



Management Discussion and Analysis

Chan Yuet Leng
Group Chief
Financial Officer



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Group
Managing Director



FYE 31 August 2023 has proven to be a noteworthy financial year for Sasbadi. We not only recovered swiftly from the adverse effects of the pandemic but rose to achieve a record high revenue. Net profit also breached the RM10 million-mark, solidifying Sasbadi's position as Malaysia's leading education solutions provider.

Overview of Operations

Sasbadi Holdings Berhad ("Sasbadi Holdings", "Sasbadi", 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 8 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 teaching and learning needs of the 21st century, the Group evolved from being mainly an educational print publisher to a provider of diverse education solutions which include 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 cum assessment solutions and a direct selling business. On 23 July 2014, the Company was successfully listed on the Main Market of Bursa Malaysia Securities Berhad.



Financial Year Ending
31 August 2023

REVENUE

RM96.142 million

PROFIT AFTER TAX

RM10.168 million

TOTAL ASSETS

RM187.340 million

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 education solutions and services, and network marketing; and
- (iii) Applied learning products ("ALP") and STEM education.

Management Discussion and Analysis

1985



Incorporation of Sasbadi Sdn Bhd and commencement of operations



Moved into our head office in Kota Damansara, Selangor

2004

2011



Launched our flagship digital learning platform, i-LEARN Ace



Debuted on the Main Market of Bursa Malaysia

2014

SASBADI Today



- Trusted by 2 Generations
- Textbook Publisher
- Education Technology and Solutions Developer
- STEM Solutions Provider



Management Discussion and Analysis

Financial Review

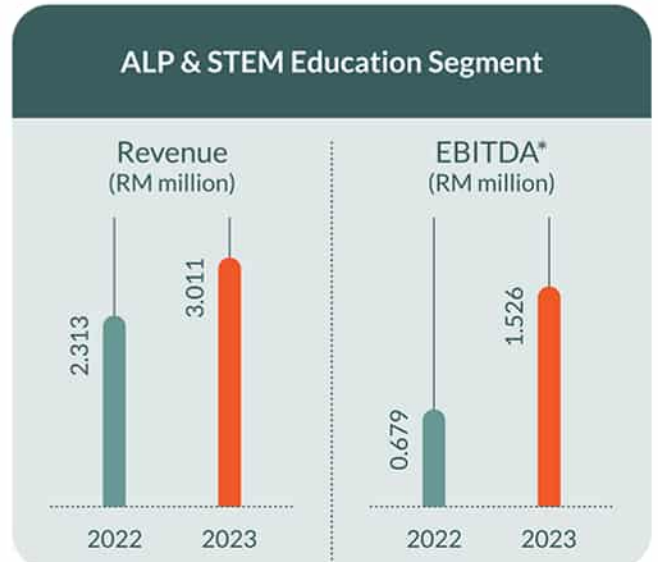
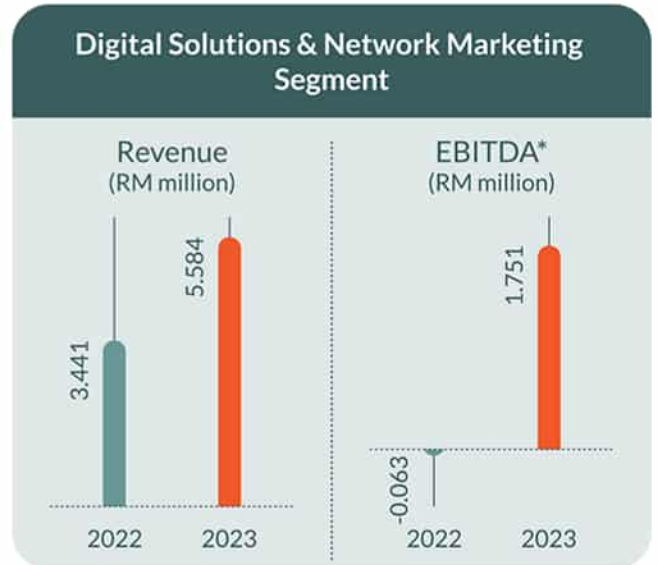
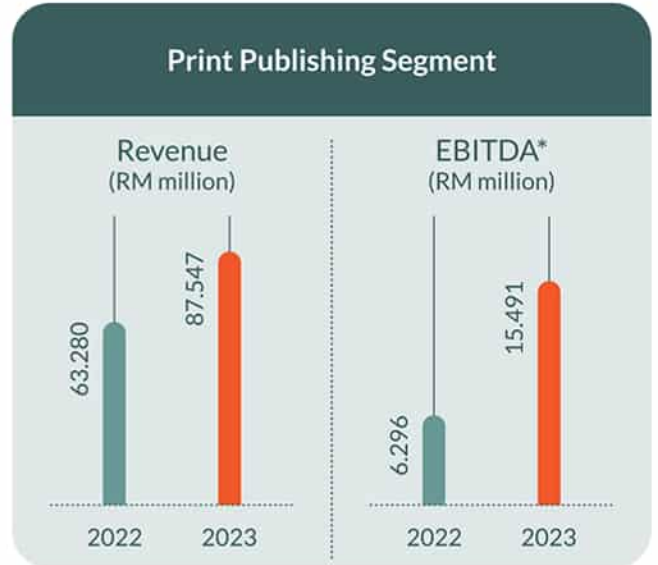
The financial year ended ("FYE") 31 August 2023 proved to be a strong financial year for Sasbadi. The Group recorded a revenue of RM96.142 million and net profit of RM10.168 million for the current financial year as compared to a revenue of RM69.034 million and net profit of RM0.841 for the preceding financial year, representing an increase of RM27.108 million (equivalent to 39.27%) in revenue and RM9.327 million (equivalent to 1,109.04%) in net profit.

