (2019: 11.50%) 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 in 2021. The anticipated sales growth rate is 1.95% per annum from 2022 to 2025.
- The operating expenditure growth was assumed to be 1.95% 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 11.84% (2019: 11.50%) 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 2020 RM'000	Company 2019 RM'000
Unquoted shares, at cost	93,008	93,008
Less: Impairment loss	(278)	-
	92,730	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 2020 %	2019 %
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 2020 %	2019 %
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	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

	Note	Group 2020 RM'000	Group 2019 RM'000
Fair value through profit or loss			
Club membership		37	37
Fair value through other comprehensive income			
Shares quoted in Malaysia	7.1	190	228
		227	265
Market value of quoted investments		190	228

7.1 Equity investments designated at fair value through other comprehensive income

The Group designated shares quoted in Malaysia as fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes.

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

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

Group	Assets 2020 RM'000	Assets 2019 RM'000	Liabilities 2020 RM'000	Liabilities 2019 RM'000	Net 2020 RM'000	Net 2019 RM'000
Property, plant and equipment						
- capital allowance	8	53	(249)	(206)	(241)	(153)
- revaluation	-	-	(6,991)	(7,103)	(6,991)	(7,103)
Right-of-use assets	-	-	(546)	-	(546)	-
Lease liabilities	559	-	-	-	559	-
Intangible assets	-	-	(1,891)	(2,094)	(1,891)	(2,094)
Contract costs	-	-	(110)	(91)	(110)	(91)
Contract liabilities	332	297	-	-	332	297
Tax losses	1,297	505	-	-	1,297	505
Provisions	1,655	1,790	-	-	1,655	1,790
Tax assets/(liabilities)	3,851	2,645	(9,787)	(9,494)	(5,936)	(6,849)
Set off of tax	(2,455)	(1,219)	2,455	1,219	-	-
	1,396	1,426	(7,332)	(8,275)	(5,936)	(6,849)

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

Movement in temporary differences during the financial year:

Group	At 1.9.2018 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.8.2019/ 1.9.2019 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in revaluation reserve RM'000	At 31.8.2020 RM'000
Property, plant and equipment						
- capital allowance	(372)	219	(153)	(88)	-	(241)
- revaluation	(7,112)	9	(7,103)	14	98	(6,991)
Right-of-use assets	-	-	-	(546)	-	(546)
Lease liabilities	-	-	-	559	-	559
Intangible assets	(2,253)	159	(2,094)	203	-	(1,891)
Contract costs	(248)	157	(91)	(19)	-	(110)
Contract liabilities	730	(433)	297	35	-	332
Unutilised tax losses	419	86	505	792	-	1,297
Provisions	3,576	(1,786)	1,790	(135)	-	1,655
	(5,260)	(1,589)	(6,849)	815	98	(5,936)

Unrecognised deferred tax assets

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

Group	2020 RM'000	2019 RM'000
Unutilised tax losses	4,423	2,782
Unabsorbed capital allowance	493	-
Contract liabilities	558	-
Provisions	1,186	14
	6,660	2,796

Deferred tax assets have not been recognised in respect of these items because there is no sufficient future taxable profits available against which they can be utilised. Unutilised tax losses can be carried forward for seven consecutive years of assessment whilst the unabsorbed capital allowances do not expire under the current tax legislation. These items are subject to the agreement of the Inland Revenue Board.

9. Right-of-use assets

Nature of the Group's leasing activities – As a lessee

Leasehold land, buildings and condominiums

The Group has made upfront payments to secure the right-of-use of leasehold land and buildings and condominiums for its operations. The Group also leases warehouses and residential properties for the purpose of staff accommodation. These leasehold land and buildings, and related leases are recognised within property, plant and equipment (Note 3) and asset classified as held for sale (Note 15).

Motor vehicles

The Group leases motor vehicles for employees for use in operations.

(a) Carrying amounts

Right-of-use assets classified within property, plant and equipment

Group	31.8.2020 RM'000	1.9.2019 RM'000
Condominium	308	313
Leasehold land	24,278	31,881
Buildings	19,935	18,700
Motor vehicles	265	346
Total	44,786	51,240

Right-of-use assets classified within asset classified as held for sale

Group	31.8.2020 RM'000	1.9.2019 RM'000
Leasehold land	6,286	-
Buildings	712	-
Total	6,998	-

(b) Additions to right-of-use assets during the year

Group	2020 RM'000
Buildings	3,224

9. Right-of-use assets (continued)

(c) Depreciation charged during the year

Group	2020 RM'000
Condominium	5
Leasehold land	642
Buildings	1,199
Motor vehicles	81
Total	1,927

(d) Extension options

Some leases of buildings contain extension options up to 3 years, which are exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessor. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstance within its control.

(e) Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

10. Inventories

	Group 2020 RM'000	Group 2019 RM'000
At cost/net realisable value		
Raw materials	3,757	5,865
Finished goods	65,629	67,581
	69,386	73,446
Recognised in profit or loss:		
Inventories recognised as cost of sales	27,802	23,945
Write down of inventories	5,293	2,996

11. Rights to recover returned goods/(Refund liabilities)

	Group 2020 RM'000	Group 2019 RM'000
Rights to recover returned goods	1,283	2,035
Refund liabilities	(2,414)	(3,851)

An asset with a right to recover returned goods and the corresponding refund liabilities are recognised in relation to finished goods sold with a right of return.

