

9. APPROVALS AND CONDITIONS

9.1 APPROVALS FROM RELEVANT AUTHORITIES

The SC had via its letter dated 12 March 2013 granted an exemption sought by us from having to comply with the following paragraphs of the Prospectus Guidelines – Equity in relation to the use of the audited financial statements of our subsidiary companies for the FYE 31 August 2012 for the purpose of submission of the draft registrable prospectus for public exposure after 28 February 2013.

No.	Relief sought	Details on Conditions Imposed	Status of Compliance
1.	Relief from complying with paragraphs 8.07, 8.08, 11.01, 12.02, 12.04, 12.05, 12.07(a)(ii) and (iii), 12.07(e), 12.10, 12.13, 12.16, 13.11, 13.13 and 13.14 of the Prospectus Guidelines – Equity in relation to the use of Sasbadi's latest audited financial statements for the financial year ended 31 August 2012 for the purpose of submission of the draft registrable prospectus	<p>(i) Submission of the prospectus for public exposure should not exceed nine (9) months from the most recent completed financial statements have been prepared;</p> <p>(ii) The interim unaudited financial statements, as well as the Management's Discussion and Analysis in respect of the said unaudited financial statements, should be submitted together with the prospectus;</p> <p>(iii) The interim financial statements, which have been audited, and the updated prospectus should be submitted two (2) weeks prior to the confirmation of registration of the prospectus by the SC; and</p> <p>(iv) Material deviations, if any, between the interim unaudited financial statements and the interim audited financial statements should be highlighted and clarified to the SC, upon submission of the required information under paragraph (iii) above.</p>	<p>Complied. The draft registrable Prospectus was submitted to the SC for public exposure on 31 May 2013, which was within the nine (9) months from our then latest audited financial statements for FYE 31 August 2012.</p> <p>Complied.</p> <p>Complied.</p> <p>Not applicable.</p>

The SC had, via its letter dated 30 January 2014, approved our IPO under Section 214(1) of the CMSA and equity requirement for public companies.

The conditions imposed by the SC and the status of compliance with the conditions are set out below:

No.	Details on Conditions Imposed	Status of Compliance
(i)	Sasbadi Holdings to allocate IPO Shares representing 12.5% of its enlarged issued and paid-up share capital to Bumiputera investors. This includes the IPO Shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors. In the event that MITI is unable to allocate the shares to Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors via balloting;	To be complied.

9. APPROVALS AND CONDITIONS (Cont'd)

No.	Details on Conditions Imposed	Status of Compliance
(ii)	Alliance/Sasbadi Holdings to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Proposed Listing; and	To be complied.
(iii)	The Due Diligence Working Group for the Listing to provide confirmation that the Sasbadi Holdings Group's pro forma cash and cash equivalents available prior to the Dividend Payment, based on the Sasbadi Holdings Group's latest audited financial statements, are sufficient and the Sasbadi Holdings Group has sufficient working capital for a period of at least twelve (12) months from the date of the prospectus.	Complied.

The SC had, via its letter dated 30 January 2014, also noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of our Listing Scheme, as follows:

Category of shareholders	Before IPO [^] %	After IPO* %
Bumiputera	100.0	12.5
Non-Bumiputera	-	87.5
Foreigners	-	-
Total	100.0	100.0

Notes:

[^] As at incorporation.

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

The SC had, via its letter dated 23 June 2014, approved our application for an extension of time for an additional six (6) months up to 29 January 2015 for the completion of our Listing.

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

The conditions imposed by Bursa Securities and the status of compliance with the conditions are set out below:

No.	Details on Conditions Imposed	Status of Compliance
1.	Make the relevant announcements pursuant to paragraph 8.1 and 8.2 of Practise Note 21 of the Listing Requirements. In this respect, Sasbadi Holdings is advised to include the Stock Code, Stock Short Name and ISIN Code upon making the announcement on the timetable for IPO	To be complied.
2.	Furnish Bursa Securities with the following prior to the listing date (except as stated otherwise):	
	(i) A copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid up share capital of Sasbadi Holdings on the first day of listing; and	To be complied.

9. APPROVALS AND CONDITIONS (Cont'd)

No.	Details on Conditions Imposed	Status of Compliance
(ii)	A cheque drawn to the order of Bursa Securities for the annual listing fees based on the final issue price (in excess of the annual listing fees as provided in the listing application), if applicable, together with a copy of the details of the computation of the amount of annual listing fees payable.	Not applicable.

MITI had, vide its letter dated 5 August 2013, approved our Listing on the Main Market of Bursa Securities.

9.2 MORATORIUM ON SALE OF SHARES

In compliance with the Equity Guidelines of the SC, Shares held by our Promoters at the date of our Listing are required to be placed under moratorium. Moratorium shall be imposed as follows:

Promoters	Shares held under moratorium for the first six (6) months upon Listing	
	< ----- Direct ----- >	
	No. of Shares held	% held*
Karya Kencana	25,400,000	20.0
Law King Hui	25,400,000	20.0
Lee Swec Hang	12,700,000	10.0
Lee Eng Sang	6,350,000	5.0
Law En Ruey	100,000^	0.1
Total	69,950,000	55.1

Notes:

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

^ Assuming full subscription of his Pink Form Tranche.

Our Promoters have accepted the moratorium and they will not be permitted to sell, transfer or assign any part of their interest in the Shares under moratorium held as at the date of Listing for a six (6) months period beginning from the date of our Listing.

The restriction, which is fully acknowledged by our Promoters, is specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

The shareholders of Karya Kencana have each furnished a letter of undertaking to the SC that they will not sell, transfer or assign any part of their shareholdings in Karya Kencana for six (6) months from the date of our Listing on Bursa Securities.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS

Save as disclosed below, our Board confirms that there are no existing or presently proposed related-party transactions entered into between our Group and our Directors, major shareholders and/or persons connected with them (as defined under the Listing Requirements), during the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 as well as the forecast for FYE 31 August 2014:

Related Party	Interested Promoter/ Director/ Major Shareholder	Nature of Relationship	Nature of Transaction	Actual				Forecast	
				2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	FPE 28 February 2014 RM'000	FYE 31 August 2014 RM'000
Law King Hui	Law King Hui	Promoter, substantial shareholder and Managing Director	Disposal of motor vehicle to Law King Hui	-	-	43	-	-	-
The Malaya Press Sdn Bhd ("TMP") [^]	Law King Hui	Law King Hui is the brother-in-law of Madam Yen Lai Seong, who was a director and substantial shareholder of Sanjung Unggul Sdn Bhd which currently holds 100.0% equity interest in TMP	Sales of books and paper to TMP	299	1,457	1,964	3,453	(18)*#	(18)*
			Purchase of books from TMP	2,608	1,358	363	11	2*	2*
			Management services fees paid by TMP to Sasbadi for consultation in relation to publishing advisory (i.e. paper and printing sourcing)	45	45	45	-	-	-
Lee Swee Hang	Lee Swee Hang	Promoter, substantial shareholder and Executive Director	Disposal of motor vehicle to Lee Swee Hang	-	-	35	-	-	-
TMP [^]	Law King Hui	Law King Hui is the brother-in-law of Madam Yen Lai Seong, who was a director and substantial shareholder of Sanjung Unggul Sdn Bhd which currently holds 100.0% equity interest in TMP	Sales of online educational materials to TMP	-	-	-	634	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Related Party	Interested Promoter/ Director/ Major Shareholder	Nature of Relationship	Nature of Transaction	Actual			Forecast	
				2010 RM'000	2011 RM'000	FYE 31 August 2012 RM'000	FPE 28 February 2014 RM'000	FYE 31 August 2014 RM'000
The Malaya Press Sdn Bhd ("TMP") [^]		Related party transactions between Orbit Buku and related party Law King Hui is the brother-in-law of Madam Yen Lai Seong, who was a director and substantial shareholder of Sanjung Unggul Sdn Bhd which currently holds 100.0% equity interest in TMP	Sales of books to TMP	-	-	82	43	2*

Notes:

- [^] The core business of TMP is publishing textbooks and other materials for primary, SJK(C). TMP ceased to be a related party of our Group after Madam Yen Lai Seong transferred her entire shareholding in Sanjung Unggul Sdn Bhd to her son and resigned as the director of Sanjung Unggul Sdn Bhd on 28 November 2013 and 29 November 2013 respectively.
- * The amounts disclosed are in relation to transactions with TMP prior to its cessation as a related party of our Group. The amounts of transactions entered into by our Group with TMP in FPE 28 February 2014 subsequent TMP's cessation as a related party are as follows:

Nature of Transaction	RM'000
Sasbadi	
Sales of books and paper to TMP	1,613
Purchase of books from TMP	11
Sasbadi Online	
Sales of online educational materials to TMP	145
Orbit Buku	
Sale of books to TMP	229

Sales returns by TMP to Sasbadi.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Our Directors confirm that all the related party transactions disclosed above would not give rise to any conflict of interest situation and were transacted on an arm's length basis and are based on terms which are not unfavourable to our Group.

Upon Listing, our Directors, through our Audit Committee, will review the terms of any related party transactions and ensure that any related party transactions (recurrent inclusive, if any) are not carried out on terms more favourable to the related parties than those normally agreed with other customers or suppliers and are also not to our detriment and to the detriment of our minority shareholders.

Our Directors are also not aware of any other transactions that may give rise to conflict of interest situations between our Group and any of our Directors, major shareholders and/or persons connected with them.

10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS

Our Directors confirm that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party to during the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014.

10.3 INTERESTS IN SIMILAR BUSINESSES AND INTERESTS IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS

As at LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses and corporations carrying on a trade similar to that of our Group and/or any business or corporations which are our customers or suppliers.

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10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**10.4 LOANS MADE BY OUR GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES**

Save as disclosed below, there are no outstanding loans, including guarantees of any kind, made by our Group to or for the benefit of related parties during the past four (4) FYE 31 August 2010 to 2013, FPE 28 February 2014 and up to the LPD:

Transacting Parties	Nature of relationship	Nature of Transactions*	Audited				Unaudited As at LPD (RM'000)
			Balance as at 31 August		Balance as at 28 February 2014		
			2010 (RM'000)	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)	
Law King Hui	Law King Hui is our Promoter, substantial shareholder and Managing Director	Advances	1,131	7	-	-	-
Lee Swee Hang	Lee Swee Hang is our Promoter, substantial shareholder and Executive Director	Advances	1,066	6	-	-	-
Lee Eng Sang	Lee Eng Sang is our Promoter, substantial shareholder and Executive Director	Advances	1,538	11	-	-	-

Note:

* These advances were not made on arm's-length basis as they were interest-free, unsecured and repayable on demand. These advances were offset against dividends duly declared for FYE 31 August 2010 to 2012. Going into the future, our Group will not be providing any such advances to the related parties.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (*Cont'd*)

10.5 DECLARATION BY EXPERTS

Save as disclosed below, Alliance is not aware of any situation or potential situation that will give rise to a conflict or potential conflict of interests in Alliance's capacity to act as the Principle Adviser, Underwriter and Placement Agent for the Listing:

Sasbadi has credit facility totaling RM13.0 million, of which approximately RM8.2 million is outstanding as at LPD, from Alliance Bank Malaysia Berhad ("**ABMB**"), the holding company of Alliance, which was provided by ABMB in the ordinary course of its banking business.

Notwithstanding the above, Alliance is of the opinion that the financial relationship with Sasbadi as mentioned above will not give rise to a conflict of interest situation for Alliance to act as the Principal Adviser, Underwriter and Placement Agent to Sasbadi Holdings for the Listing. The exposure of ABMB to Sasbadi of approximately RM13.0 million is not material as it only represents approximately 0.3% of ABMB's audited shareholders funds of RM3.97 billion as at 31 March 2013.

Accordingly, Alliance confirms that there is no existing or potential conflict of interests in its capacity as the Principal Adviser, Underwriter and Placement Agent for our Listing.

KPMG confirms that there is no existing or potential conflict of interests in its capacity as the Reporting Accountants for our Listing.

Amin, Wern Li & Associates confirms that there is no existing or potential conflict of interests in its capacity as the Solicitors in respect of legal due diligence for our Listing.

Vital Factor confirms that there is no existing or potential conflict of interests in its capacity as the Independent Business and Market Research Consultants for our Listing.

City Valuers & Consultants Sdn Bhd confirms that there is no existing or potential conflict of interests in its capacity as the Independent Property Valuer for our Listing.

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11. PRO FORMA HISTORICAL FINANCIAL INFORMATION

Our pro forma consolidated financial information as illustrated below has been compiled based on the accounting principles and bases consistent with those adopted by us which are set out in the notes and assumptions included in the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus. The financial statements used in the preparation of our pro forma consolidated financial information were prepared in accordance with Malaysian Financial Reporting Standards. Any adjustments that were dealt with when preparing our pro forma consolidated financial information have been highlighted and disclosed in Section 11.4 of this Prospectus. There has been no audit qualification on our audited financial statements for the past four (4) FYE 31 August 2010 to FYE 31 August 2013 and FPE 28 February 2014. Nevertheless, as disclosed in the Accountants' Report as set out in Section 13 of this Prospectus, the audited accounts of Maya Press contained an emphasis of matters for FPE 31 August 2010, FYE 31 August 2011 to FYE 31 August 2013 and FPE 28 February 2014.

11.1 PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	<-----Audited----->				Unaudited FPE 28 February 2013	Audited February 2014
	<-----FYE 31 August----->					
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	RM'000	RM'000
Profit attributable to:						
Owners of the Company	6,070	9,476	10,892	12,754	10,826	8,030
Total comprehensive income attributable to:						
Owners of the Company	10,242	9,476	15,060	12,754	10,826	8,030
(i) Gross profit margin (%)*	39.5	41.4	41.5	41.2	44.5	49.2
(ii) Interest income (RM'000)	177	223	92	173	145	55
(iii) Interest expense (RM'000)	105	33	32	36	18	106
(iv) Depreciation and amortisation (RM'000)	1,184	1,355	1,618	1,916	949	1,301
(v) Earnings before interest, taxation, depreciation and amortisation (EBITDA) (RM'000)	9,358	14,107	16,456	19,442	15,762	12,288
(vi) Profit before tax margin (%)^	17.5	21.6	23.0	22.7	29.9	24.9
(vii) Profit after tax margin (%) θ	12.9	15.8	16.8	16.4	21.7	18.3
(viii) Number of ordinary shares assumed in issue ('000) #	105,800	105,800	105,800	105,800	105,800	105,800
(ix) Basic and diluted earnings per ordinary share (sen) @,α	5.74	8.96	10.29	12.05	20.47^^	15.18^^

Notes:

- * Gross profit margin is computed based on the gross profit divided by the revenue for the respective financial years/periods under review.
- ^ Profit before tax margin is computed based on the profit before tax divided by the revenue for the respective financial years/periods under review.
- θ Profit after tax margin is computed based on the profit after tax divided by the revenue for the respective financial years/periods under review.
- # Based on the issued and paid-up share capital of 105,800,000 Shares after the Acquisitions.
- @ Basic earnings per ordinary share is computed based on the profit for the financial years/periods attributed to the owners of the Company divided by the number of ordinary shares assumed in issue.
- α No dilution of earnings per ordinary share.
- ^^ Annualised to 12 months for comparison purposes.

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11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

11.2 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

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

Notes:

* Denotes RM2.

** Represents 4 shares.

[^] Includes the unaudited financial statements of MBP Publications and Sasbadi Learning Solutions on incorporation prepared by us as both subsidiaries were incorporated after FPE 28 February 2014.**11.3 PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS**

Our pro forma consolidated statement of cash flows for FPE 28 February 2014 as set out below has been prepared for illustrative purposes only on the assumption that our current Group structure had been in existence throughout FPE 28 February 2014 but prior to the Dividend Payment, IPO and utilisation of proceeds.