Across the Group's segments, the Print Publishing segment recorded a revenue of RM87.547 million in the current financial year as compared to RM63.280 million in the preceding financial year, representing an increase of RM24.267 million (equivalent to 38.35%). The Digital Solutions & Network Marketing segment recorded a revenue of RM5.584 million for the current financial year as compared to RM3.441 million for the preceding financial year, representing an increase of RM2.143 million (equivalent to 62.28%). Lastly, our ALP & STEM segment recorded a revenue of RM3.011 million for the current financial year as compared to RM2.313 million for the preceding financial year, representing an increase of RM0.698 million (equivalent to 30.18%).

With the increase in overall revenue, the Group recorded a profit before tax ("PBT") of RM13.150 million for the current financial year vis-à-vis a PBT of RM1.971 million for the preceding financial year. This represents an improvement of RM11.179 million (equivalent to 567.17%) primarily due to the higher revenue achieved and higher contribution from the digital segment as the group successfully secured contracts from the Ministry of Education ("MoE"). A detailed analysis of the operating segments is provided below.

The equity attributable to owners of the Company increased to RM153.126 million as of 31 August 2023 from RM139.250 million as of 31 August 2022. The increase in equity was mainly attributed to the profit achieved during the current financial year and the increase in revaluation reserve. During the current financial year, the Group carried out a revaluation on its properties which was conducted by an external independent valuer. Revaluation surplus of RM4.796 million has been recognised in other comprehensive income and accumulated in equity under the revaluation reserve.

The Group recorded an earnings per share ("EPS") of 2.38 sen for FYE 31 August 2023 as compared to an EPS of 0.20 sen for FYE 31 August 2022 resulting from the higher profit achieved during the financial year. The Group's debt-to-equity ratio was 0.06 times as of 31 August 2023 vis-à-vis 0.09 times as of 31 August 2022. The decrease in the Group's debt-to-equity ratio was mainly due to lower loan and borrowings, which decreased from RM12.222 million to RM8.626 million as of 31 August 2022 and 31 August 2023 respectively. This is due to the settlement of loans through funds arising from improved sales and collection during the financial year.



* Earnings before interest, taxes, depreciation and amortisation

Management Discussion and Analysis



Our ability to navigate through unprecedented challenges, especially the COVID-19 pandemic, has demonstrated Sasbadi's business resilience and capabilities in managing risks effectively.