These are measured by reference to the former carrying amounts of the sold inventories less any expected costs to recover those inventories and any potential decreases in the value to the Group of the returned inventories.

12. Contract with customers

12.1 Contract costs

	Group 2020 RM'000	Group 2019 RM'000
Cost to obtain a contract	597	381

Cost to obtain a contract primarily comprises commission fees paid to intermediaries as a result of obtaining contracts and they are recoverable.

Capitalised commission fees are amortised when the related revenues are recognised. During the current financial year, the amount of amortisation was RM1,159,000 (2019: RM1,930,000).

12. Contract with customers (continued)

12.2 Contract liabilities

	Group	
	2020 RM'000	2019 RM'000
Contract liabilities	1,940	1,239

The contract liabilities primarily relate to the advance consideration received from customers for sale of online/digital materials, which revenue is recognised over time throughout the agreed period. The contract liabilities are expected to be recognised as revenue over a period of 180 days or 365 days.

Significant changes to contract liabilities balances during the period are as follows:

	Group	
	2020 RM'000	2019 RM'000
Contract liabilities at the beginning of the period recognised as revenue	1,239	3,042

13. Trade and other receivables

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current					
Trade					
Trade receivables		46,656	52,154	-	-
Less: Impairment losses		(9,668)	(8,124)	-	-
		36,988	44,030	-	-
Accrued income	13.1	98	-	-	-
		37,086	44,030	-	-
Non-trade					
Amount due from subsidiaries	13.2	-	-	23,527	23,099
Other receivables and deposits		3,270	5,452	2	2
		3,270	5,452	23,529	23,101
		40,356	49,482	23,529	23,101

13.1 Accrued income

Accrued income related to the Group's rights to consideration for goods delivered but not yet billed at reporting date.

13.2 Amount due from subsidiaries

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

14. Cash and cash equivalents

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash and bank balances		5,485	6,710	47	24
Deposits placed with licensed banks	14.1	745	733	-	-
		6,230	7,443	47	24

14.1 Pledged deposits

Included in the deposits placed with a licensed bank of the Group is RM631,000 (2019: RM621,000) pledged for bank facilities granted to certain subsidiaries.

15. Asset classified as held for sale

On 17 August 2020, the Group entered into a Sale and Purchase Agreement for the sale of leasehold land and building for a total consideration of RM7,150,000. Accordingly, the asset is reclassified to asset held for sale. At 31 August 2020, the asset was stated at cost less accumulated depreciation and impairment loss at the date of reclassification.

	Note	Group 2020 RM'000	Group 2019 RM'000
Cost	3	7,769	-
Accumulated depreciation	3	(426)	-
Accumulated impairment loss	3	(345)	-
		6,998	-

As at 31 August 2020, the asset was charged to banks as security for banking facilities granted to the Group (see Note 17).

16. Capital and reserves

16.1 Share capital

	Group and Company Number of shares 2020 '000	Amount 2020 RM'000	Number of shares 2019 '000	Amount 2019 RM'000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	419,100	108,210	419,100	108,210

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.

16. Capital and reserves (continued)

16.2 Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the annual general meeting held on 13 February 2020, renewed their approval for the Company's plan to purchase up to ten percent (10%) of the total number of issued shares at any point of time.

The purchased shares are being held as treasury shares in accordance with the requirements under Section 127 of the Companies Act 2016.

16.3 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.

16.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity instruments designated at fair value through other comprehensive income until the investments are derecognised or impaired.

16.5 Revaluation reserve

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

16.6 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

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 number of issued shares of the Company (excluding treasury shares, if any), at any point of time during the duration of the ESOS;

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;

16. Capital and reserves (continued)

16.6 Share option reserve (continued)

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

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 total number of issued shares (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. On 6 December 2019, the Company offered 10,000,000 options at an exercise price of RM0.17 each to its eligible employees under the ESOS (Note 19).

17. Loans and borrowings

	Note	Group 2020 RM'000	Group 2019 RM'000
Non-current			
Hire purchase		104	-
Finance lease liabilities	17.1	-	228
Term loans - secured	17.2	10,045	12,805
		10,149	13,033
Current			
Hire purchase		39	-
Finance lease liabilities	17.1	-	110
Term loans - secured	17.2	4,238	3,845
Bank overdrafts - secured	17.3	18,094	16,448
Bankers' acceptances - secured	17.4	4,923	1,924
		27,294	22,327
		37,443	35,360

17.1 Finance lease liabilities

Finance lease liabilities were payable as follows:

Group

	Future minimum lease payments 2019 RM'000	Interest 2019 RM'000	Present value of minimum lease payments 2019 RM'000
Less than one year	125	(15)	110
Between one and five years	242	(14)	228
	367	(29)	338

17. Loans and borrowings (continued)

17.2 Term loans

The term loans of the Group are secured by charges over the land and buildings (Note 3), investment properties (Note 4), asset classified as held for sale (Note 15), corporate guarantees by the Company and letter of negative pledge.