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

	FPE 28 February 2014 RM'000
Cash flows from operating activities	
Profit before tax	10,936
Adjustments for:	
Depreciation of property, plant and equipment	1,026
Amortisation of intangible assets	275
Provision for sales returns	3,088
Interest expense	106
Interest income	(55)
Operating profit before changes in working capital	15,376
Changes in working capital:	
Inventories	(919)
Trade and other receivables, and other assets	(14,360)
Trade and other payables	4,952
Cash generated from operations	5,049
Income tax paid	(1,855)
Interest paid	(93)
Interest received	55
Net cash generated from operating activities	3,156

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	FPE 28 February 2014
	RM'000
Cash flows from investing activities	
Purchase of property, plant and equipment	(653)
Purchase of intangible assets	(5,500)
Net cash used in investing activities	<u>(6,153)</u>
Cash flows from financing activities	
Interest paid	(13)
Repayment of finance lease liabilities	(133)
Drawdown of bankers' acceptances	730
Net cash generated from financing activities	<u>584</u>
Net decrease in cash and cash equivalents	<u>(2,413)</u>
Cash and casb equivalents at beginning of the financial period	12,044
Cash and cash equivalents at end of the financial period*	<u>9,631</u>

Note:

* *Cash and cash equivalents are presented net of bank overdraft.*

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11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (*Cont'd*)

11.4 INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS



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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

The Board of Directors
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No 12, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

9 June 2014

Dear Sirs

**Sasbadi Holdings Berhad
Report on the Compilation of Pro Forma Financial Information Included in a Prospectus**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sasbadi Holdings Berhad ("Sasbadi Holdings" or "the Company") and its direct wholly-owned subsidiaries acquired under the Listing Scheme, namely Sasbadi Sdn. Bhd. ("Sasbadi"), Malaysian Book Promotions Sdn. Bhd. ("Malaysian Book Promotions"), Maya Press Sdn. Bhd. ("Maya Press"), Orbit Buku Sdn. Bhd. ("Orbit Buku") and Sasbadi Online Sdn. Bhd. ("Sasbadi Online"), and newly incorporated subsidiaries, namely Sasbadi Learning Solutions Sdn. Bhd. ("Sasbadi Learning Solutions") and MBP Publications Sdn. Bhd. ("MBP Publications") (collectively referred to as "Subsidiaries"), (hereinafter referred to as "the Group") by the Board of Directors of the Company. The pro forma financial information is included in a prospectus for the purpose of admission to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation for the entire enlarged issued and paid-up share capital of RM63,500,000 comprising of 127,000,000 ordinary shares of RM0.50 each ("Shares") on the Main Market of Bursa Securities ("Listing"). The pro forma financial information consists of the pro forma consolidated statement of financial position as at 28 February 2014, the pro forma consolidated statement of profit or loss and other comprehensive income for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 and the pro forma consolidated statement of cash flows for the financial period ended 28 February 2014 together with the accompanying notes, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board of Directors has compiled the pro forma financial information are specified in *Prospectus Guidelines-Equity* ("SC Guidelines") issued by Securities Commission Malaysia and described in Note 1 of Appendix I.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)


Report on the Compilation of Pro Forma Financial Information Included in a Prospectus (continued)

The pro forma financial information has been compiled by the Board of Directors to illustrate the impact of the transactions (hereinafter defined) on the Group's financial position as at 28 February 2014 and the Group's financial performance for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 and cash flows for the financial period ended 28 February 2014 as if the newly formed Group has been in existence throughout the financial years/period under review. As part of this process, information about the financial position, financial performance and cash flows has been extracted by the Board of Directors from the Company's and the Subsidiaries' financial statements for the period ended 28 February 2014 on which audit reports have been issued and the unaudited financial statements of Sasbadi Learning Solutions and MBP Publications prepared by the management. There were no audited financial statements available for MBP Publications and Sasbadi Learning Solutions as these entities were newly incorporated on 28 March 2014 and 3 April 2014 respectively.

The transactions consist of the following:

- (i) Incorporation of 2 subsidiaries namely, Sasbadi Learning Solutions and MBP Publications;
- (ii) Dividend Payment to existing shareholders of Sasbadi;
- (iii) Acquisitions of the entire issued and paid-up share capital in Sasbadi, Malaysian Book Promotions, Maya Press, Orbit Buku and Sasbadi Online ("Acquisitions");
- (iv) Proposed Initial Public Offering ("IPO") involving the following:
 - a. Public Issue; and
 - b. Offer for Sale by the Offerors;
- (v) Proposed Vendors' Shareholdings Reorganisation ("Reorganisation");
- (vi) Proposed Listing; and
- (vii) Proposed Utilisation of proceeds from the IPO.

Item (ii) to (vi) will be collectively known as the "Listing Scheme".

Directors' Responsibility for the Pro Forma Financial Information

The Board of Directors is responsible for compiling the pro forma financial information in accordance with the requirements of the SC Guidelines issued by Securities Commission Malaysia. The basis and pro forma transactions used in the compilation are described in Note 1 of Appendix I.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by SC Guidelines, about whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors on the basis described in Note 1 of Appendix I.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

**Report on the Compilation of Pro Forma Financial Information Included in a Prospectus (continued)****Reporting Accountants' Responsibilities (continued)**

This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma financial information on the basis described in Note 1 of Appendix I.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of the transactions as described in Note 1 of Appendix I of the pro forma financial information on the financial information of the entity as if the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transactions at 28 February 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the transactions in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (i) the pro forma consolidated financial information has been properly compiled on the basis stated in Note 1 of Appendix I based on the audited financial statements of the Subsidiaries for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with the format of the statements of financial position, profit or loss and other comprehensive income and cash flows, the accounting policies adopted by the Group and the basis of consolidation as described in Note 2 of Appendix I; and

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION *(Cont'd)*



**Report on the Compilation of Pro Forma Financial Information Included in a Prospectus
(continued)**

Opinion (continued)

- (ii) each material adjustment made to the information used in the preparation of the pro forma consolidated financial information is appropriate for the purposes of preparing the pro forma consolidated financial information.

Other Matters

The pro forma financial information has been prepared for inclusion in the prospectus in connection with the Listing of the Company and should not be relied upon for any other purposes.

A handwritten signature in black ink, appearing to read 'KPMG' followed by a stylized flourish.

KPMG
Firm No. AF 0758
Chartered Accountants



SASBADI HOLDINGS BERHAD
(“SASBADI HOLDINGS” OR “THE COMPANY”)
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NOTES TO THE PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

Sasbadi Holdings was incorporated on 30 October 2012 with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and fully paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

On 13 March 2013, a share split has taken place, subdividing the authorised share capital of RM100,000 into 200,000 ordinary shares of RM0.50 each and issued and fully paid-up share capital of RM2.00 into 4 ordinary shares of RM0.50 each.

Sasbadi Holdings is incorporated to undertake the acquisitions of the entire issued and paid-up share capital in Sasbadi and its wholly-owned subsidiaries, namely Malaysian Book Promotions, Maya Press, Orbit Buku and Sasbadi Online, Initial Public Offering as well as the listing of and quotation for its enlarged issued and paid-up share capital on the Main Market of Bursa Malaysia Securities Berhad.

MBP Publications and Sasbadi Learning Solutions were incorporated on 28 March 2014 and 3 April 2014 respectively, and Sasbadi Holdings had subscribed for 999 ordinary shares of RM1.00 each at par and subsequently acquired 1 ordinary share of RM1.00 from a third party for a consideration of RM1.00 in each entity. Following the acquisition, these entities became wholly owned subsidiaries of the Company.

The pro forma consolidated financial information consists of the following:

- (a) The pro forma consolidated statement of financial position of Sasbadi Holdings and its direct wholly-owned subsidiaries acquired under the Listing Scheme, namely Sasbadi, Malaysian Book Promotions, Maya Press, Orbit Buku and Sasbadi Online, and the newly incorporated Sasbadi Learning Solutions and MBP Publications (“the Group”) as at 28 February 2014;
- (b) The pro forma consolidated statement of profit or loss and other comprehensive income of the Group for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014; and
- (c) The pro forma consolidated statement of cash flows of the Group for the financial period ended 28 February 2014.



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**NOTES TO THE PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION**

1. Basis of preparation (continued)

The pro forma consolidated financial information has been prepared using the audited financial statements of Sasbadi Holdings for the financial year/period ended 31 August 2013 and 28 February 2014 and of Sasbadi, Malaysian Book Promotions, Maya Press, Orbit Buku, and Sasbadi Online for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with the format of the statements of financial position, profit or loss and other comprehensive income and cash flows, the accounting policies adopted by the Group and the basis of consolidation as described in Note 2. As Sasbadi Learning Solutions and MBP Publications were newly incorporated, accordingly, no audited financial statements are available. The pro forma financial information has therefore incorporated the unaudited financial statements of Sasbadi Learning Solutions and MBP Publications prepared by the management.

For the purposes of preparation of the pro forma consolidated statement of profit or loss and other comprehensive income for the financial years/period ended 31 August 2010, 31 August 2011, 31 August 2012, 31 August 2013 and 28 February 2014 and the pro forma consolidated statement of cash flows for the financial period ended 28 February 2014, the Group is assumed to have been in existence throughout the financial years/period under review.

The pro forma consolidated statement of financial position as at 28 February 2014 is prepared for illustrative purposes only to show the effects of the transactions, as described below, with the assumption that the Group was in existence on 28 February 2014 and these transactions were completed on the same date.

Pro forma I – Incorporation of Subsidiaries, Dividend Payment and Acquisitions of Subsidiaries

Pro forma I is prepared after incorporating transactions as follows:-

Incorporation of Subsidiaries

Sasbadi Holdings had incorporated and subscribed for 999 ordinary shares of RM1.00 each and subsequently acquired 1 ordinary share of RM1.00 from a third party for a consideration of RM1.00 per share in each of the following entities:-

No.	Name of Subsidiary	Date of incorporation	Issued and paid-up share capital	Total consideration paid
1.	MBP Publications	28 March 2014	RM1,000 comprising 1,000 ordinary shares of RM1.00 each	RM1,000
2.	Sasbadi Learning Solutions	3 April 2014	RM1,000 comprising 1,000 ordinary shares of RM1.00 each	RM1,000



**SASBADI HOLDINGS BERHAD
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**NOTES TO THE PRO FORMA
 CONSOLIDATED FINANCIAL INFORMATION**

1. Basis of preparation (continued)

Pro forma I - Incorporation of Subsidiaries, Dividend Payment and Acquisitions of Subsidiaries (continued)

The incorporation of these Subsidiaries has no financial impact to the pro forma consolidated statement of financial position.

Dividend Payment

Prior to acquisitions of the Subsidiaries by Sasbadi Holdings, Sasbadi had distributed dividends of RM2.5 million and RM6 million (“Dividend Payment”) to its existing shareholders on 3 April 2014 and 16 May 2014 respectively.

Acquisition of Subsidiaries

On 19 May 2014, Sasbadi Holdings had acquired the entire issued and paid-up share capital in Sasbadi comprising 2,400,000 ordinary shares of RM1.00 each from the Offerors as vendors (“Law King Hui, Lee Swee Hang and Lee Eng Sang collectively”) for a total purchase consideration of RM52,899,998 satisfied by the issuance of 105,799,996 new Sasbadi Holdings Shares at an issue price of RM0.50 per share credited as fully paid. Arising from the acquisition, a merger deficit of RM50,500,000 has been created.

In addition, Sasbadi Holdings acquired the following Subsidiaries from Sasbadi:

- a. the entire issued and paid-up share capital in Maya Press comprising 2 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 and reflected as amount owing by Sasbadi Holdings to Sasbadi;
- b. the entire issued and paid-up share capital in Orbit Buku comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM1.00 and reflected as amount owing by Sasbadi Holdings to Sasbadi;
- c. the entire issued and paid-up share capital in Malaysian Book Promotions comprising 75,005 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM77,754 and reflected as amount owing by Sasbadi Holdings to Sasbadi; and
- d. the entire issued and paid-up share capital in Sasbadi Online comprising 10,000 ordinary shares of RM1.00 each from Sasbadi for a total purchase consideration of RM277,919 and reflected as amount owing by Sasbadi Holdings to Sasbadi.

The acquisitions of Maya Press, Orbit Buku, Malaysian Book Promotions and Sasbadi Online have no material financial impact to the pro forma consolidated statement of financial position.



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**NOTES TO THE PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION**

1. Basis of preparation (continued)

Pro forma II - IPO, Vendors' Shareholdings Reorganisation and Listing

Pro forma II is prepared after incorporating transactions as described in Pro forma I and transactions for IPO, Reorganisation and Listing as follows:-

i) Public Issue

Public issue of 21,200,000 new Sasbadi Holdings Shares, representing approximately 16.7% of the enlarged and paid-up share capital of 127,000,000 Shares, at RM1.19 per Share ("Public Issue") to be allocated in the following manner:

(a) Public ("Public Tranche")

6,350,000 Public Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital, have been reserved for application by the Public, of which at least 50.0% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

(b) Eligible Directors, employees and persons who have contributed to the success of the Group ("Pink Form Tranche")

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

(c) Selected Investors via Placement ("Placement Tranche")

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

Arising from the Public Issue, share premium of RM14,628,000 will be created.

ii) Offer for Sale

The Offerors will offer up to 35,950,000 existing Sasbadi Holdings Shares, representing approximately 28.3% of the enlarged issued and paid-up share capital of 127,000,000 Shares, at RM1.19 per share ("Offer Shares") to be allocated in the following manner:

(a) Bumiputera Investors approved by the Ministry of International Trade and Industry ("MITI Tranche")

Up to 12,700,000 Offer Shares, representing up to 10.0% of the enlarged issued and paid-up share capital, to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI"); and



**SASBADI HOLDINGS BERHAD
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**NOTES TO THE PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION**

1. Basis of preparation (continued)

**Pro forma II - IPO, Vendors' Shareholdings Reorganisation and Listing
(continued)**

(b) Selected Investors via Placement ("Non-MITI Tranche")

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

The Offer for Sale will not have any financial impact to the pro forma consolidated statement of financial position.

iii) Vendors' Shareholdings Reorganisation

The Vendors of Sasbadi will undertake a reorganisation exercise involving the transfer of 25,400,000 Sasbadi Holdings Shares which they received from the Acquisition of Sasbadi to Karya Kencana Sdn. Bhd. ("Karya Kencana"), an investment holding company substantially owned by the Vendors ("Reorganisation"). In this regard, the Vendors have entered into a conditional share sale agreement with Karya Kencana for the Reorganisation for a purchase consideration of RM30,226,000. The purchase consideration will be satisfied via issuance of 99,000 new ordinary shares of RM1.00 each in Karya Kencana at par value and the balance will remain as amount owing from Karya Kencana to the Vendors.

Details of the Vendors' Shareholdings Reorganisation are as follows:

Vendor	No. of Shares to be transferred under the Reorganisation	To be satisfied via	
		Ordinary shares of RM1.00 each in Karya Kencana	Amount owing by Karya Kencana to the Vendors RM
Law King Hui	12,700,000	49,500	15,063,500
Lee Swee Hang	6,350,000	24,750	7,531,750
Lee Eng Sang	6,350,000	24,750	7,531,750
Total	25,400,000	99,000	30,127,000

The Vendors' Shareholdings Reorganisation will not have any financial impact to the pro forma consolidated statement of financial position.

II. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

**SASBADI HOLDINGS BERHAD
("SASBADI HOLDINGS" OR "THE COMPANY")
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**NOTES TO THE PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION**

I. Basis of preparation (continued)

**Pro forma II - IPO, Vendors' Shareholdings Reorganisation and Listing
(continued)**

iv) *Listing*

The entire enlarged issued and paid-up share capital of RM63,500,000 comprising 127,000,000 Shares will be admitted to the Official List of Bursa Securities.