Current ratio has improved as compared to the previous financial year at 5.01 times as of 31 August 2023, (3.41 times as of 31 August 2022) arising from the improved overall performance of the Group.

During the FYE 31 August 2023, the Group installed the photovoltaic solar system at the cost of RM0.769 million. The installation is in line with the Group's sustainability efforts to reduce our carbon footprint and achieve economic savings.

Dividend Policy

The Board of Directors declared and approved the payment of an interim single-tier dividend of RM0.005 per ordinary share on 18 April 2023 and a second interim single-tier dividend of RM0.0025 per ordinary share on 30 October 2023 in respect of the financial year ended 31 August 2023.



Management Discussion and Analysis Review of Operating Segments

Review of Operating Segments



At Sasbadi, providing quality learning materials and resources to ensure that Malaysians have the best for their educational needs is at the core of our operations.

Today, we offer a diverse range of education solutions that cater to students, teachers, and parents from preschool to tertiary levels and beyond.

Print Publishing Business

The Group's print publishing segment's revenue increased from RM63.280 million for the preceding financial year to RM87.547 million for the current financial year, representing an increase of RM24.267 million (equivalent to 38.35%).

The Group's academic print publishing segment had performed favourably in FYE 31 August 2023, with the increase in revenue being largely attributed to encouraging demand for Sasbadi workbooks in preparation of the 2023 academic year. Furthermore, our Group managed to capture additional market share due to post-COVID market consolidation, resulting in increased demand for Sasbadi publications by teachers and students.

Being backed by 38 years of experience, Sasbadi's critical success factor lies in our ability to produce print publications that are ahead of the curve. Most of our academic publications are now supplemented by digital and desirable elements (known as hybrid academic publications) that are highly favoured by our customers. It is pertinent to note that this goes beyond just including digital elements into books per se; careful thought must be put in to ensure that the end products enhance the teaching/learning experience in accordance with the

Management Discussion and Analysis

Review of Operating Segments



Our Group's focus goes beyond helping students do well in their examinations; we strive to provide the necessary learning opportunities to help them flourish in this rapidly evolving and competitive 21st century environment.

intricacies of each subject and topic, a process backed by our team of highly experienced editors who are constantly updating themselves with the latest education trends. We believe Sasbadi products are at the forefront of academic publications in Malaysia and will remain a first choice by students and teachers alike.

On the textbook publishing front, the Group managed to secure two (2) contracts to supply reprinted textbooks ("BCS") to schools under the MoE for the period from 2022 to 2024 (Package 3 and 5 - Peninsula Malaysia) totalling an estimated contract value of RM14.363 million. The revenue contribution from textbook contracts (new contract and *buku cetakan semula* ("BCS")) for the FYE 31 August 2023 has increased by RM7.699 million from RM6.839 million for the preceding financial year to RM14.538 million for the current financial year (equivalent to 212.57%). The increase was mainly attributable to the two contracts won above where the supply was made during the FYE 31 August 2023.

Similar to the academic print publishing segment, the non-academic print publishing segment had also performed positively in FYE 31 August 2023. Our comic books, notably those in the Chinese language, continue to be warmly received by fans nationwide. During the financial year, our Group has actively participated in numerous book fairs and school exhibitions to promote these titles, resulting in an upliftment in sales. Notably, FYE 31 August 2023 marked GeMeiLia's (or 哥妹俩, a comic book series published by United Publishing House (M) Sdn Bhd) 20th Anniversary, with a special limited edition being published to an overwhelming reception by fans, signalling the strong support for such non-academic publications by Sasbadi.



Management Discussion and Analysis

Review of Operating Segments



NURTURING STUDENTS FOR TOMORROW, TODAY



OUR OPERATING SEGMENTS

 Print Publishing	 Digital Solutions & Network Marketing	 ALP & STEM Education
<ul style="list-style-type: none"> ● Academic Books ● Non-Academic Books ● Early Childhood Education 	<ul style="list-style-type: none"> ● Digital Education Solutions and Services ● Network Marketing 	<ul style="list-style-type: none"> ● STEM Solutions ● Robotics Competitions

Digital/Online Solutions and our Direct Selling Business

The Group's digital education solutions and services, and network marketing segment's revenue increased from RM3.441 million for the preceding financial year to RM5.584 million for the current financial year, representing an increase of RM2.143 million (equivalent to 62.28%).