17.3 Bank overdrafts

The bank overdrafts of the Group are secured by charges over the land and buildings (Note 3), pledged deposits (Note 14.1), asset classified as held for sale (Note 15), corporate guarantees by the Company and letter of negative pledge.

17.4 Bankers' acceptances

The bankers' acceptances are secured by charges over the land and buildings (Note 3), asset classified as held for sale (Note 15), corporate guarantees by the Company and letter of negative pledge.

18. Trade and other payables

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade					
Trade payables		2,661	6,590	-	-
Non-trade					
Amount due to a subsidiary	18.1	-	-	6,776	6,853
Other payables and accrued expenses	18.2	9,623	10,894	225	407
		12,284	17,484	7,001	7,260

18.1 Amount due to a subsidiary

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

18.2 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group are accrued royalties payable of RM3,104,000 (2019: RM4,351,000).

Included in other payables and accrued expenses of the Group and of the Company is an amount due to Directors of RM163,000 (2019: RM324,000).

19. Employee benefits

Share-based payments arrangement

On 6 December 2019, the Company granted share options to its eligible employees to purchase shares in the Company under the Employees' Share Option Scheme ("ESOS") which was approved by the shareholders of the Company on 19 July 2016 and implemented on 1 September 2016. In accordance with the ESOS, holders of vested ESOS options are entitled to purchase the Company's shares at the exercise price at the date of grant.

The exercise price is determined based on five (5) days volume-weighted average market price immediately preceding the date of offer, with a discount of not more than ten per cent (10%), if any.

The terms and conditions related to the grants of the share option programme are as follows:

Group **Grant date**	**Number of options ('000)**	**Vesting conditions**	**Contractual life of options**
6 December 2019	10,000	No vesting conditions	1 year

The number and exercise price of share options are as follows:

Group	**2020** **Exercise price RM**	**2020** **Number of options '000**	**2019** **Exercise price RM**	**2019** **Number of options '000**
Outstanding at 1 September	-	-	-	-
Granted during the year	0.17	10,000	-	-
Outstanding at 31 August	0.17	10,000	-	-
Exercisable at 31 August	0.17	10,000	-	-

The options outstanding at 31 August 2020 have an exercise price of RM0.17 (2019: Nil) and a contractual life of 1 year from the date of grant.

During the financial year, no share options were exercised.

19. Employee benefits (continued)

Share-based payments arrangement (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model, with the following inputs:

	Group	
	2020 RM	2019 RM
Fair value of share options and assumptions		
Fair value at grant date	0.04	-
Volume-weighted average share price	0.1722	-
Exercise price	0.1700	-
Option life	1 year	-

Value of employee services received for issue of share options

	Group	
	2020 RM'000	2019 RM'000
Share options granted	400	-
Total expense recognised as share-based payments	400	-

The share options expense is not recognised in the profit or loss of the Company as it has been re-charged to the subsidiaries benefiting from the services of the employees.

20. Revenue

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers				
Sale of printed books, distribution of applied learning products and trading of paper	59,978	83,299	-	-
Sale of online/digital educational material	2,836	4,428	-	-
	62,814	87,727	-	-
Other revenue				
Dividend income	-	-	840	960
Total revenue	62,814	87,727	840	960
Timing and recognition for revenue with contract customers				
At a point in time	59,978	83,299		
Over time	2,836	4,428		
	62,814	87,727		

The Group applies the practical expedient for exemption on disclosure of information on remaining performance obligations that have original expected duration of one year or less.

20. Revenue (continued)

20.1 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Sale of printed books, distribution of applied learning products and trading of paper	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers at their premises.	Credit period of 90 days or 120 days from invoice date.	Early settlement rebates are given to customers for payment received within credit period.	The Group allows returns through exchange of goods or cash refund.	Assurance warranties of 24 months given for government contracts and 12 months for electronic parts of certain products.
Sale of online/digital educational material	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided as the Group performs.	Not applicable.	Performance bonus classified as personal sales bonus and group network sales bonus are given to distributors for sales made to customers.	The Group allows returns through exchange of goods or cash refund.	Assurance warranties of 30 days from date of purchase given to customers.

21. Finance costs

	Group	
	2020 RM'000	2019 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	2,186	2,882
Interest expense on lease liabilities	93	-
	2,279	2,882

22. (Loss)/Profit before tax

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
Audit fees				
KPMG PLT	282	290	60	68
Other auditors	6	6	-	-
Non-audit fees				
KPMG PLT	15	15	15	15
Material expenses/(income)				
Amortisation of intangible assets	1,421	1,407	-	-
Depreciation of property, plant and equipment	2,763	2,335	-	-
Depreciation of investment properties	54	52	-	-
Impairment loss on property, plant and equipment	345	-	-	-
Impairment loss on investment in subsidiaries	-	-	278	-
Property, plant and equipment written off	-	180	-	-
Net write down of inventories	5,293	2,996	-	-
Personnel expenses				
- Contributions to Employees' Provident Fund	2,318	2,345	-	-
- Wages, salaries and others	18,960	20,396	-	-
- Share-based payments	400	-	-	-
Realised foreign exchange loss	4	33	-	-
Gain on disposal of property, plant and equipment	(133)	(108)	-	-
Dividend income from:				
- subsidiary (unquoted)	-	-	(840)	(960)
- other investments (quoted)	(5)	(7)	-	-
Bad debts recovered	(400)	-	-	-
Finance income	(22)	(26)	(1)	(1)
Unrealised foreign exchange gain	-	(10)	-	-
Net loss on impairment of financial instruments				
Impairment loss on trade receivables	1,544	482	-	-