The admission to the Official List of Bursa Securities and the listing of the said Shares will not have any financial impact to the pro forma consolidated statement of financial position.

Pro forma III – Utilisation of the proceeds from the IPO

Pro forma III is prepared after incorporating transactions as described in Pro forma I to II and the utilisation of the proceeds from the IPO as follows:-

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

As at 28 February 2014, the Company had already incurred listing expenses of up to RM1,130,000 out of the total estimated listing expenses of RM3,000,000. It is assumed that RM984,000 out of the total estimated listing expenses of RM3,000,000 will qualify for set-off against the share premium account arising from the issuance of Sasbadi Holdings Shares and the balance of RM2,016,000 will be expensed off to profit or loss. The unutilised proceeds that have been earmarked for listing expenses, if any, will be retained in cash and cash equivalents and used for working capital purposes.

In addition, it is assumed that the proceeds that have been earmarked for acquisition of publishing businesses and working capital are retained in the cash and cash equivalents until they are utilised in the future.



**SASBADI HOLDINGS BERHAD
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**NOTES TO THE PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION**

2. Basis of consolidation

In the preparation of the pro forma consolidated financial information, the following basis of consolidation has been applied:

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(iii) Transactions eliminated on consolidation

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

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
(“SASBADI HOLDINGS” OR “THE COMPANY”)
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position of the Group as set out below are prepared solely for illustrative purposes only to show the effects had the transactions been effected on 28 February 2014.

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

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Pro forma consolidated statement of financial position (continued)

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

* Represents 4 shares

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
(“SASBADI HOLDINGS” OR “THE COMPANY”)
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Effect on the pro forma consolidated statement of financial position

a. Movement in property, plant and equipment	RM'000
Balance at 28 February 2014	-
Effect of Pro forma I:-	
Acquisitions of Subsidiaries	27,650
	<hr/>
Balance after Pro forma I and II	27,650
Effects of Pro forma III:-	
Establishment of applied learning centres	1,000
Acquisition of an office cum warehouse building	7,000
	<hr/>
Balance after Pro forma I, II and III	<u>35,650</u>
	<u>=====</u>
b. Movement in cash and cash equivalents	RM'000
Balance at 28 February 2014	*
Effects of Pro forma I:-	
Acquisitions of Subsidiaries	17,680
Dividend Payment	(8,500)
	<hr/>
Balance after Pro forma I	9,180
Effect of Pro forma II:-	
IPO	25,228
	<hr/>
Balance after Pro forma I and II	34,408
Effects of Pro forma III:-	
<i>Utilisation of proceeds</i>	
Establishment of applied learning centres	(1,000)
Acquisition of an office cum warehouse building	(7,000)
Listing expenses	(1,870)
	<hr/>
Balance after Pro forma I, II and III	<u>24,538</u>
	<u>=====</u>

* Denotes RM2

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Effect on the pro forma consolidated statement of financial position (continued)

c. Movement in share capital

	RM'000
Balance at 28 February 2014	*
Effect of Pro forma I:-	
Acquisitions of Subsidiaries	52,900
	52,900
Balance after Pro forma I	52,900
Effect of Pro forma II:-	
IPO	10,600
	63,500
Balance after Pro forma I, II and III	63,500

* Denotes RM2

d. Movement in share premium

	RM'000
Balance at 28 February 2014/after Pro forma I	-
Effect of Pro forma II:-	
IPO	14,628
	14,628
Balance after Pro forma I and II	14,628
Effect of Pro forma III:-	
Listing expenses	(984)
	13,644
Balance after Pro forma I, II and III	13,644

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Effect on the pro forma consolidated statement of financial position (continued)

e. Movement in merger deficit	RM'000
Balance at 28 February 2014	-
Effect of Pro forma I:-	
Acquisitions of Subsidiaries	(50,500)
	(50,500)
Balance after Pro forma I, II and III	(50,500)
f. Movement in retained earnings	RM'000
Balance at 28 February 2014	(955)
Effects of Pro forma I:-	
Acquisitions of Subsidiaries	58,887
Dividend Payment	(8,500)
	49,432
Balance after Pro forma I and II	49,432
Effect of Pro forma III:-	
Listing expenses	(1,079)
	48,353
Balance after Pro forma I, II and III	48,353

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
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PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Pro forma consolidated statement of profit or loss and other comprehensive income

The pro forma consolidated statement of profit or loss and other comprehensive income for the past four (4) financial years ended 31 August 2010, 31 August 2011, 31 August 2012, and 31 August 2013 and the financial period ended 28 February 2014 which have been prepared for illustrative purposes only to show the results of the Group, are based on accounting policies consistent with those adopted in the preparation of the latest audited financial statements of the Group entities and are prepared on the assumptions that the current Group structure existed throughout the financial years/period under review.

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

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
(“SASBADI HOLDINGS” OR “THE COMPANY”)
AND ITS SUBSIDIARIES (“THE GROUP”)

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Pro forma consolidated statement of profit or loss and other comprehensive income
(continued)

	← Year ended 31 August →				6 months ended
	2010	2011	2012	2013	28 February 2014
(i) Gross profit margin (%)*	39.5	41.4	41.5	41.2	49.2
(ii) Interest income (RM'000)	177	223	92	173	55
(iii) Interest expense (RM'000)	105	33	32	36	106
(iv) Depreciation and amortisation (RM'000)	1,184	1,355	1,618	1,916	1,301
(v) Earnings before interest, taxation, depreciation and amortisation (EBITDA) (RM'000)	9,358	14,107	16,456	19,442	12,288
(vi) Profit before tax margin (%) ^	17.5	21.6	23.0	22.7	24.9
(vii) Profit after tax margin (%) θ	12.9	15.8	16.8	16.4	18.3
(viii) Number of ordinary shares assumed in issue ('000) #	105,800	105,800	105,800	105,800	105,800
(ix) Basic and diluted earnings per ordinary share (sen) @,α	5.74	8.96	10.29	12.05	15.18^^

Notes:

- * Gross profit margin is computed based on the gross profit divided by the revenue for the respective financial years/period under review.
- ^ Profit before tax margin is computed based on the profit before tax divided by the revenue for the respective financial years/period under review.
- θ Profit after tax margin is computed based on the profit after tax divided by the revenue for the respective financial years/period under review.
- # Based on the issued and paid-up share capital of 105,800,000 Shares after the acquisitions of Subsidiaries but before Public Issue.
- @ Basic earnings per ordinary share is computed based on the profit for the financial year/period attributed to the owners of the Company divided by the number of ordinary shares assumed in issue.
- α No dilution of earnings per ordinary share.
- ^^ Annualised to 12 months for comparison purposes.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
(“SASBADI HOLDINGS” OR “THE COMPANY”)
AND ITS SUBSIDIARIES (“THE GROUP”)

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Pro forma consolidated statement of cash flows

The pro forma consolidated statement of cash flows of the Group for the financial period ended 28 February 2014, which has been prepared for illustrative purposes only, is based on the assumption that the current structure of the Group existed throughout the financial period under review. The pro forma consolidated statement of cash flows has been prepared before taking into account the Dividend Payment, IPO, and utilisation of proceeds from IPO.

	6 months ended 28 February 2014 RM'000
Cash flows from operating activities	
Profit before tax	10,936
Adjustments for:	
Depreciation of property, plant and equipment	1,026
Amortisation of intangible assets	275
Provision for sales returns	3,088
Interest expense	106
Interest income	(55)
	15,376
Operating profit before changes in working capital	15,376
Changes in working capital:	
Inventories	(919)
Trade and other receivables, and other assets	(14,360)
Trade and other payables	4,952
	5,049
Cash generated from operations	5,049
Income tax paid	(1,855)
Interest paid	(93)
Interest received	55
	3,156
Net cash generated from operating activities	3,156
Cash flows from investing activities	
Purchase of property, plant and equipment	(653)
Purchase of intangible assets	(5,500)
	(6,153)
Net cash used in investing activities	(6,153)

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Appendix I

SASBADI HOLDINGS BERHAD
(“SASBADI HOLDINGS” OR “THE COMPANY”)
AND ITS SUBSIDIARIES (“THE GROUP”)

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Pro forma consolidated statement of cash flows (continued)

	6 months ended 28 February 2014 RM'000
Cash flows from financing activities	
Interest paid	(13)
Repayment of finance lease liabilities	(133)
Drawdown of bankers' acceptances	730

Net cash generated from financing activities	584

Net decrease in cash and cash equivalents	(2,413)
Cash and cash equivalents at beginning of the financial period	12,044

Cash and cash equivalents at end of the financial period	9,631
	=====

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts. Cash and cash equivalents included in the pro forma consolidated statement of cash flows comprise the following pro forma consolidated statement of financial position amounts:

	28 February 2014 RM'000
Cash and bank balances	17,641
Deposits placed with a licensed bank	39
Bank overdraft	(8,049)

	9,631
	=====

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

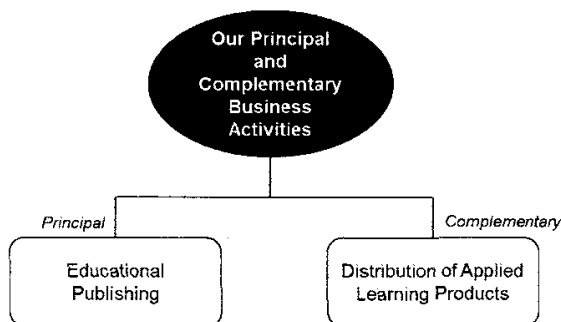
Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the pro forma consolidated financial information and the related notes thereon for the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 as set out in Section 11.4 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

12.1 OVERVIEW

Revenue

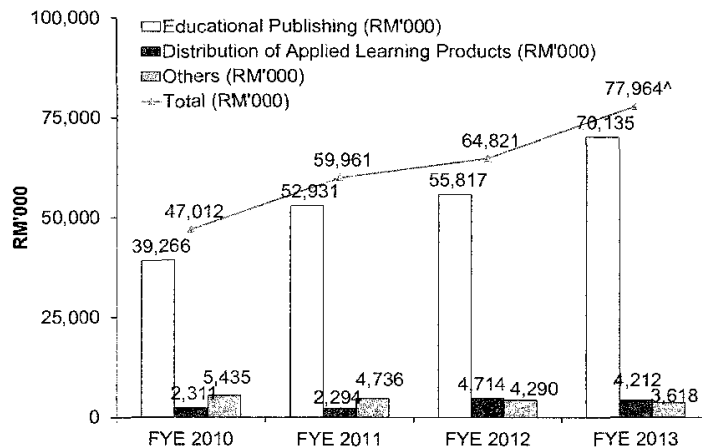
Our Group is mainly involved in the following activities:



For the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014, our Group's revenue (net of credit notes, which are issued, amongst others, for returned stocks, discounts for early payments and incentive discounts) was derived from the following business segments:

- Educational publishing including print publishing of National School Curriculum based educational materials mainly for primary and secondary levels of education as well as supplementary educational materials, and online publishing;
- Distribution of applied learning products; and
- Others include mainly supply of electronic dictionaries, publishing of general title books, distribution of third party publications, and trading of paper.

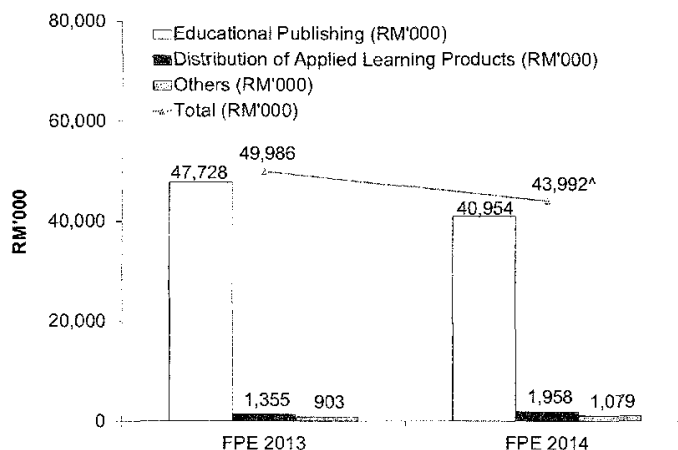
Overall, our total revenue grew from RM47.0 million to RM78.0 million between FYE 31 August 2010 and 2013. This represented an AAGR of 18.4%. Our revenue was mainly derived from our largest revenue segment, namely educational publishing, which contributed 83.5%, 88.3%, 86.1% and 90.0% of our total revenue for the FYE 31 August 2010, 2011, 2012 and 2013 respectively. Distribution of applied learning products accounted for 4.9%, 3.8%, 7.3% and 5.4% of our total revenue for the past four (4) financial years under review respectively. Educational publishing and distribution of applied learning products grew at an AAGR of 21.3% and 22.2% respectively between FYE 31 August 2010 and 2013.



12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Others constituted 11.6%, 7.9%, 6.6% and 4.6% of our total revenue for FYE 31 August 2010, 2011, 2012 and 2013 respectively.

Our total revenue declined from RM50.0 million to RM44.0 million between FPE 28 February 2013 and 2014. This represented a decline of 12.0%. Our revenue was mainly derived from our largest revenue segment, namely educational publishing, which contributed 95.5% and 93.1% of our total revenue for the FPE 28 February 2013 and 2014 respectively. Distribution of applied learning products accounted for 2.7% and 4.5% of our total revenue for the past two (2) financial periods under review respectively. Educational publishing declined by 14.2% while distribution of applied learning products grew by 44.5% between FPE 28 February 2013 and 2014.



Others constituted 1.8% and 2.5% of our total revenue for FPE 28 February 2013 and 2014 respectively.

Our revenue from educational publishing was largely contributed by print publishing. Our print publishing can be further segmented into different subsectors namely National School Curriculum based educational materials and supplementary educational materials. National School Curriculum based educational materials recorded revenue contributions of 83.5%, 87.1%, 81.8% and 81.5% for the FYE 31 August 2010, 2011, 2012 and 2013 respectively. For the FPE 28 February 2013 and 2014, print publishing of National School Curriculum based educational materials accounted for 90.3% and 87.7% of our total revenue respectively.

The main factors that contributed to the increase in our total revenue for the past four (4) financial years under review were due to the following:

- Increase in demand for past year examination papers for UPSR, PMR and SPM in FYE 31 August 2011, 2012 and 2013 as compared to FYE 31 August 2010. This is supported by the fact that we secured the rights from YGMB for the reprinting, distribution, marketing and sales of past year examination papers for UPSR, PMR, SPM and STAM for 2011, 2012 and up till 14 September 2013 whereas for 2010, the contract with YGMB was for the reprinting, distribution, marketing and sales of past year examination papers for SPM and STAM only (Note: The licence from YGMB to reprint, distribute, market and sell the past year examination papers was not renewed upon its expiry on 14 September 2013. In this regard, we have ceased reprinting, distributing, marketing and selling the past year examination papers with effect from 15 September 2013);
- We were awarded more tenders and also received more purchase orders on textbooks from the Ministry of Education for FYE 31 August 2011, 2012 and 2013 as compared to FYE 31 August 2010;
- Commencement of our subsidiary, Orbit Buku, which publish children's books targeted at households and school libraries;
- Commencement of sales of our online educational resources with the launch of four (4) new online educational products between FYE 31 August 2011 and 2013;

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

- Our applied learning products achieved higher sales in the run-up to the World Robot Olympiad 2012 during the initial stage and subsequently the continuing sales of the products, as Malaysia was the host for World Robot Olympiad 2012; and
- Increase in sales of our new range of workbooks for primary and secondary levels of education for FYE 31 August 2013. The higher sales generated was mainly due to the popularity of our new A4 size format. In addition, higher sales of our workbooks for primary levels of education were attributed to the longer lead time available for us to undertake our promotional and marketing efforts on these products before the start of the 2013 academic year.