The improvement in performance was largely attributed to government contracts, notably via two (2) contracts to supply and deliver market-ready digital solutions in line with the Common European Framework of Reference for Languages ("CEFR") English Year 1 and Year 3 for the school session usage from 2023 totalling at an estimated contract value of RM2.238 million. Our Group was able to achieve a higher profit margin via digital products due to the absence of high overheads and costs typically associated with selling physical products. As such, we are fully aware of the potential for digital products to generate high profits for our Group and will remain steadfast in the continuous development of digital education products to cater to the increasing need due to the digitalisation of the education

landscape. We are hopeful that the Group will be able to capitalise on the Digital Education Policy ("DEP"), launched on 28 November 2023, which aims to foster digital literacy and cultivate ethical use of digital technology in student-centred learning, and strengthen strategic partnerships with private sectors in digital education, amongst other objectives.

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

The Group's ALP and STEM segment's revenue increased from RM2.313 million for the preceding financial year to RM3.011 million for the current financial year, representing an increase of RM0.698 million (equivalent to 30.18%).

The improved performance was due to the full resumption of physical robotics competitions during FYE 31 August 2023, notably the National Robotics Competition ("NRC") 2023 and FIRST LEGO League ("FLL") 2023. Students, teachers, and parents have expressed notable interest towards these high impact robotics competitions in FYE 31 August 2023, leading to

Management Discussion and Analysis

Review of Operating Segments



an increase in sales of LEGO® Education products as a means to participate in these exciting competitions. For FYE 31 August 2024, our Group hopes to capitalise on the RM100 million allocation for STEM (Science, Technology, Engineering, and Mathematics) education under Budget 2024 via the promotion of LEGO® Education products for these high impact robotics competitions, riding on the success of the Malaysian teams at the prestigious World Robot Olympiad ("WRO") 2023 in Panama recently. As a testament to the MoE and Sasbadi's collaboration efforts in promoting STEM education in Malaysia since 2005, the Malaysian contingent had emerged as the Overall Champion for the 11th time at this international robotics competition which saw the participation of 1,200 students from 80 countries.

High-Impact Annual Robotics Competitions



National Robotics Competition (NRC)

- Open to primary and secondary school students aged 7-19 years
- Teams of 2-3 students with a teacher as a mentor



World Robot Olympiad (WRO)

- International robotics competition for students aged 8-19 years
- Participated by over 90 member countries



FIRST LEGO League (FLL) Malaysia

- Open to primary and secondary school students aged 9-16 years
- Teams of up to 10 students with at least 1 adult coach



Management Discussion and Analysis Risks & How We Mitigate Them



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 in the industry are relatively low based on capital requirements since most of the functions in the publishing processes may be outsourced to third parties. However, product development and operating costs can be high as there is a long lead time between conceptualisation to completion in product development.

Our competitive strengths such as our established track record of 38 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 months approaching the beginning of the school academic year. As a result, the seasonal sales patterns may adversely impact the Group's quarterly revenues, profit and cash flow.

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 digital solutions 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 buffer inventory of paper which can serve our purposes for up to six (6) months while we source for alternative supplies that are more favourable.

Foreign Exchange Transaction Risk

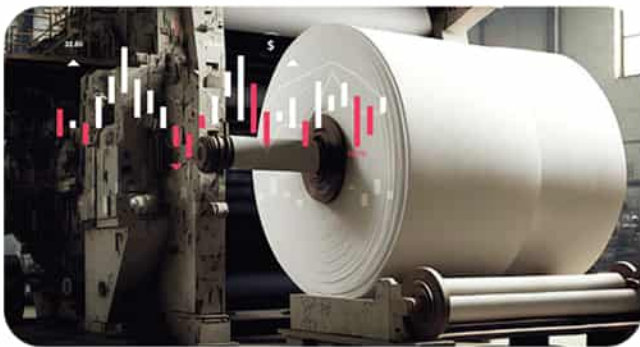
As paper is a commodity traded worldwide, its prices are quoted in United States Dollar ("USD"). In this regard, even though our purchases of paper are invoiced to us in Ringgit Malaysia ("RM"), the invoiced prices are determined by spot exchange rates. As such, purchasing paper exposes us to foreign exchange transaction

Management Discussion and Analysis

Risks & How We Mitigate Them

risk, albeit indirectly. In addition, our purchases of LEGO® Education robotics products are also denominated in USD.