22. (Loss)/Profit before tax (continued)

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Expenses/(Income) arising from leases				
Expenses related to short-term leases	356	-	-	-
Expenses related to leases of low-value assets	27	-	-	-
Interest expenses in relation to lease liabilities	93	-	-	-
Income from rent concessions	(12)	-	-	-
Rental of premises	-	947	-	-
Rental of machinery	-	45	-	-

23. Taxation

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current taxation				
Current year	382	3,132	-	-
Under/(Over) provision in prior years	81	(1,109)	-	-
	463	2,023	-	-
Deferred taxation				
Origination and reversal of temporary differences	(808)	149	-	-
(Over)/Under provision in prior years	(7)	1,440	-	-
	(815)	1,589	-	-
	(352)	3,612	-	-
Reconciliation of taxation				
(Loss)/Profit before tax	(9,304)	6,876	34	174
Income tax using Malaysian tax rate of 24% (2019: 24%)	(2,233)	1,650	8	42
Non-deductible expenses	901	1,010	194	188
Non-taxable income	(21)	(15)	(202)	(230)
Unrecognised deferred tax assets	927	636	-	-
	(426)	3,281	-	-
Under provision in prior years	74	331	-	-
	(352)	3,612	-	-

24. Earnings per ordinary share (“EPS”)

The calculation of basic EPS was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	2020	2019
(Loss)/Profit attributable to ordinary shareholders (RM’000)	(8,952)	3,264
Weighted average number of ordinary shares at 31 August (’000)	419,099	419,099
Basic earnings per ordinary shares (sen)	(2.14)	0.78

Diluted EPS is equivalent to the basic EPS as the share option had an anti-dilutive effect on the basic EPS and the Group has no other instruments with potential dilutive effects as at 31 August 2020.

Diluted EPS is not presented for the previous financial year as the Group had no shares or instruments with potential dilutive effects as at 31 August 2019.

25. Operating segments

Segmental information is presented in accordance with the Group’s operations and products.

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.

25. Operating segments (continued)

Group 2020	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Corporate RM'000	Total RM'000
Segment (loss)/profit	(636)	(1,172)	(182)	21	(1,969)
Included in the measure of segment (loss)/profit are:					
Revenue from external customers	57,279	2,833	2,702	-	62,814
Inter-company revenue	6,430	1,453	27	840	8,750
Not included in the measure of segment (loss)/profit but provided to GMD:					
Depreciation and amortisation	(3,794)	(410)	(34)	-	(4,238)
Finance income	21	-	-	1	22
Finance costs	(2,279)	-	-	-	(2,279)
Taxation	540	(168)	(20)	-	352
Segmental assets	208,314	17,717	5,184	116,327	347,542
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	3,685	21	1	-	3,707

* 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

25. Operating segments (continued)

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Corporate RM'000	Total RM'000
Group 2019					
Segment profit	12,336	1,348	643	159	14,486
Included in the measure of segment profit are:					
Revenue from external customers	79,129	4,428	4,170	-	87,727
Inter-company revenue	12,503	2,307	663	960	16,433
Not included in the measure of segment profit but provided to GMD:					
Depreciation and amortisation	(3,348)	(383)	(63)	-	(3,794)
Finance income	25	-	-	1	26
Finance costs	(2,882)	-	-	-	(2,882)
Tax expense	(2,650)	(748)	(214)	-	(3,612)
Segmental assets	216,906	18,022	5,130	116,153	356,211
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	674	389	139	-	1,202

* 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

25. Operating segments (continued)

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

	Group 2020 RM'000	Group 2019 RM'000
Profit or loss		
Total (loss)/profit for reportable segments	(1,969)	14,486
Elimination of inter-segment profits	(840)	(960)
Depreciation and amortisation	(4,238)	(3,794)
Finance costs	(2,279)	(2,882)
Finance income	22	26
Consolidated (loss)/profit before tax	(9,304)	6,876

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
2020						
Total reportable segments	71,564	(4,238)	(2,279)	22	347,542	3,707
Elimination of inter-segment transactions or balances	(8,750)	-	-	-	(137,776)	-
Consolidated total	62,814	(4,238)	(2,279)	22	209,766	3,707
2019						
Total reportable segments	104,160	(3,794)	(2,882)	26	356,211	1,202
Elimination of inter-segment transactions or balances	(16,433)	-	-	-	(134,743)	-
Consolidated total	87,727	(3,794)	(2,882)	26	221,468	1,202

25. 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 RM9,132,000 (2019: RM9,157,000) contributed to more than 10% of the Group's revenue.