The main factors that contributed to the decrease in our total revenue between the two (2) financial periods under review, namely FPE 28 February 2013 and 2014, were due to the following:

- Loss in revenue from past year examination papers for UPSR, PMR and SPM as a result of the expiration of the licence from YGMB for reprinting, distribution, marketing and sales of the past year examination papers;
- Decrease in revenue as well as returns for PMR educational materials namely revision guides, assessment books and model test papers as a result of the abolishment of the PMR examinations in 2014;
- Decrease in sales of secondary textbooks due to non-availability of new secondary school textbook tenders from the Ministry of Education during FPE 28 February 2014; and
- Decrease in sales and high sales returns for our iPBS online educational products due to uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy. In February 2014, the school based assessment was suspended by the Ministry of Education and the modified version of PBS was implemented in April 2014. Subsequently in April 2014, we have launched new products, namely iPBS (PPPM)/iPS (DSKP) based on the modified version of PBS.

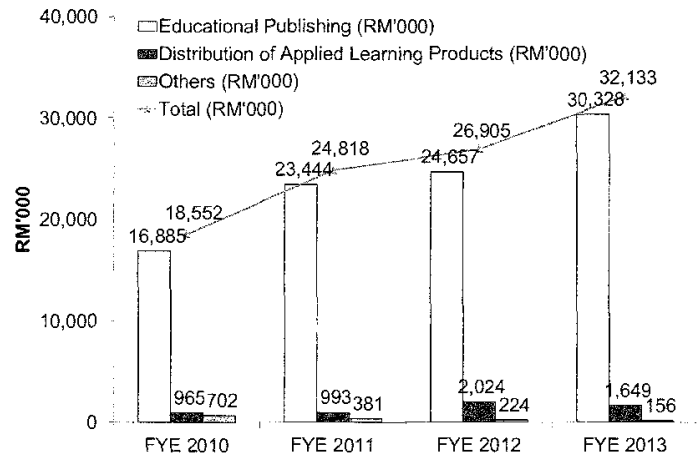
Please also refer to Section 12.2.1 of this Prospectus for a segmental analysis of our Group's revenue for the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014.

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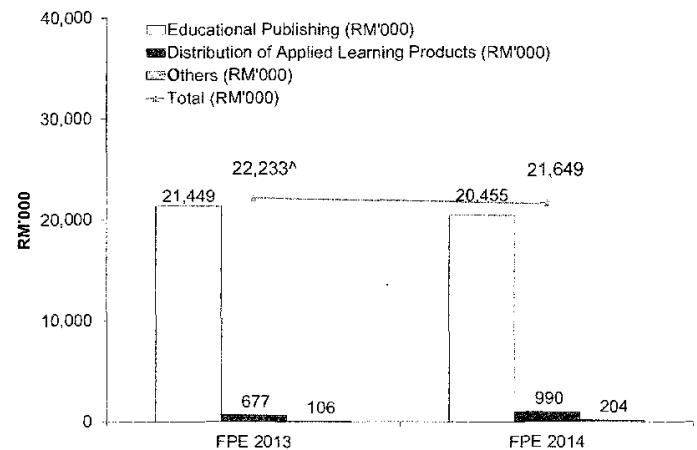
12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Gross profit

Our total gross profit grew from RM18.6 million to RM32.1 million between FYE 31 August 2010 and 2013. This represented an AAGR of 19.9%. Educational publishing, our largest revenue segment, accounted for 91.0%, 94.5%, 91.6% and 94.4% of our total gross profit for the FYE 31 August 2010, 2011, 2012 and 2013 respectively. Distribution of applied learning products constituted 5.2%, 4.0%, 7.5% and 5.1% of our total gross profit for the past four (4) financial years under review respectively. Educational publishing and distribution of applied learning products grew at AAGR of 21.6% and 19.6% respectively between FYE 31 August 2010 and 2013. Others constituted 3.8%, 1.5%, 0.8% and 0.5% of our total gross profit during the past four (4) financial years under review respectively.



Our total gross profit declined from RM22.2 million to RM21.6 million between FPE 28 February 2013 and 2014. This represented a decline of 2.7%. Educational publishing, our largest revenue segment, accounted for 96.5% and 94.5% of our total gross profit for the FPE 28 February 2013 and 2014 respectively. Distribution of applied learning products constituted 3.0% and 4.6% of our total gross profit for the past two (2) financial periods under review respectively. Gross profit from educational publishing declined by 4.6% while gross profit from distribution of applied learning products grew by 46.2% between FPE 28 February 2013 and 2014. Others constituted approximately 0.5% and 0.9% of our total gross profit for the past two (2) financial periods under review, respectively.



Please also refer to Section 12.2.2 of this Prospectus for a segmental analysis of our Group's gross profit for the past four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014.

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I2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)**I2.2 RESULTS OF OPERATIONS**

The following is the segmental analysis of our results for the four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 based on the assumption that our current Group structure has been in existence throughout the financial years/period under review.

12.2.1 Segmental analysis of revenue**(i) Revenue by Companies**

The breakdown of our Group's revenue by companies is as follows:

	Audited				Unaudited		Audited	
	FYE 31 August		FPE 28 February		2013		2014	
Revenue	2010	2011	2012	2013	2013	2014	2013	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sasbadi	47,012	59,303	62,695	71,780	47,453	39,986	94.9	90.9
Maya Press	-	-	-	-	-	-	-	-
Orbit Buku	-	108	1,180	470	179	816	0.4	1.9
Sasbadi Online	n.a.	614	1,164	5,788	2,378	97	4.8	0.2
Malaysian Book Promotions	-	-	-	-	-	4,234	-	9.6
Sasbadi Holdings	n.a.	n.a.	n.a.	-	-	-	-	-
MBP Publications	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sasbadi Learning Solutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	47,012	60,026 [^]	65,039	78,039 [^]	50,011 [^]	45,132 [^]	100.1	102.6
Less: Consolidation adjustment	-	(65)	(218)	(74)	(25)	(1,141)	(0.1)	(2.6)
Total	47,012	59,961	64,821	77,964[^]	49,986	43,992[^]	100.0	100.0

Notes:

[^] Total does not add-up due to rounding.

n.a. Not applicable.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(ii) Revenue by Business Activities

The breakdown of our Group's revenue by business activities is as follows:

Revenue	Audited						Unaudited		Audited	
	2010		2011		FYE 31 August 2012		FYE 28 February 2013		FYE 28 February 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Educational Publishing										
Print Publishing										
National School Curriculum based educational materials	39,241	83.5	52,256	87.1	53,027	81.8	63,559	81.5	45,132 [^]	90.3
- Secondary education	26,355 [^]	56.1	37,309 [^]	62.2	37,355	57.6 [^]	42,640	54.7	28,383	56.8
- Non-PMR educational materials ⁽³⁾	17,003	36.2	22,867	38.1	19,617	30.3	27,607	35.4	20,614	41.2
- PMR educational materials ⁽⁴⁾	5,715	12.2	5,804	9.7	5,502	8.5	4,441	5.7	2,434	4.9
- Past year examination papers	3,636	7.7	8,639	14.4	12,236	18.9	10,592	13.6	5,335	10.7
- Primary education ⁽¹⁾	12,886	27.4	14,947	24.9	15,672	24.2	20,919	26.8	16,748	33.5
- Educational materials ⁽³⁾	12,886	27.4	12,950	21.6	12,591	19.4	17,695	22.7	14,712	29.4
- Past year examination papers	-	-	1,997	3.3	3,081	4.8	3,224	4.1	2,036	4.1
- Pearson titles	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- Post-secondary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- Secondary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- Primary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Supplementary educational materials	25	0.1	59	0.1	1,618	2.5	814	1.0	221	0.4
Online Publishing	39,266	83.5 [^]	52,315	87.2	54,645	84.3	64,373	82.6 [^]	45,353	90.7
-	n.a.	n.a.	616	1.0	1,172	1.8	5,762	7.4	2,375	4.8
-	39,266	83.5	52,931	88.3 [^]	55,817	86.1	70,135	90.0	47,728	95.5
Distribution of Applied Learning Products	2,311	4.9	2,294	3.8	4,714	7.3	4,212	5.4	1,355	2.7
Others⁽²⁾	5,435	11.6	4,736	7.9	4,290	6.6	3,618	4.6	903	1.8
Total	47,012	100.0	59,961	100.0	64,821	100.0	77,964 [^]	100.0	49,986	100.0
									38,599 [^]	87.7

Notes:

[^] Total does not add-up due to rounding.

n.a. Not applicable.

(1) Include a small proportion of pre-school educational materials.

(2) Include mainly the supply of electronic dictionaries, publishing of general title books as well as distribution of third party publications and trading of paper.

(3) Include amongst others textbooks, revision guides, workbooks, assessment books and model test papers.

(4) Include revision guides, assessment books and model test papers.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

FYE 31 August 2011 compared to FYE 31 August 2010

For the FYE 31 August 2011, our total revenue increased by 27.7% or RM13.0 million from RM47.0 million in FYE 31 August 2010 to RM60.0 million in FYE 31 August 2011. This was mainly due to the increase in demand for our educational publishing products contributed by the following factors:

- Increase in revenue from textbooks for secondary levels of education which was stimulated by our success in obtaining more purchase orders on textbooks from the Ministry of Education;
- Increase in sales of past year examination papers as a result of the introduction of new additions of UPSR and PMR past year examination papers. In addition, the increase in sales of SPM examination paper due to better market awareness of our product as this product was only introduced in the previous year;

From January 2011 up to 14 September 2013, we were awarded by YGMB as the licensee to undertake reprinting, distribution, marketing and sales of past year examination papers for UPSR, PMR, STAM and SPM. For 2010, the contract with YGMB was for the reprinting, distribution, marketing and sales of past year examination papers for SPM and STAM only;

- Increase in sales of workbooks for primary and secondary levels of education due to increased demand from schools, as well as revision guides for secondary levels of education. As a result of our earlier publication of revision guides in FYE 31 August 2011, these products were available for sale in the market for a longer period before the start of the academic year compared to the previous financial year, which consequently resulted in higher sales; and
- Commencement of our online publishing operations undertaken by our subsidiary, Sasbadi Online.

For FYE 31 August 2011, Sasbadi, which is mainly involved in publishing of printed educational materials and distribution of applied learning products, was our largest revenue contributor at 98.9% (*before consolidation adjustment*) of our total revenue. The revenue contribution from our other subsidiaries, Orbit Buku and Sasbadi Online were minimal at 0.2% and 1.0% (*before consolidation adjustment*) respectively for FYE 31 August 2011 during their first year of operations.

For FYE 31 August 2011, our largest revenue segment was educational publishing, which contributed 88.3% of our total revenue. Within educational publishing, print publishing accounted for 87.2% of our total revenue whilst online publishing only contributed 1.0% of our total revenue for the FYE 31 August 2011. Print publishing largely consists of National School Curriculum based educational materials for secondary and primary levels of education, which accounted for 87.1% of our total revenue with a relatively smaller proportion of 0.1% derived from supplementary educational materials. For the FYE 31 August 2011, growth in our revenue was mainly contributed by National School Curriculum based educational materials for secondary schools, which grew from RM26.4 million in FYE 31 August 2010 to RM37.3 million in FYE 31 August 2011, representing a growth of RM10.9 million or 41.3%.

Distribution of applied learning products and other activities accounted for 3.8% and 7.9% of our total revenue for the FYE 31 August 2011 respectively. Distribution of applied learning products recorded a minor drop in revenue of 0.7% or approximately RM17,000 whilst our other activities decreased by 13.0% from RM5.4 million to RM4.7 million. The decrease in revenue from other activities was largely due to a decrease in the distribution of third party publications.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

FYE 31 August 2012 compared to FYE 31 August 2011

For the FYE 31 August 2012, our total revenue grew by 8.0% or RM4.8 million, from RM60.0 million in FYE 31 August 2011 to RM64.8 million in FYE 31 August 2012. This was mainly due to the following reasons:

- Increase in demand for National School Curriculum based educational materials, which was mainly contributed by past year examination papers of UPSR, PMR and SPM as a result of faster to market, which is making the availability of our books earlier to our customers in FYE 31 August 2012 as compared to FYE 31 August 2011, and better awareness of these publications. However, the increase in demand for these past year examination papers was largely offset by decrease in demand for textbooks, assessment books and revision guides for secondary levels of education as well as assessment books for primary levels of education;
- Increase in sales of our supplementary educational materials as a result of an increase in the range of our publications from 135 titles in FYE 31 August 2011 to 197 titles in FYE 31 August 2012 coupled with improved marketing efforts and activities during book fairs where we participated in nine (9) book fairs in FYE 31 August 2012 as compared to six (6) book fairs in FYE 31 August 2011. This was supported by our increase in expenditure on exhibitions and book fairs;
- Growth in sales of our online educational products with the launch of two (2) new products, namely i-Teach and i-Learn; and
- Increase in demand for applied learning products particularly LEGO Education robotics. Sales were boosted by the run-up to the World Robot Olympiad 2012, which was hosted in Kuala Lumpur in November 2012. There were three (3) categories of competition in World Robot Olympiad 2012, i.e. Regular, Open and Gen II Football. LEGO Education products were exclusively used in all the categories of competition except for the Open category, where other materials could also be incorporated into the students' projects.

For the FYE 31 August 2012, Sasbadi continued to contribute the largest proportion of our total revenue at 96.7% (*before consolidation adjustment*). However, revenue contribution from Sasbadi declined by 2.2 percentage points (*before consolidation adjustment*) for FYE 31 August 2012 as compared to the previous financial year. In terms of value, Sasbadi continued to register a revenue growth of RM3.4 million or 5.7% (*before consolidation adjustment*) as compared to the previous financial year. The drop in Sasbadi's revenue contribution was largely due to increases in revenue contribution from Orbit Buku and Sasbadi Online, each contributing 1.8% to our total revenue (*before consolidation adjustment*) for the FYE 31 August 2012. These represented a revenue growth of 992.6% for Orbit Buku and 89.6% (*before consolidation adjustment*) for Sasbadi Online.

For FYE 31 August 2012, our main revenue contribution segment continues to be educational publishing, which contributed 86.1% of our total revenue. Within educational publishing, print publishing continues to be the dominant segment constituting 84.3% of our total revenue. Nevertheless, revenue contribution from online publishing improved from 1.0% in FYE 31 August 2011 to 1.8% in FYE 31 August 2012. Within print publishing, National School Curriculum based educational materials for secondary and primary levels of education remained as our main source of revenue with a contribution of 81.8% for the FYE 31 August 2012. In addition, revenue contribution of supplementary educational materials increased from 0.1% in FYE 31 August 2011 to 2.5% in FYE 31 August 2012. This is the result of the increase in the range of our publications. For the FYE 31 August 2012, all major segments within educational publishing registered growth.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Distribution of applied learning products and other activities accounted for 7.3% and 6.6% of our total revenue for the FYE 31 August 2012 respectively. Distribution of applied learning products recorded a significant growth of 105.5% compared to FYE 31 August 2011. The growth was boosted by the then upcoming World Robot Olympiad 2012, which was hosted in Kuala Lumpur. Other activities continued to decline by 8.5% from RM4.7 million in FYE 31 August 2011 to RM4.3 million in FYE 31 August 2012. This was mainly due to a decrease in the sales of third party publications.