Therefore, any unfavourable movements in USD against RM may have an impact on our profitability. For the FYE 31 August 2023, 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.



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 for 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 education curriculum and policies may have an impact on our operations and would require us to react quickly. Nevertheless, such 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.

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 purchases. 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.

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, including Employees' Share Option Scheme ("ESOS"). 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.

Compliance Management

During the course of business, the Group is subject to the risk of legal or regulatory sanctions, financial loss or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements or codes of conducts. To mitigate this risk, the Group actively identifies and assesses all applicable laws, regulations, rules and policies (including internal policies) applicable to all our operating activities to ensure compliance. Furthermore, we take active steps in implementing good corporate governance in compliance to the Malaysian Code on Corporate Governance ("MCCG") to promote corporate accountability and to build sustainable value.



Management Discussion and Analysis

Future Prospects



Future Prospects

Despite our favourable performance for FYE 31 August 2023, our Group believes that there is ample room for growth and expansion.

We will strive to maintain our lead in the print publication space through continued product innovation, and to spur inorganic growth, we will tread new grounds and solidify our presence in new business segments that are ripe with opportunities.

Throughout our 38-year history, Sasbadi has successfully evolved from being mainly an educational print publisher to a provider of diverse education solutions, including print publication products, digital education solutions, and products that nurture Science, Technology, Engineering and Mathematics ("STEM") and 21st century skills. Today, we are a brand that is recognised across two generations, catering to students, parents, and teachers spanning from preschool to tertiary levels and beyond. With that said, Sasbadi's stronghold has always been academic print publications, with a significant portion of our revenue being derived from our Print Publishing Segment.

As our Group strategises to achieve organic growth for Financial Year Ending ("FYE") 31 August 2024 and beyond, we are cognizant of the fact that for heightened growth to happen, we must expand our horizons and generate additional revenue from fresh sources and under tapped business segments. A key strategy to generate fresh sources of revenue is through Mergers & Acquisitions ("M&As") that strategically fill niches which our Group has little or no market presence in. Looking back, our Group has strategically carried out M&As post our listing on the Main Board of Bursa Malaysia in 2014 and acquired into new business segments successfully. For FYE 31 August 2024, as

Management Discussion and Analysis

Future Prospects

We anticipate the digitalisation of the education sector to be a key focus for FYE 31 August 2024 and beyond. Over a decade of experience in producing digital education solutions places our Group in an advantageous and tactical position to capitalise on this opportunity.

the market is becoming conducive again post-pandemic, we believe that it is a strategic time for us to resume M&As activities. By acquiring the right companies, our Group can not only swiftly launch into new business segments with significant market share, but also capitalise on the acquired company's improved financial performance by leveraging on our Group's competitive advantages. These advantages include improved economies of scale, in-house digital capabilities, and efficient supply chain, to name a few, all of which are critical success factors that our Group has tirelessly garnered over close to four (4) decades of operations. In an industry where content is king, we believe M&As will greatly expand our Intellectual Property ("IP") portfolio and accelerate our time to market in fresh business segments, thus spurring inorganic growth in a short span of time.