26. Financial instruments

26.1 Categories of financial instruments

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

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
 – Mandatorily required by MFRS 9
(c) Fair value through other comprehensive income ("FVOCI")
 – Equity instrument designated upon initial recognition ("EIDUIR")

2020	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000
Financial assets				
Group				
Other investments	227	-	37	190
Trade and other receivables	40,356	40,356	-	-
Cash and cash equivalents	6,230	6,230	-	-
	46,813	46,586	37	190
Company				
Trade and other receivables	23,529	23,529	-	-
Cash and cash equivalents	47	47	-	-
	23,576	23,576	-	-
Financial liabilities				
Group				
Loans and borrowings	(37,443)	(37,443)	-	-
Trade and other payables	(12,284)	(12,284)	-	-
	(49,727)	(49,727)	-	-
Company				
Trade and other payables	(7,001)	(7,001)	-	-

26. Financial instruments (continued)

26.1 Categories of financial instruments (continued)

2019	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000
Financial assets				
Group				
Other investments	265	-	37	228
Trade and other receivables	49,482	49,482	-	-
Cash and cash equivalents	7,443	7,443	-	-
	57,190	56,925	37	228
Company				
Trade and other receivables	23,101	23,101	-	-
Cash and cash equivalents	24	24	-	-
	23,125	23,125	-	-
Financial liabilities				
Group				
Loans and borrowings	(35,360)	(35,360)	-	-
Trade and other payables	(17,484)	(17,484)	-	-
	(52,844)	(52,844)	-	-
Company				
Trade and other payables	(7,260)	(7,260)	-	-

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net gain/(loss) on:				
Equity instruments designated at fair value through other comprehensive income				
- recognised in profit or loss	5	7	-	-
- recognised in other comprehensive income	(38)	19	-	-
	(33)	26	-	-
Financial assets measured at amortised cost	(1,122)	(456)	1	1
Financial liabilities measured at amortised cost	(2,190)	(2,905)	-	-
	(3,345)	(3,335)	1	1

26. Financial instruments (continued)

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26.4 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. There are no significant changes as compared to prior periods.

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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

As at 31 August 2020, the Group has significant concentration of credit risk in the form of outstanding balances from 5 trade customers which amounted to RM8,500,000 (2019: RM10,718,000) representing 18% (2019: 21%) of gross 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 5 customers after the reporting period; and
- The Directors have made assessments that all these customers have the ability to repay the balances outstanding.

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.

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

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Any receivables having significant balances past due more than 330 days, which are deemed to have higher credit risk, are monitored individually.

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 690 days will be considered as credit impaired.

Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to 690 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group’s view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2020			
Current (not past due)	10,213	(41)	10,172
1 - 30 days past due	925	(15)	910
31 - 180 days past due	21,032	(912)	20,120
181 - 330 days past due	5,397	(759)	4,638
More than 330 days past due	5,618	(4,493)	1,125
	43,185	(6,220)	36,965
Credit impaired			
Individually impaired	3,471	(3,448)	23
	46,656	(9,668)	36,988
2019			
Current (not past due)	19,005	(39)	18,966
1 - 30 days past due	5,188	(55)	5,133
31 - 180 days past due	16,861	(553)	16,308
181 - 330 days past due	2,841	(358)	2,483
More than 330 days past due	4,524	(3,523)	1,001
	48,419	(4,528)	43,891
Credit impaired			
Individually impaired	3,735	(3,596)	139
	52,154	(8,124)	44,030

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
At 1 September 2018	4,052	3,590	7,642
Net remeasurement of loss allowance	476	6	482
At 31 August 2019/1 September 2019	4,528	3,596	8,124
Net remeasurement of loss allowance	1,692	(148)	1,544
At 31 August 2020	6,220	3,448	9,668

26. Financial instruments (continued)

26.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risk. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company 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 RM37,263,000 (2019: RM35,022,000) representing the outstanding term loans, bankers' acceptances 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.

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.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to its subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

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.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

26.5 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 amounts.

26. Financial instruments (continued)

26.5 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:

2020	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	18,094	5.67% - 7.90%	19,160	19,160	-	-
Bankers' acceptances	4,923	3.33% - 3.87%	5,089	5,089	-	-
Hire purchase	143	2.32% - 2.53%	156	44	112	-
Term loans	14,283	3.92% - 5.67%	15,935	5,139	8,380	2,416
Lease liabilities	2,311	2.49% - 5.17%	2,486	1,088	1,398	-
Trade and other payables	12,284	-	12,284	12,284	-	-
Financial guarantees	-		592	592	-	-
	52,038		55,702	43,396	9,890	2,416
Company						
Non-derivative financial liabilities						
Trade and other payables	7,001	-	7,001	7,001	-	-
Financial guarantees	-	-	37,263	37,263	-	-
	7,001		44,264	44,264	-	-

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

2019	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	16,448	4.55% - 8.17%	17,770	17,770	-	-
Bankers' acceptances	1,924	4.49%	2,010	2,010	-	-
Finance lease liabilities	338	2.49% - 3.39%	367	125	242	-
Term loans	16,650	4.87% - 9.92%	19,621	4,731	10,937	3,953
Trade and other payables	17,484	-	17,484	17,484	-	-
Financial guarantees	-	-	570	570	-	-
	52,844		57,822	42,690	11,179	3,953
Company						
Non-derivative financial liabilities						
Trade and other payables	7,260	-	7,260	7,260	-	-
Financial guarantees	-	-	35,022	35,022	-	-
	7,260		42,282	42,282	-	-

26. Financial instruments (continued)

26.6 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.