FYE 31 August 2013 compared to FYE 31 August 2012

For the FYE 31 August 2013, our total revenue grew by 20.4% or RM13.2 million, from RM64.8 million in FYE 31 August 2012 to RM78.0 million in FYE 31 August 2013. This was mainly due to the following reasons:

- Increase in sales of our new range of workbooks for primary and secondary levels of education. The higher sales generated was mainly due to the popularity of our new A4 size format. In addition, higher sales of our workbooks for primary levels of education were attributed to the longer lead time available for us to undertake our promotional and marketing efforts on these products before the start of the academic year;
- Increase in demand for model test papers for SPM as this range of products were published and made available to the market for a longer period in FYE 31 August 2013 as compared to FYE 31 August 2012;
- Increase in revenue from textbooks for secondary levels of education as a result of securing more tenders and obtaining more purchase orders on textbooks from the Ministry of Education; and
- Growth in sales of our online educational products with the launch of a new product, namely iPBS as well as higher sales from i-Learn as a result of securing an MOU with YGMB to supply and implement i-Learn under i-TRIM (Interaktif Tuisyen Rakyat 1Malaysia). For the FYE 31 August 2013, we generated revenue of RM975,000 from the said MOU with YGMB which was valid until end of 2013.

For the FYE 31 August 2013, Sasbadi continued to contribute the largest proportion of our total revenue at 92.1% (*before consolidation adjustment*). However, revenue contribution from Sasbadi declined by 4.6 percentage points (*before consolidation adjustment*) for FYE 31 August 2013 as compared to the previous financial year. In terms of value, Sasbadi continued to register a revenue growth of RM9.1 million or 14.5% (*before consolidation adjustment*) as compared to the previous financial year. The drop in Sasbadi's revenue contribution as a proportion of total revenue was largely due to relatively higher increases in revenue contribution from Sasbadi Online, which contributed 7.4% to our total revenue (*before consolidation adjustment*) for the FYE 31 August 2013. This represented a revenue growth of 397.3% (*before consolidation adjustment*) for Sasbadi Online. For the FYE 31 August 2013, revenue contribution from Orbit Buku was minimal at 0.6% (*before consolidation adjustment*).

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

For FYE 31 August 2013, our main revenue contribution segment continues to be educational publishing, which contributed 90.0% of our total revenue. Within educational publishing, print publishing continues to be the dominant segment constituting 82.6% of our total revenue. Nevertheless, revenue contribution from online publishing improved significantly from 1.8% in FYE 31 August 2012 to 7.4% in FYE 31 August 2013. Within print publishing, National School Curriculum based educational materials for secondary and primary levels of education remained as our main source of revenue with a contribution of 81.5% for the FYE 31 August 2013. Revenue contribution from supplementary educational materials declined from 2.5% in FYE 31 August 2012 to 1.0% in FYE 31 August 2013. This was mainly due to the reduced sales of a range of these products to dealers as part of our process in adopting a different distribution strategy where we intend to increase our focus on selling directly to retail bookstores in FYE 31 August 2014.

Distribution of applied learning products and other activities accounted for 5.4% and 4.6% of our total revenue for the FYE 31 August 2013 respectively. Revenue from distribution of applied learning products declined by 10.6%. This was because of the significant sales increase in the previous financial year during the run-up to the World Robot Olympiad 2012 held in Kuala Lumpur in November 2012. Nevertheless, sales from distribution of applied learning products for the FYE 31 August 2013 at RM4.2 million were still considerably higher than FYE 31 August 2011 at RM2.3 million. Revenue from other activities continued to decline by 16.3% from RM4.3 million in FYE 31 August 2012 to RM3.6 million in FYE 31 August 2013. This was mainly due to a decrease in the sales of third party publications.

FPE 28 February 2014 compared to FPE 28 February 2013

For the FPE 28 February 2014, our total revenue declined by 12.0% or RM6.0 million, from RM50.0 million in FPE 28 February 2013 to RM44.0 million in FPE 28 February 2014. This was mainly due to the following reasons:

- Loss in revenue from past year examination papers for UPSR, PMR and SPM as a result of the expiration of the licence from YGMB for reprinting, distribution, marketing and sales of past year examination papers. Past year examination papers contributed RM7.4 million for the FPE 28 February 2013;
- Decrease in revenue as well as returns for PMR educational materials namely revision guides, assessment books and model test papers as a result of the abolishment of the PMR examinations in 2014, resulting in negative revenue;
- Decrease in sales of secondary textbooks due to non-availability of new secondary school textbook tenders from the Ministry of Education during FPE 28 February 2014; and
- Decrease in sales and high sales returns for our iPBS online educational products due to uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy. In February 2014, the school based assessment was suspended by the Ministry of Education and the modified version of PBS was implemented in April 2014. Subsequently in April 2014, we have launched new products, namely iPBS (PPPM)/iPS (DSKP) based on the modified version of PBS.

Nevertheless, the decrease in revenue in FPE 28 February 2014 due to the above factors was partially compensated by the distribution and sales of Pearson titles comprising post-secondary, secondary and primary educational materials, as well as increase in sales of supplementary educational materials, namely logbooks to facilitate the teaching and learning process.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

For the FPE 28 February 2014, Sasbadi continued to contribute the largest proportion of our total revenue at 90.9% (*before consolidation adjustment*). However, revenue contribution from Sasbadi declined by 4.0 percentage points (*before consolidation adjustment*) for FPE 28 February 2014 as compared to the previous corresponding financial period, due to revenue recognition from Malaysian Book Promotions. Malaysian Book Promotions began to recognise revenue when it started the distribution of the acquired stocks of National School Curriculum based educational materials from Pearson Malaysia in September 2013. Malaysian Book Promotions contributed 9.6% to our total revenue (*before consolidation adjustment*) for the FPE 28 February 2014.

For the FPE 28 February 2014, revenue contribution from Orbit Buku and Sasbadi Online were 1.9% and 0.2% respectively (*before consolidation adjustment*). The revenue contribution from Sasbadi Online declined by 4.6 percentage points (*before consolidation adjustment*) for FPE 28 February 2014 as compared to the previous corresponding financial period mainly due to the decrease in sales and high sales returns of iPBS as mentioned above.

For FPE 28 February 2014, our main revenue contribution segment continues to be educational publishing, which contributed 93.1% of our total revenue. Within educational publishing, print publishing continues to be the dominant segment constituting 92.9% of our total revenue. Revenue contribution from online publishing dropped significantly from 4.8% in FPE 28 February 2013 to 0.2% in FPE 28 February 2014 due to the decrease in sales and high sales returns for our iPBS online educational products as mentioned above. Within print publishing, National School Curriculum based educational materials remained as our main source of revenue with a contribution of 87.7% for the FPE 28 February 2014. Revenue contribution from supplementary educational materials grew from 0.4% in FPE 28 February 2013 to 5.2% in FPE 28 February 2014. This was mainly due to the increase in sales of our logbooks to facilitate the teaching and learning process during FPE 28 February 2014.

Distribution of applied learning products and other activities accounted for 4.5% and 2.5% of our total revenue for the FPE 28 February 2014 respectively. Revenue from distribution of applied learning products grew by 44.5%. This was mainly due to an increase in sales of our robotics range of products. Revenue from other activities increased by 22.2% from RM0.9 million in FPE 28 February 2013 to RM1.1 million in FPE 28 February 2014. This was mainly due to an increase in revenue from trading of paper.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(iii) Revenue by Geographical Markets

The breakdown of our Group's revenue by geographical markets is as follows:

Revenue	Audited				Unaudited			
	2010 RM'000	2011 RM'000	FYE 31 August 2012 RM'000	2013 RM'000	2013 RM'000	FPE 28 February 2014 RM'000	2014 RM'000	%
Local market	46,891	59,903	64,723	77,561	49,582	44,033	100.1	
Overseas markets	121	58	98	404 [^]	404 [^]	(42) [^]	(0.1)	
Brunei	-	9	61	86	86	(52)	(0.1)	
Denmark	-	-	-	66	66	-	-	
Indonesia	106	22	-	56	56	9	#	
Singapore	13	27	22	26	26	2	#	
Philippines	-	-	15	8	8	-	-	
United States	2	-	-	3	3	-	-	
Others ⁽¹⁾	-	-	-	160	160	-	-	
Total	47,012	100.0	64,821	77,964[^]	49,986	43,992[^]	100.0	100.0

Notes:

[^] Total does not add-up due to rounding.

Insignificant proportion.

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

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

FYE 31 August 2011 compared to FYE 31 August 2010

Malaysia accounted for 99.9% of our total revenue for FYE 31 August 2011 with a small 0.1% of our revenue derived from overseas namely Singapore, Indonesia and Brunei. During FYE 31 August 2011, revenue from Malaysia recorded a growth of 27.7% while revenue from overseas markets recorded a decline of 52.1%. Despite the sharp decline, the impact from overseas markets was minimal as it represented a very small proportion of our overall revenue.

FYE 31 August 2012 compared to FYE 31 August 2011

Malaysia accounted for 99.8% of our total revenue for FYE 31 August 2012. During FYE 31 August 2012, revenue from the local market recorded a growth of 8.0% while revenue from overseas markets recorded a growth of 69.0%. Despite the sharp increase in overseas sales, the growth impact from overseas markets was minimal as it represented a very small proportion of our overall revenue.

FYE 31 August 2013 compared to FYE 31 August 2012

Malaysia accounted for 99.5% of our total revenue for FYE 31 August 2013. During FYE 31 August 2013, revenue from Malaysia recorded a growth of 19.8% while revenue from overseas markets recorded a significant growth of 312.2%. This was largely contributed by registration fees collected from various participating countries in the World Robotic Olympiad held in November 2012.

FPE 28 February 2014 compared to FPE 28 February 2013

Malaysia continued to be our principal market for FPE 28 February 2014. During FPE 28 February 2014, revenue from the local market recorded a decline of 11.2% compared to the FPE 28 February 2013 while overseas markets recorded minimal negative revenue as a result of the sales returns from the Brunei market.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.2 Segmental analysis of gross profit

(i) Gross profit by Companies

The breakdown of our Group's gross profit and gross profit margin by companies is as follows:

	Audited				Unaudited			
	FYE 31 August		FPE 28 February		2013		2014	
Gross Profit	2010	2011	2012	2013	2013	2014	2014	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Sasbadi	18,552	24,499	25,610	27,387	20,264	18,298	18,298	84.5
Maya Press	-	-	-	-	-	-	-	-
Orbit Buku	-	22	643	271	101	550	550	2.5
Sasbadi Online	n.a.	309	652	3,532	1,433	(116)	(116)	(0.5)
Malaysian Book Promotions	-	-	-	-	-	2,302	2,302	10.6
Sasbadi Holdings	n.a.	n.a.	n.a.	-	-	-	-	-
MBP Publications	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sasbadi Learning Solutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Less: Consolidation adjustment	-	(12)	-	942	435	615	615	2.8
Total	18,552	24,818	26,905	32,133[^]	22,233	21,649	21,649	100.0[^]
	%	%	%	%	%	%	%	%
	100.0	100.0	100.0	97.1 [^]	91.1	98.0	98.0	97.2 [^]
	-	#	-	-	-	2.0	2.0	2.8

Notes:

n.a.

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^

Not applicable
Insignificant proportion.

Total does not add-up due to rounding.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Gross Profit Margin	Audited			Unaudited	
	< 2010 %	< 2011 %	< 2012 %	< 2013 %	< 2014 %
Sasbadi	39.5	41.3	40.8	42.7	45.8
Maya Press	-	-	-	-	-
Orbit Buku	-	20.4	54.5	56.4	67.4
Sasbadi Online	n.a.	50.3	56.0	60.3	(119.6)
Malaysian Book Promotions	-	-	-	-	54.4
Sasbadi Holdings	n.a.	n.a.	n.a.	-	-
MBP Publications	n.a.	n.a.	n.a.	n.a.	n.a.
Sasbadi Learning Solutions	n.a.	n.a.	n.a.	n.a.	n.a.
Total	39.5	41.4	41.5	44.5	49.2

Note:

n.a. Not applicable

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(ii) Gross profit by Business Activities

The tables below set forth the breakdown of our Group's gross profit and gross profit margin by activities is as follows:

	Audited				Unaudited	
	2010	2011	2012	2013	2013	Audited
Gross profit	RM'000	RM'000	RM'000	RM'000	RM'000	2014
	%	%	%	%	%	%
Educational Publishing						
Print Publishing						
National School Curriculum based educational materials	16,875	23,122	23,141	26,392	19,893 [^]	19,479
	91.0 [^]	93.2	86.0	82.1	89.5	90.0 [^]
- Secondary education	11,563 [^]	16,724	16,236	17,477	12,383	9,098
	62.3	67.4	60.3 [^]	54.4	55.7	42.0
- Non-PMR educational materials ⁽³⁾	7,558	10,517	8,962	12,718	9,498	9,178
	40.7	42.4	33.3	39.6	42.7	42.4
PMR educational materials ⁽⁴⁾	2,474	2,556	2,335	1,810	926	(80)
	13.3	10.3	8.7	5.6	4.2	(0.4)
Past year examination papers	1,532	3,651	4,939	2,949	1,959	-
	8.3	14.7	18.4	9.2	8.8	-
- Primary education ⁽¹⁾	5,312	6,398 [^]	6,905	8,915 [^]	7,511	8,145
	28.6	25.8	25.7	27.7 [^]	33.8	37.6
Educational materials ⁽³⁾	5,312	5,554	5,612	8,020	6,764	8,145
	28.6	22.4	20.9	25.0	30.4	37.6
Past year examination papers	-	845	1,293	896	747	-
	-	3.4	4.8	2.8	3.4	-
- Pearson titles	n.a.	n.a.	n.a.	n.a.	n.a.	2,236
	n.a.	n.a.	n.a.	n.a.	n.a.	10.3 [^]
Post-secondary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	860
	n.a.	n.a.	n.a.	n.a.	n.a.	4.0
Secondary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	1,333
	n.a.	n.a.	n.a.	n.a.	n.a.	6.2
Primary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	43
	n.a.	n.a.	n.a.	n.a.	n.a.	0.2
Supplementary educational materials	10	24	840	399	120	1,090
	0.1	0.1	3.1	1.2	0.5	5.0
	16,885	23,146	23,981	26,792 [^]	20,013	20,569
	91.0 [^]	93.3	89.1	83.4 [^]	90.0	95.0
Online Publishing						
	n.a.	298	676	3,536	1,436	(114)
	n.a.	1.2	2.5	11.0	6.5	(0.5)
	16,885	23,444	24,657	30,328	21,449	20,455
	91.0	94.5	91.6	94.4	96.5	94.5
Distribution of Applied Learning Products						
	965	993	2,024	1,649	677	990
	5.2	4.0	7.5	5.1	3.0	4.6
Others⁽²⁾	702	381	224	156	106	204
	3.8	1.5	0.8	0.5	0.5	0.9
Total	18,552	24,818	26,905	32,133	22,233 [^]	21,649
	100.0	100.0	100.0 [^]	100.0	100.0	100.0

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Notes:

^ Total does not add-up due to rounding.

n.a. Not applicable.

(1) Include a small proportion of pre-school educational materials.

(2) Include mainly the supply of electronic dictionaries, publishing of general title books as well as distribution of third party publications and trading of paper.

(3) Include amongst others textbooks, revision guides, workbooks, assessment books and model test papers.

(4) Include revision guides, assessment books and model test papers.