Management Discussion and Analysis

Future Prospects

On the topic of under tapped business segments, our Group has been setting our sights on the early childhood education ("ECE") segment in FYE 31 August 2023 and will continue to do so for FYE 31 August 2024 and beyond. As a refresher, our Group had expanded our repertoire of ECE products suited for the home market ("B2C") in FYE 31 August 2023, notably via our exclusive partnership with BOOKR Kids (an award-winning Edtech company from Europe) to distribute the BOOKR Class digital library in Malaysia since 11 April 2023, and the proposed acquisition of a list of IPs from Integra Creative Media Sdn Bhd, a publisher of children's books under the brand Oyez!Books (pending completion) as announced on 18 April 2023. BOOKR Class and Oyez!Books have notably strengthened our ECE product offerings, and we believe they will synergise well with Peapod Readers (Common European Framework of Reference for Languages ("CEFR")-aligned readers from the United Kingdom suitable for ages 4-12) to form a strong foundation for us to be a formidable player in the ECE segment. Beyond the B2C market, our Group also intends to tap into the huge growth potential of Malaysia's ECE segment by developing ECE classroom solutions of the highest standard that provide a form of standardisation

across kindergartens whilst ensuring specific learning goals are met. The kindergarten market in Malaysia is very fragmented and we believe that Sasbadi, being a household name in the primary and secondary school academic spaces, will be able to effectively extend our reach to the preschool academic space.

Our Group also anticipates an uptake in digital revenue for FYE 31 August 2024 and onwards. In the first quarter of FYE 31 August 2024, we have successfully clinched a contract from the Ministry of Education ("MoE") on 4 September 2023 for supplying and delivering market-ready digital solutions in line with the CEFR Year 5 for the school session usage from 2024 at a contract value of RM0.487 million, and another contract from the MoE on 29 September 2023 for the service of testing the English language proficiency level of English teachers for the MoE at a contract value of RM0.285 million. We are hopeful that our Group will be able to capitalise on similar opportunities in tandem with the MoE's launch of the Digital Education Policy ("DEP") on 28 November 2023, which among others, aims to foster digitally fluent students and digitally competent educators to meet the demands of the digital era, promote the

Sasbadi can participate effectively in the Digital Education Policy (DEP)

DEP's 6 Thrusts

Thrust 1 :
Digitally Fluent Students

Thrust 2 :
Digitally Competent Educators

Thrust 3 :
Visionary Digital Leadership Culture

Thrust 4 :
Empowerment of Infrastructure and Infostructure

Thrust 5 :
Quality Digital Content

Thrust 6 :
Committed Strategic Partners

Sasbadi's Digital Competencies

- Sasbadi's digital solutions for students are reliable, easy to use, and intuitive, ensuring that students of all backgrounds will not be left behind.
- Sasbadi has content and solutions for teachers to effectively conduct digital teaching and learning (PdP).
- Sasbadi has an experienced and multi-talented, completely in-house digital team.
- Sasbadi has market-ready digital solutions to supply to the MoE in their efforts to digitalise the education sector.
- Sasbadi has comprehensive digital learning solutions based on the latest KSSR and KSSM syllabuses for Primary 1 to Form 5 students.



Sasbadi is poised to be a high impact strategic partner in education.

Management Discussion and Analysis

Future Prospects

Sasbadi's FYE 31 August 2024 Core Strategies :



Extend our lead in the print publication space through the continued pursuit of product innovation



Carry out Mergers & Acquisitions to swiftly launch into new business segments with significant market share



Establish a strong presence in the early childhood education ("ECE") segment



Capitalise on the nation's aspirations to digitalise the education sector



integration of digital technology in the education ecosystem, strengthen the infrastructure, infostructure and content of digital education, and optimise the active involvement of strategic partners as a catalyst for digital education. Sasbadi has been developing in-house digital education capabilities for over a decade now, and we are optimistic that through our expertise in delivering reliable, quality services and digital content for education, our Group will be well-poised in achieving the DEP's aspirations.

With these strategies in place, we are hopeful that FYE 31 August 2024 and the years beyond will be very exciting for the Group. There are plenty of opportunities for growth, both the top line and bottom line. We will fall back on the trust we have garnered over the past 38 years and uphold the quality synonymous with our brand in our endeavour to expand our product offerings. All things considered, we are cautiously optimistic about the Group's prospects for FYE 31 August 2024 and beyond.

Sasbadi is well-positioned to capitalise on the newly launched Digital Education Policy through our capabilities in developing innovative digital solutions that enhance the teaching and learning process for students and teachers.