26.6.1 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	***2020 Denominated in***		***2019 Denominated in***	
	USD RM'000	**SGD RM'000**	**USD RM'000**	**SGD RM'000**
Trade payables	-	168	60	406

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

26.6.2 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.

26. Financial instruments (continued)

26.6 Market risk (continued)

26.6.2 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	
	2020 RM'000	2019 RM'000
Floating rate instruments		
Financial liabilities	(32,377)	(33,098)
Fixed rate instruments		
Financial assets	745	733
Financial liabilities	(5,066)	(2,262)
Lease liabilities	(2,311)	-
	(6,632)	(1,529)

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
2020		
Floating rate instruments	(246)	246
2019		
Floating rate instruments	(252)	252

26. Financial instruments (continued)

26.7 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
2020										
Financial assets										
Other investments	190	-	37	227	-	-	-	-	227	227
Financial liabilities										
Hire purchase	-	-	-	-	-	-	156	156	156	143
Term loans	-	-	-	-	-	-	14,675	14,675	14,675	14,283
	-	-	-	-	-	-	14,831	14,831	14,831	14,426
2019										
Financial assets										
Other investments	228	-	37	265	-	-	-	-	265	265
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	367	367	367	338
Term loans	-	-	-	-	-	-	17,734	17,734	17,734	16,650
	-	-	-	-	-	-	18,101	18,101	18,101	16,988

26. Financial instruments (continued)

26.7 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 (2019: no transfer in either directions).

Level 3 fair value

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

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
Hire purchase, term loans, finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.

27. 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 requirements.

The debt-to-equity ratios are as follows:

	Note	Group 2020 RM'000	Group 2019 RM'000
Total loans and borrowings	17	37,443	35,360
Less: Cash and cash equivalents	14	(6,230)	(7,443)
Net debt		31,213	27,917
Total equity		146,042	154,942
Net debt-to-equity ratio		0.21	0.18

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

28. 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 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Bank guarantees obtained by the Group to the Ministry of Education	28.1	592	570	-	-
In respect of corporate guarantees issued for subsidiaries		-	-	37,263	35,022

28.1 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.

29. Related parties

Identity of related parties

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

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

The Group and the Company have related party relationship with its subsidiaries 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 13 and Note 18.

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Subsidiaries:				
Net advances given	-	-	225	221
Share-based payments	-	-	(400)	-
Dividend income	-	-	(840)	(960)
Key management personnel:				
Directors' remuneration				
- Fees	243	432	243	432
- Other emoluments	453	709	-	-
	696	1,141	243	432

The estimated monetary value of Directors' benefit-in-kind of the Group is RM52,000 (2019: RM58,000).

30. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 September 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 September 2019, if any.

At 1 September 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 September 2019. The weighted-average rate applied is 5.17%. Right-of-use assets are measured at either an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 September 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 September 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

30. Significant changes in accounting policies (continued)

Impact on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 September 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 August 2019, and lease liabilities recognised in the statement of financial position at 1 September 2019.

	Group RM'000
Operating lease commitments at 31 August 2019 as disclosed in the Group's financial statements	1,734
Discounted using the incremental borrowing rate at 1 September 2019	1,602
Finance lease liabilities recognised at 31 August 2019	338
Recognition exemption for short-term leases	(247)
Extension options reasonably certain to be exercised	252
Lease liabilities recognised at 1 September 2019	1,945

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 55 to 140 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 2020 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: 18 December 2020

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 55 to 140 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 18 December 2020.

....
Chan Yuet Leng

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SASBADI HOLDINGS BERHAD

(Registration No. 201201038178 (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 2020 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 55 to 140.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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, 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 13 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 based upon the debtors' credit risk evaluation, historical payment trends, and 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 tested the accuracy of trade receivables ageing; • We assessed the recoverability of trade receivables by checking past payment trend and assessing the receipts during the year and subsequent to year end collections. We also considered receivables where there is evidence that the credit quality of the debtor is considered a risk; • We evaluated the reasonableness of key judgments and estimates made, including selection and application of methods, assumptions and data in making the estimates; • We evaluated the appropriateness of the accounting policies based on the requirements of MFRS 9; and, • We assessed the completeness, accuracy and appropriateness of disclosures in the financial statements as required by MFRS 9.

Key Audit Matters (continued)

3. **Valuation of inventories**
   Refer to Note 10 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 over the control of 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 at year end.

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 Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information 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 other information identified above and, in doing so, consider whether the other information 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 on other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

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 a going concern, 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 or 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, actions taken to eliminate threats or safeguards applied.