	<u>← Audited →</u>		<u>← Audited →</u>		<u>← Unaudited →</u>	
	2010 %	FYE 31 August 2011 %	2012 %	2013 %	2013 %	Audited 2014 %
Gross Profit Margin						
Educational Publishing						
Print Publishing						
National School Curriculum based educational materials	43.0	44.2	43.6	41.5	44.1	50.5
- Secondary education	43.9	44.8	43.5	41.0	43.6	47.6
Non-PMR educational materials ⁽³⁾	44.5	46.0	45.7	46.1	46.1	47.7
PMR educational materials ⁽⁴⁾	43.3	44.0	42.4	40.8	38.0	n.c.
Past year examination papers	42.1	42.3	40.4	27.8	36.7	-
- Primary education ⁽¹⁾	41.2	42.8	44.1	42.6	44.8	50.0
Educational materials ⁽³⁾	41.2	42.9	44.6	45.3	46.0	50.0
Past year examination papers	-	42.3	42.0	27.8	36.7	-
- Pearson titles	n.a.	n.a.	n.a.	n.a.	n.a.	69.4
Post-secondary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	76.1
Secondary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	65.6
Primary educational materials	n.a.	n.a.	n.a.	n.a.	n.a.	71.7
Supplementary educational materials	40.0	40.7	51.9	49.0	54.3	48.0
Online Publishing	43.0	44.2	43.9	41.6	44.1	50.3
Distribution of Applied Learning Products	n.a.	48.4	57.7	61.4	60.5	(137.3)
Others ⁽²⁾	43.0	44.3	44.2	43.2	44.9	49.9
Total	41.8	43.3	42.9	39.2	50.0	50.6
	12.9	8.0	5.2	4.3	11.7	18.9
	39.5	41.4	41.5	41.2	44.5	49.2

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Notes:

n.a. Not applicable.

n.c. Not computable.

(1) Include a small proportion of pre-school educational materials.

(2) Include mainly the supply of electronic dictionaries, publishing of general title books as well as distribution of third party publications and trading of paper.

(3) Include amongst others textbooks, revision guides, workbooks, assessment books and model test papers.

(4) Include revision guides, assessment books and model test papers.

FYE 31 August 2011 compared to FYE 31 August 2010

Our Group's gross profit improved by 33.3% or approximately RM6.2 million, from RM18.6 million for FYE 31 August 2010 to RM24.8 million for FYE 31 August 2011. The growth in our gross profit was mainly attributed to the following reasons:

- Gross profit of our educational publishing registered a growth of 38.8% or RM6.6 million for the FYE 31 August 2011. Of this, secondary education materials segment was the largest contributor to our gross profit growth amounting to RM5.2 million. The RM5.2 million was mainly attributed to secondary past year examination papers and textbooks;
- Gross profit of primary education materials recorded growth of 20.4% or RM1.1 million for FYE 31 August 2011. The growth was mainly derived from primary past year examination papers and workbooks; and
- As for online publishing, we achieved a gross profit of RM0.3 million during our first year of commercialisation of online publishing products.

However, our gross profit from other activities decreased by RM0.3 million which was primarily due to the drop in gross profit from distribution of third party publications. This was in tandem with the decline in sales of third party publications during the financial year under review.

Our gross profit margin also increased from 39.5% in FYE 31 August 2010 to 41.4% in FYE 31 August 2011. This was mainly due to:

- Improvement in gross profit margin from our educational publishing, which was mainly attributed to lower paper price that we secured and higher selling prices for some of our National School Curriculum based educational materials; and
- Commencement of our online publishing, which also contributed to the growth in our gross profit margin. The gross profit margin from our online publishing operations at 48.4% for the FYE 31 August 2011 was higher compared to our overall gross profit margin of 41.4% for the FYE 31 August 2011. Despite the higher gross profit margin, its contribution to our gross profit was RM0.3 million from a revenue of RM0.6 million.

FYE 31 August 2012 compared to FYE 31 August 2011

Our Group's gross profit registered a growth of 8.5% or approximately RM2.1 million, from RM24.8 million in FYE 31 August 2011 to RM26.9 million in FYE 31 August 2012. This was in line with the increase in our revenue which recorded a similar growth of 8.0% compared to FYE 31 August 2011. The growth in our gross profit was mainly attributed to the following reasons:

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

- Increase in our gross profit from educational publishing representing a growth of 5.2% for the FYE 31 August 2012. Within educational publishing, our supplementary educational materials was the main contributor to the growth. It grew by 3,400.0% from approximately RM24,000 for the FYE 31 August 2011 to RM0.8 million for the FYE 31 August 2012. This was mainly due to the increase in sales of existing and new products;
- Gross profit from our distribution of applied learning products increased from RM1.0 million for the FYE 31 August 2011 to RM2.0 million for the FYE 31 August 2012. The growth was in tandem with our increase in sales from this segment particularly LEGO Education robotics; and
- Gross profit from our online educational products increased from RM0.3 million for the FYE 31 August 2011 to RM0.7 million for the FYE 31 August 2012. This was mainly attributed to the improvement in sales from new launch of two (2) products, namely i-Teach and i-Learn.

Gross profit from our National School Curriculum based educational materials for secondary levels of education recorded a drop of 2.9% for the FYE 31 August 2012. The decline was mainly due to lower gross profit from secondary school textbooks, assessment books and revision guides for PMR and SPM. However, the drop of 2.9% was offset by the improvement in primary educational materials, which recorded a growth of 7.9%.

For the FYE 31 August 2012, our gross profit margin of 41.5% was similar to our gross profit margin of FYE 31 August 2011 at 41.4%. Nevertheless, gross profit margin of supplementary educational materials and online publishing registered noticeable growth as follows:

- Gross profit margin of supplementary educational materials increased from 40.7% for the FYE 31 August 2011 to 51.9% for the FYE 31 August 2012. This was mainly due to a higher number of our new range of products were given out as samples for promotional and marketing purposes during FYE 31 August 2011; and
- Gross profit margin of our online publishing increased from 48.4% for the FYE 31 August 2011 to 57.7% in FYE 31 August 2012. This was largely due to additional discount given by our technology partner in October 2011 as a result of a lower than anticipated sales for the first batch of our newly launched products as well as the sales of higher margin online educational resources.

However, the gross profit margin growth in the supplementary educational materials and online publishing segments was mainly offset by lower gross profit margin in the following:

- Decrease in gross profit margin from National School Curriculum based educational materials for secondary levels of education. This was mainly due to decrease in gross profit margin of revision guides for PMR and past year examination paper for SPM; and
- Decrease in gross profit margin from other activities. This was mainly due to increase in sales of lower margin activities such as trading of paper and decrease in sales of higher margin activities such as distribution of third party publications.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

FYE 31 August 2013 compared to FYE 31 August 2012

Our Group's gross profit registered a growth of 19.3% or approximately RM5.2 million, from RM26.9 million in FYE 31 August 2012 to RM32.1 million in FYE 31 August 2013. The growth in our gross profit was mainly attributed to the following reasons:

- Increase in our gross profit from educational publishing representing a growth of 23.0% for the FYE 31 August 2013. This was mainly due to increase in sales of workbooks for primary and secondary levels of education as well as model test papers for SPM and textbooks for secondary levels of education. In addition, gross profit increase in educational publishing was also due to increase in sales of our new online educational product, iPBS.

Gross profit from supplementary educational materials, distribution of applied learning products and others declined by approximately RM441,000, RM375,000 and RM68,000 respectively. The decline was mainly due to overall decrease in sales of these segments as well as lower gross profit margins recorded for these segments as explained below.

Our gross profit margin registered a slight decrease by 0.3 percentage point from 41.5% in FYE 31 August 2012 to 41.2% in FYE 31 August 2013. The decrease in gross profit margin was mainly from:

- National School Curriculum based educational materials: This was largely the result of a write down of RM1.2 million of inventory for our past year examination papers for 2010, 2011 and 2012. In addition, our direct labour costs also increased as a result of increased activities to meet peak season requirements. We also made a provision for returns against sales of RM1.5 million for our National School Curriculum based educational materials (with a gross profit impact of approximately RM0.8 million). Nevertheless, the decrease in gross profit margin of National School Curriculum based educational materials was partially offset by the higher selling prices for our workbooks for primary and secondary levels of education;
- Supplementary educational materials, some of which were used as promotional items for marketing purposes;
- Distribution of applied learning products, which was mainly due to higher costs incurred from the organisation of World Robot Olympiad 2012; and
- Others, which were mainly due to a decrease in sales of higher margin products namely third party publications.

However, the decrease in gross profit margin of the above segments was partially offset by the increase in the gross profit margin of our online educational resources, which recorded a gross profit margin of 61.4% in FYE 31 August 2013 as compared to 57.7% in FYE 31 August 2012. This was the result of the launch of our new online educational product, iPBS, which commands a higher gross profit margin as compared to our other online educational resources. Nevertheless, the increased profit margin from iPBS was also partially offset by the lower margin recorded for i-Learn due to bulk discount provided for the supply and implementation of i-Learn under the i-TRIM project as well as provision for returns against sales of approximately RM0.5 million (with a gross profit impact of approximately RM0.3 million).

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

FPE 28 February 2014 compared to FPE 28 February 2013

Our Group's gross profit registered a decline of 2.7% or approximately RM0.6 million from RM22.2 million in FPE 28 February 2013 to RM21.6 million in FPE 28 February 2014. The decrease in our gross profit was mainly attributed to the following reasons:

- Gross profit from our print National School Curriculum based educational materials decreased from RM19.9 million for the FPE 28 February 2013 to RM19.5 million for the FPE 28 February 2014. This was due to a decrease in sales for secondary education materials mainly PMR educational materials such as revision guides, assessment books, model test papers and textbooks from non-PMR educational materials, as well as past year examination papers for UPSR, PMR and SPM; and
- Decrease in gross profit from our online publishing segment mainly due to uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy. In February 2014, the school based assessment was suspended by the Ministry of Education and the modified version of PBS was implemented in April 2014. Subsequently in April 2014, we have launched new products, namely iPBS (PPPM)/iPS (DSKP) based on the modified version of PBS.

Nevertheless, the decrease in our gross profit is partially offset by the following:

- Gross profit of approximately RM2.2 million in FPE 28 February 2014 derived from the Pearson titles as a result of the acquisition of the publishing rights, production files and stocks of educational materials from Pearson Malaysia. Please refer to Section 5.1 of this Prospectus for further details on the acquisition of the publishing rights and production files from Pearson Malaysia; and
- Increase in gross profit derived from our supplementary educational materials and distribution of applied learning products, which increased by approximately RM1.0 million and RM0.3 million for the FPE 28 February 2014 respectively compared to FPE 28 February 2013.

Our gross profit margin improved from 44.5% for the FPE 28 February 2013 to 49.2% for the FPE 28 February 2014. The improvement in our gross profit margin was mainly attributed to the following:

- National School Curriculum based educational materials: This was largely due a decline in sales of the lower margin products namely past year examination papers for UPSR, PMR and SPM. During FPE 28 February 2014, the selling prices for revision guides and workbooks of primary and secondary education were higher compared to FPE 28 February 2013. In addition, our range of readers for primary levels of education also recorded higher gross profit margin. This was mainly due to higher average selling price as well as lower per unit cost of printing and transportation as we printed and sold higher volumes of our new range of readers to our customers;
- Among our print publishing segment, educational materials of Pearson titles recorded a relatively high gross profit margin of 69.4% for the FPE 28 February 2014. Of this, gross profit margin of Pearson titles for post-secondary, secondary and primary education was 76.1%, 65.6% and 71.7% respectively. The sales of the Pearson titles commenced in September 2013; and
- Gross profit margin from our distribution of applied learning products improved marginally from 50.0% for the FPE 28 February 2013 to 50.6% for the FPE 28 February 2014.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

The increase in our gross profit margin is partly offset by the decrease in gross profit margin from our online publishing, where gross profit margin of the said products declined from 60.5% for the FPE 28 February 2013 to gross loss margin of 137.3%. This was mainly due to the decrease in sales and high sales returns for our iPBS online educational products due to uncertainty in the market in relation to the implementation of School-Based Assessment (PBS) policy during the financial period under review.

Within print publishing, gross profit margin of our supplementary educational materials also decreased from 54.3% for FPE 28 February 2013 to 48.0% for FPE 28 February 2014. This was mainly attributed to higher sales of logbooks to facilitate teaching and learning process, which has a lower gross profit margin compared to other supplementary educational materials.

(iii) Gross Profit by Geographical Markets

It is not possible to undertake an analysis of gross profit by geographical markets because our expenses such as cost of sales including salaries and wages, material and royalty costs, cannot be meaningfully apportioned according to geographical markets.

12.2.3 Analysis of Operating Expenses

Operating expenses	-----Audited----->							
	<-----FYE 31 August----->							
	2010		2011		2012		2013	
RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Administrative	5,922	55.6	6,857	55.2	7,311	56.9	9,365	60.9
Distribution	4,492	42.2	5,216	42.0	5,245	40.8	5,535	36.0
Others	243	2.3	341	2.7	296	2.3	476	3.1
Total	10,657	100.0[^]	12,414	100.0[^]	12,852	100.0	15,376	100.0

Operating expenses	Unaudited		Audited	
	<-----FPE 28 February----->			
	2013		2014	
RM'000	%	RM'000	%	
Administrative	4,632	61.2	5,176	48.4
Distribution	2,753	36.4	3,294	30.8
Others	181	2.4	2,222	20.8
Total	7,566	100.0	10,692	100.0

Note:

[^] Total does not add-up due to rounding.

Administrative expenses mainly consist of salaries and wages and other staff related costs, depreciation, director fees, remuneration and bonuses, utilities, insurance, staff accommodation, printing and stationery, upkeep of office and office equipment, warehouse maintenance, communication expenses, postage, security charges, company event and listing expenses.

Distribution costs mainly consist of salaries and wages and other staff related costs, travelling expenses, robotics competition and workshop expenses, upkeep of motor vehicles, expenses on exhibitions, roadshows, book fairs and launching of online educational resources, advertisements, road tax and insurance, sales incentives and business canvassing charges.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Other operating expenses mainly consist of allowance for doubtful debts, audit fees, realised losses on foreign exchange, quit rent and assessment charges, donations, travelling expenses, professional and management fees, impairment of goodwill and loss on property, plant and equipment, stamping, subscription, incorporation and filing fees, sundry expenses, bank charges, meeting expenses, underprovision of sales returns, impairment of intangible assets and various other operating expenses.

Our operating expenses as a proportion of revenue decreased marginally on a period-to-period basis amounting to 22.7%, 20.7%, 19.8% and 19.7% for FYE 31 August 2010, 2011, 2012 and 2013. However, it increased to 24.3% as a proportion of our revenue in FPE 28 February 2014.

FYE 31 August 2011 compared to FYE 31 August 2010

Our operating expenses which consist of administrative expenses, distribution costs, and other operating expenses increased by 15.9% or approximately RM1.7 million from RM10.7 million in FYE 31 August 2010 to RM12.4 million in FYE 31 August 2011. This was mainly due to increase in salary and wages and other staff related costs as a result of salary increments and increase in number of staff, depreciation due to new additions of motor vehicles, road tax and insurance as a result of new additions of motor vehicles as well as directors' bonuses.

FYE 31 August 2012 compared to FYE 31 August 2011

Our operating expenses which consist of administrative expenses, distribution costs and other operating expenses increased by 4.0% or approximately RM0.5 million, from RM12.4 million in FYE 31 August 2011 to RM12.9 million in FYE 31 August 2012. This was mainly due to increase in salary and wages and other staff related costs as a result of salary increments and increase in number of staff, depreciation due to new additions of motor vehicles, book fair expenses due to marketing and promotion of new products published by Sasbadi Online and Orbit Buku during their first year of operations. However, the increase in these operating expenses was partially offset by the decrease in some other operating expenses, mainly travelling expenses which recorded a decline of approximately RM0.2 million.

FYE 31 August 2013 compared to FYE 31 August 2012

Our operating expenses which consist of administrative expenses, distribution costs and other operating expenses increased by 19.4% or approximately RM2.5 million, from RM12.9 million in FYE 31 August 2012 to RM15.4 million in FYE 31 August 2013. This was mainly due to the increase in salary and wages as well as other staff related costs as a result of salary increments and increase in the number of staff, director fees, depreciation due to new additions of motor vehicles, upkeep of office due to repair and maintenance, tinting works as well as installation of new signage, company event organised for business associates and staff members, upkeep of motor vehicles, listing expenses and allowance for doubtful debts. Allowance of doubtful debts increased from approximately RM2,000 to approximately RM108,000.

FPE 28 February 2014 compared to FPE 28 February 2013

Our operating expenses which consist of administrative expenses, distribution costs and other operating expenses increased by 40.8% or approximately RM3.1 million, from RM7.6 million in FPE 28 February 2013 to RM10.7 million in FPE 28 February 2014. This was mainly due to underprovision of sales returns, increase in directors' remuneration, increase in salary for distribution staff, impairment of intangible assets as well as increase in travelling expenses. Our Group recorded an underprovision of sales returns amounting to RM1.3 million in FPE 28 February 2014. There was no underprovision of sales returns recorded in FPE 28 February 2013. Directors' remuneration increased from RM0.6 million in FPE 28 February 2013 to RM1.5 million in FPE 28 February 2014. Our Group recognised RM0.3 million as impairment of intangible assets in FPE 28 February 2014 as a result of the acquisition of the publishing rights and production files from Pearson Malaysia in 2013.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.4 Other Operating Income

Other operating income	Audited							
	FYE 31 August							
	2010		2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	32	10.7	72	19.8	533	65.6	131	16.3
Royalty income	65	21.7	62	17.0	42	5.2	486	60.3
Management fee income	45	15.0	85	23.4	45	5.5	-	-
Sales of written-off stocks	158	52.7	144	39.6	192	23.6	185	23.0
Sponsorship income	-	-	-	-	-	-	5	0.6
Total	300	100.0[^]	364[^]	100.0[^]	812	100.0[^]	806[^]	100.0[^]

Other operating income	Unaudited		Audited	
	FPE 28 February			
	2013		2014	
	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	-	-	-	-
Royalty income	-	-	-	-
Management fee income	-	-	-	-
Sales of written-off stocks	153	100.0	94	100.0
Sponsorship income	-	-	-	-
Total	153	100.0	94	100.0

Note:

[^] Total does not add-up due to rounding.

Other operating income comprises gains on disposal of property, plant and equipment, royalty income, management fee income, sponsorship income and sales of written-off stocks as scrap. For the FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014, other operating income accounted for 0.6%, 0.6%, 1.3%, 1.0% and 0.2% of our total revenue respectively.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

FYE 31 August 2011 compared to FYE 31 August 2010

Our other operating income increased from RM0.3 million in FYE 31 August 2010 to RM0.4 million in FYE 31 August 2011. This was mainly due to higher gains on disposal of property, plant and equipment and increase in management fee income compared to FYE 31 August 2010. Management fee income is mainly derived from the consultation in relation to publishing advisory to The Malaya Press Sdn Bhd.

FYE 31 August 2012 compared to FYE 31 August 2011

In FYE 31 August 2012, our Group recorded a higher level of other operating income of RM0.8 million as compared with RM0.4 million in FYE 31 August 2011. This was mainly due to higher gains on disposal of property, plant and equipment, i.e. motor vehicles, and sales of written-off stocks as scrap.

FYE 31 August 2013 compared to FYE 31 August 2012

In FYE 31 August 2013, other operating income recorded a slight decline of RM6,000 from RM812,000 in FYE 31 August 2012 to RM806,000 in FYE 31 August 2013. This was mainly due to lower gains on disposal of property, plant and equipment, i.e. motor vehicles, partly offset by the increase in royalty income.

FPE 28 February 2014 compared to FPE 28 February 2013

In FPE 28 February 2014, other operating income recorded a decline of approximately RM59,000 from RM153,000 in FPE 31 February 2013 to RM94,000 in FPE 28 February 2014. This was mainly due to lower sales of written-off stocks as scrap.

12.2.5 Finance Costs

Finance costs	<-----Audited----->							
	<-----FYE 31 August----->							
	2010		2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank charges	21	16.7	15	30.6	27	45.8	37	50.7
Finance lease interest	26	20.6	19	38.8	21	35.6	26	35.6
Bank overdraft interest	40	31.7	12	24.5	9	15.3	10	13.7
Term loan interest	39	31.0	3	6.1	1	1.7	-	-
Total	126	100.0	49	100.0	59[^]	100.0[^]	73	100.0

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Finance costs	Unaudited		Audited	
	<----- FPE 28 February----->			
	2013		2014	
	RM'000	%	RM'000	%
Bank charges	7	28.0	65	38.2
Finance lease interest	13	52.0	13	7.6
Bank overdraft interest	5	20.0	93	54.7
Term loan interest	-	-	-	-
Total	25	100.0	170[^]	100.0[^]

Note:

[^] Total does not add-up due to rounding.

Finance costs are mainly interest charged for bank facilities and accounted for 0.3%, 0.1%, 0.1%, 0.1% and 0.4% of our total revenue for FYE 31 August 2010, 2011, 2012 and 2013 as well as FPE 28 February 2014 respectively.

FYE 31 August 2011 compared to FYE 31 August 2010

In FYE 31 August 2011, our Group recorded a lower level of finance costs of approximately RM49,000 as compared to RM0.1 million for FYE 31 August 2010. This was mainly due to a lower level of credit facilities utilised during the year to fund our operations in FYE 31 August 2011. Our reduction in the utilisation of borrowings and credit facilities was supported by sufficient cash flow generated from our operations.

FYE 31 August 2012 compared to FYE 31 August 2011

In FYE 31 August 2012, our Group recorded a higher level of finance costs of approximately RM59,000 as compared with approximately RM49,000 for FYE 31 August 2011. This was mainly due to higher bank charges during the year.

FYE 31 August 2013 compared to FYE 31 August 2012

In FYE 31 August 2013, our Group recorded higher finance costs of approximately RM73,000 as compared to approximately RM59,000 for FYE 31 August 2012. This was mainly due to higher bank charges during the year.

FPE 28 February 2014 compared to FPE 28 February 2013

In FPE 28 February 2014, our Group recorded higher finance costs of approximately RM0.2 million as compared to approximately RM25,000 for FPE 28 February 2013. This was mainly due to higher bank charges and interest for our bank overdraft during the financial period under review.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.6 Income Tax Expenses

Income tax expenses	<-----Audited----->				Unaudited FPE 28 February 2013	Audited February 2014
	2010 %	FYE 31 August 2011 %	2012 %	2013 %		
Effective tax rate	26.4	26.8	26.9	27.8	27.5	26.6
Malaysia statutory tax rate	25.0	25.0	25.0	25.0	25.0	25.0

Income tax expenses comprise the current year's provision for taxation, under or overprovision of taxation in the previous financial year and deferred taxation.

FYE 31 August 2011 compared to FYE 31 August 2010

For FYE 31 August 2011, our Group registered an increase in income tax expense by RM1.3 million to RM3.5 million as compared to RM2.2 million in FYE 31 August 2010. The increase in income tax expense was largely due to an increase in PBT for FYE 31 August 2011. Nevertheless, our income tax expense for the FYE 31 August 2011 represented an effective tax rate of 26.8%, which was higher than the Malaysia statutory tax rate of 25.0%. This was mainly due to non-deductible expenses for tax purposes such as depreciation which were restricted for tax purposes as well as deferred tax assets not recognised.

FYE 31 August 2012 compared to FYE 31 August 2011

For FYE 31 August 2012, our Group registered an increase in income tax expense by approximately RM0.5 million to RM4.0 million, as compared to RM3.5 million in the previous financial year. The increase in income tax expenses was partly due to an increase in PBT as well as non-deductible expenses such as depreciation and under provision of deferred taxation in prior years.

FYE 31 August 2013 compared to FYE 31 August 2012

For FYE 31 August 2013, our Group registered an increase in income tax expense by approximately RM0.9 million to RM4.9 million, as compared to RM4.0 million in FYE 31 August 2012. The increase in income tax expenses was mainly due to an increase in PBT while the higher effective tax rate of 27.8% was mainly due to non-deductible expenses namely depreciation.

FPE 28 February 2014 compared to FPE 28 February 2013

For FPE 28 February 2014, our Group registered a decrease in income tax expense by approximately RM1.2 million to RM2.9 million, as compared to RM4.1 million in FPE 28 February 2013. The decrease in income tax expense was mainly due to a decrease in PBT while the lower effective tax rate of 26.6% was mainly due to over provision of taxation in prior financial period.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

12.2.7 Interest Income

FYE 31 August 2011 compared to FYE 31 August 2010

Our interest income increased from approximately RM177,000 in FYE 31 August 2010 to approximately RM223,000 in FYE 31 August 2011. This was due to increase in interest income from liquid investments as a result of increase in placement for liquid investments.

FYE 31 August 2012 compared to FYE 31 August 2011

Our interest income decreased from approximately RM223,000 in FYE 31 August 2011 to approximately RM92,000 in FYE 31 August 2012. This was due to a decrease in interest income from liquid investments as a result of withdrawal of our liquid investments for payment of royalties during the financial year.

FYE 31 August 2013 compared to FYE 31 August 2012

Our interest income increased from approximately RM92,000 in FYE 31 August 2012 to approximately RM173,000 in FYE 31 August 2013. This was mainly due to interest income from our liquid investments.

FPE 28 February 2014 compared to FPE 28 February 2013

Our interest income decreased from approximately RM145,000 in FPE 28 February 2013 to approximately RM55,000 in FPE 28 February 2014. This was mainly due to decrease in interest income from liquid investments as a result of withdrawal of our liquid investments for the acquisition of the publishing rights and production files, stocks of educational materials and paper from Pearson Malaysia amounting to RM7.7 million. Please refer to Section 5.1 of this Prospectus for further details on the acquisition of the publishing rights and production files, stocks of educational materials and paper from Pearson Malaysia.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.8 Analysis of PBT and PAT

(i) PBT by Companies

The breakdown of our Group's PBT by companies is as follows:

PBT	2010		2011		2012		2013		Audited - FYE 31 August		Unaudited FPE 28 February		Audited 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sasbadi	8,253	100.1	13,267	102.5	14,783	99.2	15,775	89.3	14,421	96.5	9,158	83.7		
Maya Press	(2)	#	(2)	#	(4)	#	(4)	#	(4)	#	(3)	#		
Orbit Buku	(5)	(0.1)	(560)	(4.3)	53	0.4	(310)	(1.8)	(181)	(1.2)	261	2.4		
Sasbadi Online	n.a.	n.a.	253	2.0	82	0.6	3,075	17.4	1,272	8.5	(499)	(4.6)		
Malaysian Book Promotions	(1)	#	(3)	#	(4)	#	(11)	(0.1)	(5)	#	2,114	19.3		
Sasbadi Holdings	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(862)	(4.9)	(564)	(3.8)	(93)	(0.9)		
MBP Publications	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Sasbadi Learning Solutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
	8,246 [^]	100.0	12,955	100.1 [^]	14,910	100.1 [^]	17,663	100.0 [^]	14,940 [^]	100.0	10,936 [^]	100.0 [^]		
Less: Consolidation adjustment	-	-	(13)	(0.1)	(12)	(0.1)	-	-	-	-	-	-		
Total	8,246	100.0	12,942	100.0	14,898	100.0	17,663	100.0	14,940[^]	100.0	10,936[^]	100.0		

Notes:

n.a.

^ Not applicable.

Total does not add-up due to rounding.

Insignificant proportion.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

PBT margin	Audited			Unaudited	
	< 2010 %	< 2011 %	> 2012 %	< 2013 %	> 2014 %
Sasbadi	17.6	22.4	23.6	30.4	22.9
Maya Press	n.c.	n.c.	n.c.	n.c.	n.c.
Orbit Buku	n.c.	(518.5)	4.5	(101.1)	32.0
Sasbadi Online	n.a.	41.2	7.0	53.5	(514.4)
Malaysian Book Promotions	n.c.	n.c.	n.c.	n.c.	49.9
Sasbadi Holdings	n.a.	n.a.	n.a.	n.c.	n.c.
MBP Publications	n.a.	n.a.	n.a.	n.a.	n.a.
Sasbadi Learning Solutions	n.a.	n.a.	n.a.	n.a.	n.a.
Total	17.5	21.6	23.0	29.9	24.9

Notes:

n.c. Not computable.
n.a. Not applicable.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

FYE 31 August 2011 compared to FYE 31 August 2010

Based on the foregoing factors, our Group's PBT increased by 57.3% or approximately RM4.7 million, from RM8.2 million in FYE 31 August 2010 to RM12.9 million in FYE 31 August 2011. PBT margin for FYE 31 August 2011 also improved from 17.5% in FYE 31 August 2010 to 21.6% in FYE 31 August 2011.

FYE 31 August 2012 compared to FYE 31 August 2011

Based on the foregoing factors, our Group's PBT increased by 15.5% or approximately RM2.0 million, from RM12.9 million in FYE 31 August 2011 to RM14.9 million in FYE 31 August 2012. PBT margin for FYE 31 August 2012 recorded a slight increase from 21.6% in FYE 31 August 2011 to 23.0% in FYE 31 August 2012.

FYE 31 August 2013 compared to FYE 31 August 2012

Based on the foregoing factors, our Group's PBT increased by 18.8% or approximately RM2.8 million, from RM14.9 million in FYE 31 August 2012 to RM17.7 million in FYE 31 August 2013. PBT margin for FYE 31 August 2013 recorded a slight decrease from 23.0% in FYE 31 August 2012 to 22.7% in FYE 31 August 2013.

FPE 28 February 2014 compared to FPE 28 February 2013

Based on the foregoing factors, our Group's PBT declined by 26.8% or approximately RM4.0 million, from RM14.9 million in FPE 28 February 2013 to RM10.9 million in FPE 28 February 2014. PBT margin for FPE 28 February 2013 recorded a decline from 29.9% in FPE 28 February 2013 to 24.9% in FPE 28 February 2014.

(ii) Analysis of PAT**FYE 31 August 2011 compared to FYE 31 August 2010**

Based on the foregoing factors, our Group's PAT consequently increased by 55.7% or approximately RM3.4 million, from RM6.1 million in FYE 31 August 2010 to RM9.5 million in FYE 31 August 2011, which was in line with the increase in our PBT.

FYE 31 August 2012 compared to FYE 31 August 2011

Based on the foregoing factors, our Group's PAT consequently increased by 14.7% or approximately RM1.4 million, from RM9.5 million in FYE 31 August 2011 to RM10.9 million in FYE 31 August 2012.

FYE 31 August 2013 compared to FYE 31 August 2012

Based on the foregoing factors, our Group's PAT increased by 17.4% or approximately RM1.9 million, from RM10.9 million in FYE 31 August 2012 to RM12.8 million in FYE 31 August 2013.

FPE 28 February 2014 compared to FPE 28 February 2013

Based on the foregoing factors, our Group's PAT declined by 25.9% or approximately RM2.8 million, from RM10.8 million in FPE 28 February 2013 to RM8.0 million in FPE 28 February 2014.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(iii) PBT and PAT by Business Activities and Geographical Markets

It is not possible to undertake an analysis of PBT and PAT by business activities and geographical markets because our expenses such as administration, distribution expenses and other operating expenses cannot be meaningfully apportioned according to business activities and geographical markets.