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 Matter

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: 03184/02/2022 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 18 December 2020

LIST OF PROPERTIES
AS AT 31 AUGUST 2020

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 2020 (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	16	32,505	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	21	87	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	34	221	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)	12,465/ 9,600	9	6,998	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	11	2,561	28.02.2018^
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)	11,475/ 19,683	25	5,037	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, Off Jalan Pahang 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	43	2,426	12.08.2016#
United Publishing House (M) Sdn Bhd	Lot 3-055 and 3-056, Endah Parade, Jalan 1/149E, Taman Sri Endah, 57000 Wilayah Persekutuan Kuala Lumpur.	Two (2) units of retail lots/Office	Leasehold (93 years expiring on 19.02.2083)	Not applicable/ 12,884	22	2,079	18.03.2020

Notes:

^ *Date of valuation.*

\# *Date of acquisition of United Publishing House (M) Sdn Bhd by Sasbadi Holdings Berhad.*

Clause No.	Existing Clause	Proposed Amendment
17	Subject to the Listing Requirements, the provisions of the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Section 75(1) and 76(1) of the Act, the Company must ensure that it shall not issue any shares or convertible securities if the total number of shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company, except where the shares or convertible securities are issued with the prior approval of the members in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible securities that may be issued by the Company, if the security is a convertible security, each of such security is counted as the maximum number of shares into which it can be converted or exercised.	Subject to the Listing Requirements, the provisions of the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Section 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities, except where the shares or convertible securities are issued with the prior approval of the members in a general meeting of the precise terms and conditions of the issue.
87	Every member entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, is entitled to appoint not more than two (2) proxies to attend and vote instead of him.	Every member entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, is entitled to appoint more than one (1) proxy to attend and vote instead of him.
109	The instrument appointing a proxy shall be in the following form with such variations as circumstances may require or the statutes permit or in such other form as the Directors may approve or in any particular case may accept.	The instrument appointing a proxy shall, subject always to the applicable laws, be in such other form as the Directors may approve or in any particular case may accept.

ANALYSIS OF SHAREHOLDINGS
AS AT 30 NOVEMBER 2020

Number of Issued Shares : 19,099,500 *(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	54	1.41	1,879	0.00
100 – 1,000	271	7.08	142,760	0.03
1,001 – 10,000	1,332	34.81	8,175,165	1.95
10,001 – 100,000	1,791	46.8	69,851,045	16.67
100,001 – 20,954,924 *	376	9.82	152,437,650	36.37
20,954,925 and above **	3	0.08	188,490,001	44.98
Total	**3,827**	**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

	Direct		Indirect	
Name of Director	No. of Shares Held	%	No. of Shares Held	%
Dato' Salleh Bin Mohd Husein	300,000	0.07	–	–
Law King Hui	76,783,500	18.32	76,200,001(1)	18.18
	–	–	4,700,000(2)	1.12
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	–	–
Tang Yuen Kin	–	–	–	–

Note:
(1) Deemed interested 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

Note:

(1) *Deemed interested 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	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR LEE SWEE HANG (SMART)	35,506,500	8.47
4	LEE ENG SANG	19,050,000	4.55
5	LAW KING YONG	5,450,000	1.30
6	CHEA LAI MING	4,250,000	1.01
7	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PEMBANGUNAN SUMBER MANUSIA BERHAD	3,552,700	0.85
8	CHEONG KOK WAI	2,201,000	0.53
9	CHIA YING JZE	2,100,000	0.50
10	GO SEH POH	2,000,000	0.48
11	LOW NAI TOH	2,000,000	0.48
12	LIM PANG HOO	1,770,300	0.42
13	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA FAMILY TAKAFUL BERHAD (SHAREHOLDERS)	1,646,550	0.39
14	CHAN YEE FUAN	1,583,000	0.38
15	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH (B BRKLANG-CL)	1,552,000	0.37
16	NUR AZLYN BINTI ABDULLAH	1,400,000	0.33
17	MA TIEN LEONG	1,396,200	0.33
18	LIM HUAT BEE	1,304,500	0.31
19	LIM JIT PING	1,240,000	0.30
20	NS RADIANCE SDN. BHD.	1,198,600	0.29
21	CHEN YEE CHEONG	1,198,100	0.29
22	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD SABAH ENERGY CORPORATION EMPLOYEE GRATUITY FUND	1,121,000	0.27

THIRTY LARGEST SHAREHOLDERS *(continued)*

AS PER THE RECORD OF DEPOSITORS

No.	Name of Shareholder	No. of Shares Held	%
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG YOOK CHU @ ANG YOKE FONG (8076574)	1,000,000	0.24
24	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VOON SZE LIN (M55045)	1,000,000	0.24
25	LIM HUAT BEE	1,000,000	0.24
26	PANG CHONG LEONG	1,000,000	0.24
27	RADIANCE PERFECT INTL . SDN BHD	994,900	0.24
28	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM HUAT BEE (6720-1502)	950,000	0.23
29	KENANGA INVESTMENT BANK BERHAD IVT (EDSP-ALWC)	926,800	0.22
30	CHEONG KOK KHONG	909,400	0.22
	TOTAL	**252,285,051**	**60.22**

SASBADI HOLDINGS BERHAD
Registration No. 201201038178 (1022660-T)
(Incorporated in Malaysia)

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of Sasbadi Holdings Berhad will be conducted on a fully virtual basis through live streaming from the Broadcast Venue at Lot 12, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor on Thursday, 4 February 2021 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 2020 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 2021. — ***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 Lee Swee Hang — ***Ordinary Resolution 3***

4. To appoint BDO PLT as the Auditors of the Company in place of the retiring Auditors, KPMG PLT and to hold office until the conclusion of the next Annual General Meeting and authorise the Board of Directors to fix the Auditors' remuneration. — ***Ordinary Resolution 4***

SPECIAL BUSINESS

To consider and if deemed fit, with or without any modification(s), to pass the following Resolutions:-

5. **PROPOSED AMENDMENTS TO THE COMPANY'S CONSTITUTION** — ***Special Resolution***

   "THAT the proposed amendments to the Company's Constitution as set out in Appendix I of the Annual Report 2020 be and are hereby approved and adopted, with immediate effect AND THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things that are necessary and/or expedient to give full effect to the foregoing."

6. **AUTHORITY FOR DIRECTORS TO ISSUE SHARES** — ***Ordinary Resolution 5***

   "THAT subject to the passing of Special Resolution, 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 20% of the total number of issued shares of the Company (excluding treasury shares) 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."

7. **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 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."

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 (SSM PC No. 201908004045) (MAICSA 7023187)
LIM FEI CHIA (SSM PC No. 202008000515) (MAICSA 7036158)
Secretaries

Kuala Lumpur
30 December 2020

Notes:

(1) The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be present at the main venue of the Meeting. Shareholders/ proxies from the public will NOT be allowed to be physically present at the Broadcast Venue. Shareholders who wish to participate the AGM will have to register online and attend remotely.

Kindly read and follow the procedures in the Administrative Guide for the AGM in order to participate remotely.

(2) A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. Where a member appoints more than one proxy to attend and vote at the Meeting, such appointment shall be invalid unless he/she shall 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.

(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 27 January 2021 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend, speak 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 Poll Administrator Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or submitted via email to AGM-support.Sasbadi@megacorp.com.my 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.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

(continued)

EXPLANATORY NOTES

Ordinary Resolution 1

There is no increase in the Directors' Fees for the financial year ending 31 August 2021.

Ordinary Resolution 4

The retiring Auditors, KPMG PLT had indicated to the Company that they do not wish to seek for re-appointment at the 8th AGM. In this regard, Karya Kencana Sdn Bhd, the major shareholder of the Company had nominated BDO PLT as Auditors of the Company pursuant to Section 271(4) of the Companies Act 2016 ("the Act'). BDO PLT have given their consent to act as Auditors of the Company.

Special Resolution

The proposed Special Resolution, if passed, will align the Company's Constitution with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities.

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 20% 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 Seventh AGM of the Company held on 13 February 2020.

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 the Statement to Shareholders dated 30 December 2020.

Re-election of Director

Mr Tang Yuen Kin, who is retiring by casual vacancy pursuant to Clause 118 of the Company's Constitution, will not be seeking for re-election and hence, Mr Tang Yuen Kin will retire from the office at the conclusion of the 8th AGM.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

No individual is standing for election as Director at the forthcoming Eighth Annual General Meeting of the Company.

FORM OF PROXY

SASBADI

SASBADI HOLDINGS BERHAD
Registration No. 201201038178 (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	NRIC/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Email Address	Mobile No.		

* and/or failing him/her

Full Name	NRIC/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Email Address	Mobile No.		

or failing him/her, the CHAIRMAN OF THE MEETING* as my/our proxy(ies) to vote for me/us and on my/our behalf at the Eighth Annual General Meeting of the Company to be on a held on a fully virtual basis at the Broadcast Venue at at Lot 12, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor on Thursday, 4 February 2021 at 10.00 a.m. and any adjournment thereof. My/Our proxy(ies) 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 Lee Swee Hang as Director		
Ordinary Resolution 4	Appointment BDO PLT as Auditors of the Company		
Special Resolution	Proposed Amendments to the Company's Constitution		
Ordinary Resolution 5	Authority for Directors to issue shares		
Ordinary Resolution 6	Proposed Renewal of Share Buy-Back Authority		

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.

Dated this __________ day of ______________

Number of ordinary shares held

____
Signature/Common Seal of Member

Central Depository System Account No.

** 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) The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be present at the main venue of the Meeting. Shareholders/ proxies from the public will NOT be allowed to be physically present at the Broadcast Venue. Shareholders who wish to participate the AGM will have to register online and attend remotely.
Kindly read and follow the procedures in the Administrative Guide for the AGM in order to participate remotely.

(2) A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. Where a member appoints more than one proxy to attend and vote at the Meeting, such appointment shall be invalid unless he/she shall 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.

(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 27 January 2021 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend, speak 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 Poll Administrator Office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur or submitted via email to AGM-support.Sasbadi@megacorp.com.my 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 THIS FLAP FOR SEALING

THEN FOLD HERE

AFFIX
STAMP

Sasbadi Holdings Berhad
Registration No. 201201038178 (1022660-T)
c/o Poll Administrator Office
Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

FIRST FOLD HERE

SASBADI HOLDINGS BERHAD
Registration Number: 201201038178 (1022660-T)

Nurturing Students For Tomorrow, Today.

SASBADI

SASBADI HOLDINGS BERHAD
Registration Number: 201201038178 (1022660-T)

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