12.2.9 Factors and Trends Affecting Future Financial Condition and Results

Save as disclosed in Section 12.2.10 of this Prospectus, factors that may cause our future financial condition and operation results to differ significantly are as follows:

- (a) Performance of the education sector focusing on primary and secondary schools as disclosed in the IMR report set out in Section 7 of this Prospectus;
- (b) Socio-economic performance such as gross domestic product, per capita income, household expenditure and population growth, will ultimately increase the demand for our products and services;
- (c) Government initiatives as reflected in the Malaysia Education Blueprint 2013-2025, the Government Transformation Programme Roadmap, the Economic Transformation Programme, the 10th Malaysia Plan and federal government expenditure on education and training will spur growth in targeted segments of the educational market as disclosed in the IMR report set out in Section 7 of this Prospectus;
- (d) Growth in reading culture will continue to drive the industry and create business opportunities for our products and services; and
- (e) Our competitive advantages and key strengths will provide a platform for continuing growth including:
 - (i) Brand awareness;
 - (ii) Established track record;
 - (iii) Extensive distribution network;
 - (iv) Large customer base;
 - (v) Diversity in product range;
 - (vi) In-house content development;
 - (vii) Availability of large range of publications;
 - (viii) Economies of scale; and
 - (ix) Experienced management and editorial personnel.

Details of our competitive advantages are set out in Section 6.1(c) of this Prospectus.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

12.2.10 Significant Factors Materially Affecting Our Group Operations and Financial Results

In addition to the factors and trends set-out in Section 12.2.9 of this Prospectus, some of the following factors that may have an impact on our operations and financial results are as follows:

(a) Business Growth and Expansion

Our financial results are dependent on our business growth and expansion mainly from markets in Malaysia. Our revenue grew from RM47.0 million for the FYE 31 August 2010 to RM78.0 million for the FYE 31 August 2013. This represented an average annual growth rate of 18.4%.

For FPE 28 February 2014, our revenue declined by 12.0% or RM6.0 million, from RM50.0 million in FPE 28 February 2013 to RM44.0 million in FPE 28 February 2014.

(b) Diversity in Product Range

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

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

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

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

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

(c) Demand for the Educational Publishing Industry

Some of the consideration factors that will have impact on the overall educational publishing industry are as follows:

- Per capita income: The increase in the affluence of Malaysia, which can be represented by per capita income, will generally mean greater affordability and higher consumer spending on print materials in general as well as educational materials;
- Population growth: Growth in Malaysia's population will provide the impetus for demand for general publications as well as educational publications;
- Enrolment in schools: Performance in student enrolment in schools will directly affect the demand for educational materials as students are the main end-users of these materials;
- Number of schools: An increasing number of schools may generally represent a better access to formal education, which would in turn improve the enrolment rate of schools in Malaysia;

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

- Number of teachers: As educational materials are used as part of teaching materials in schools, growth in the number of teachers may also create demand for teaching and learning materials; and
- Educational indicators: Literacy and student enrolment rates are some of the indicators of demand for educational materials, which will ultimately affect the Educational Publishing Industry.

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

(d) **Fluctuations in Price of Paper**

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

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

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

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

(e) **Abolishment of National Examinations**

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

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

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

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

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

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

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

(f) Changes in National Curriculum and Educational Policies

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

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

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

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

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

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

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

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

(g) Growing Trend towards Online Publishing

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

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

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

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

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

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

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

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

(h) Industry Outlook

The outlook of the Educational Publishing Industry is dependent on the following factors:

- Performance of the education sector focusing on primary and secondary schools;
- Government initiatives;
- Population, income and expenditure; and
- Economic conditions.

Please refer to Sections 6.18.2 and 7 of this Prospectus for further details on the industry outlook.

(i) Competition

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

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

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

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

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

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

(j) Impact of Inflation

For FYE 31 August 2010 to 2013 and FPE 28 February 2014, our Group's financial performance was not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business and performance.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(k) Impact of Interest Rates

For FYE 31 August 2010 to 2013 and FPE 28 February 2014, finance costs incurred on interest bearing bank borrowings were relatively low and our results were not adversely affected by interest rate fluctuations. This is substantiated by the fact that our Group's pro forma gearing ratio after Incorporation of Subsidiaries, Dividend Payment and Acquisitions but before our IPO and utilisation of proceeds stood at 0.15 times as at FPE 28 February 2014. Notwithstanding the above, any interest rate hike will affect businesses and hence, we will monitor and plan for alternative financing options should the need arise.

(l) Government/ Economic/ Fiscal/ Monetary Policies

Risks relating to Government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 4 of this Prospectus. To the best of our knowledge, save for the risks disclosed in Section 4 of this Prospectus, there are no Government, economic, fiscal or monetary policies or factors that may have a material impact on our profitability and financial position.

(m) Foreign Exchange Fluctuations

For FYE 31 August 2013 and FPE 28 February 2014, 5.5% and 9.3% of our purchases of materials, services and products were transacted in USD respectively. In addition, 0.5% of our revenue for FYE 31 August 2013 was transacted in USD and Brunei Dollar. There was no revenue transacted in USD for FPE 28 February 2014, whilst we have recorded minimal negative revenue in Brunei Dollar in the financial period under review as a result of sales returns from the Brunei market. Due to the transactions in foreign currencies being not material, fluctuations in foreign exchange rates will not have a material impact on our purchases as well as revenue. For FYE 31 August 2013 and FPE 28 February 2014, we did not experience any material losses arising from foreign exchange transactions. As at LPD, we do not have any hedging policy in relation to foreign exchange exposure and our payment method is mainly dependent on the prevailing foreign exchange rates.

Nevertheless, we will continue to monitor our foreign currency exposure and take necessary steps to minimise exchange rate exposure whenever deemed appropriate.

12.2.11 Liquidity and capital resources**(i) Working capital**

Our business has been financed via a combination of internal and external sources of funds. The internal sources comprises our shareholders' equity and cash generated from our operations while the external sources are the various credit facilities extended to us by financial institutions.

Our principal utilisations of funds have been used for our business growth and operations. As at 28 February 2014, we had bank deposits and cash and bank balances of RM17.7 million and borrowings of RM9.2 million, before taking into consideration the Dividend Payment and proceeds to be raised from the Public Issue. After taking into consideration the Dividend Payment, proceeds to be raised from the Public Issue and utilisation of proceeds, we have bank deposits and cash and bank balances of RM24.5 million while our borrowings remain at RM9.2 million. Further details of our Group's bank deposits and cash and bank balances, and borrowings are disclosed in Sections 11.2 and 12.2.11(ii) and (iii) of this Prospectus.

Further, as at 28 February 2014, we had banking facilities available to our Group amounting to RM13.0 million, of which approximately RM4.0 million has yet to be utilised.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Our Directors are of the opinion that, after taking into consideration the cash and bank balances, the expected funds to be generated from operating activities, amounts available under our existing banking facilities, new banking facilities which may be granted to our Group and the proceeds expected to be raised from the Public Issue, our Group will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

(ii) Cash flows

The following is a summary of our Group's pro forma cash flow for FPE 28 February 2014 based on the pro forma consolidated statement of cash flows (*prior to the Dividend Payment, IPO and utilisation of proceeds*) and should be read in conjunction with the Independent Reporting Accountant's Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus as set out in Section 11.4 of this Prospectus.

	Audited <- FPE 28 February 2014-> RM'000
Net cash generated from operating activities	3,156
Net cash used in investing activities	(6,153)
Net cash generated from financing activities	584
Net decrease in cash and cash equivalents	(2,413)
Cash and cash equivalents at beginning of financial period	12,044
Cash and cash equivalents at end of financial period*	9,631

Note:

* *Components of cash and cash equivalents:*

	As at 28 February 2014 RM'000
<i>Deposits placed with a licensed bank</i>	39
<i>Cash and bank balances</i>	17,641
<i>Bank overdraft</i>	(8,049)
	<u>9,631</u>

Our Directors are of the opinion that there is no economic restriction on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and are therefore confident that we can meet our cash obligations.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

The following is a summary of Sasbadi Group's (i.e. Sasbadi and its subsidiaries) cash flows for FYE 31 August 2010 to 2013 and FPE 28 February 2014 (Note: Please refer to Section 6.2.4 of the Accountants' Report set out in Section 13 of this Prospectus for further details on the cash flows):

	-----Audited-----				
	<----- FYE 31 August ----->				FPE 28 February
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Net cash generated from operating activities	10,944	13,708	3,199	17,144	3,156
Net cash used in investing activities	(593)	(2,087)	(433)	(1,217)	(6,153)
Net cash (used in)/generated from financing activities	(12,693)	(12,114)	(1,843)	(16,417)	584
Net (decrease)/ increase in cash and cash equivalents	(2,342)	(493)	923	(490)	(2,413)
Cash and cash equivalents at beginning of financial year/period	14,446	12,104	11,611	12,534	12,044
Cash and cash equivalents at end of financial year/period	12,104	11,611	12,534	12,044	9,631

Brief commentaries on Sasbadi Group's cash flows for FYE 31 August 2010 to 2013 and FPE 28 February 2014 are as follows:

FYE 31 August 2010

Net cash generated from operating activities

For FYE 31 August 2010, we generated operating cash flows before working capital changes amounting to RM9.3 million. After adjusting for net inflow of RM2.2 million from working capital changes, income tax paid of RM0.7 million, interest paid of approximately RM40,000 and interest received of RM0.2 million, we generated net cash from operating activities of RM10.9 million. Working capital changes arose from increase in inventories of RM3.7 million, decrease in trade and other receivables, and other assets of RM8.5 million and decrease in trade and other payables of RM2.6 million.

Net cash used in investing activities

For FYE 31 August 2010, the net cash used in our investing activities amounted to RM0.6 million. This was attributed to the purchase of property, plant and equipment amounting to RM0.6 million and acquisition of Malaysian Book Promotions, net of cash and cash equivalents acquired of approximately RM21,000 partially offset by proceeds from disposal of property, plant and equipment amounting to approximately RM32,000.

Net cash used in financing activities

For FYE 31 August 2010, the net cash used in financing activities amounted to RM12.7 million. During the financial year, we repaid bank borrowings of RM1.1 million, interest of approximately RM0.1 million and dividends in specie of RM11.5 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

FYE 31 August 2011***Net cash generated from operating activities***

For FYE 31 August 2011, we generated operating cash flows before working capital changes amounting to RM14.0 million. After adjusting for net inflow of RM1.8 million from working capital changes, income tax paid of RM2.4 million, interest paid of approximately RM12,000 and interest received of RM0.2 million, we generated net cash from operating activities of RM13.7 million. Working capital changes arose from increase in inventories of RM3.9 million, decrease in trade and other receivables, and other assets of RM1.9 million and increase in trade and other payables of RM3.8 million.

Net cash used in investing activities

For FYE 31 August 2011, the net cash used in our investing activities amounted to RM2.1 million. This was attributed to the purchase of property, plant and equipment amounting to RM2.2 million (mainly for the purchase of motor vehicles), partially offset by proceeds from disposal of property, plant and equipment amounting to RM0.1 million.

Net cash used in financing activities

For FYE 31 August 2011, the net cash used in financing activities amounted to RM12.1 million. During the financial year, we paid bank borrowings of RM0.3 million, interest of approximately RM21,000 and dividends in specie of RM12.2 million. Our Group also generated proceeds from issuance of shares amounting to RM0.4 million.

FYE 31 August 2012***Net cash generated from operating activities***

For FYE 31 August 2012, we generated operating cash flows before working capital changes amounting to RM15.9 million. After adjusting for net outflow of RM9.2 million from working capital changes, income tax paid of RM3.6 million, interest paid of approximately RM10,000 and interest received of RM0.1 million, we generated net cash from operating activities of RM3.2 million. Working capital changes arose from increase in inventories of RM3.8 million, increase in trade and other receivables, and other assets of RM1.9 million and decrease in trade and other payables of RM3.5 million.

For FYE 31 August 2012, the net cash generated from operating activities of RM3.2 million is lower than that of FYE 31 August 2011 of RM13.7 million mainly due to the following:

- Cash used arising from increase in trade and other receivables, and other assets of RM1.9 million in FYE 31 August 2012, mainly due to prepayments of royalties to YGMB for the reprinting, distribution, marketing and sales of past year examination papers, as compared to cash generated from decrease in trade and other receivables, and other assets of RM1.9 million in FYE 31 August 2011; and
- Cash used arising from decrease in trade and other payables of RM3.5 million in FYE 31 August 2012, mainly due to the decrease in trade payables as a result of less purchases of paper made during the end of FYE 31 August 2012 vis-a-vis the end of FYE 31 August 2011, as compared to cash generated arising from increase in trade and other payables of RM3.8 million in FYE 31 August 2011.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Net cash used in investing activities

For FYE 31 August 2012, the net cash used in our investing activities amounted to RM0.4 million. This was attributed to the purchase of property, plant and equipment amounting to RM1.0 million, partially offset by proceeds from disposal of property, plant and equipment amounting to RM0.6 million.

Net cash used in financing activities

For FYE 31 August 2012, the net cash used in financing activities amounted to RM1.8 million. During the financial year, we paid bank borrowings of RM0.3 million, interest of approximately RM22,000 and dividends in specie of RM1.6 million.

FYE 31 August 2013

Net cash generated from operating activities

For FYE 31 August 2013, we generated operating cash flows before working capital changes amounting to RM21.2 million. After adjusting for net outflow of RM6,000 from working capital changes, income tax paid of RM4.2 million, interest paid of approximately RM10,000 and interest received of approximately RM0.2 million, we generated net cash from operating activities of RM17.1 million. Working capital changes arose from decrease in inventories of RM6.5 million, increase in trade and other receivables, and other assets of RM7.1 million and increase in trade and other payables of RM0.6 million.

For FYE 31 August 2013, the net cash generated from operating activities of RM17.1 million is higher than that of FYE 31 August 2012 of RM3.2 million mainly due to the following:

- Higher PBT generated in FYE 31 August 2013 at RM18.5 million as compared to FYE 31 August 2012 at RM14.9 million;
- Cash generated arising from decrease in inventories of RM6.5 million in FYE 31 August 2013 as compared to cash used arising from increase in inventories of RM3.8 million in FYE 31 August 2012;
- Cash generated arising from increase in trade and other payables of RM0.6 million in FYE 31 August 2013 as compared to cash used arising from decrease in trade and other payables of RM3.5 million in FYE 31 August 2012.

This was partly offset by the increase in cash used arising from increase in trade and other receivables and other assets from RM1.9 million in FYE 31 August 2012 to RM7.1 million in FYE 31 August 2013.

Net cash used in investing activities

For FYE 31 August 2013, the net cash used in our investing activities amounted to RM1.2 million. This was attributed to the purchase of property, plant and equipment amounting to RM1.3 million, partially offset by proceeds from disposal of property, plant and equipment amounting to RM0.1 million.

Net cash used in financing activities

For FYE 31 August 2013, the net cash used in financing activities amounted to RM16.4 million. During the financial year, we repaid finance lease liabilities of RM0.3 million, interest of approximately RM26,000 and cash dividends of RM16.1 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

FPE 28 February 2014

Net cash generated from operating activities

For FPE 28 February 2014, we generated operating cash flows before working capital changes amounting to RM15.5 million. After adjusting for net outflow of RM10.4 million from working capital changes, income tax paid of RM1.9 million, interest paid of approximately RM0.1 million and interest received of approximately RM55,000, we generated net cash from operating activities of RM3.2 million. Working capital changes arose from increase in inventories of RM0.9 million, increase in trade and other receivables, and other assets of RM14.5 million and increase in trade and other payables of RM5.0 million.

Net cash used in investing activities

For FPE 28 February 2014, the net cash used in our investing activities amounted to RM6.2 million. This was attributed to the purchase of property, plant and equipment amounting to RM0.7 million and purchase of the publishing rights and production files for a list of titles from Pearson Malaysia for RM5.5 million.

Net cash generated from financing activities

For FPE 28 February 2014, the net cash generated from financing activities amounted to RM0.6 million. This was attributed to proceeds obtained from banking facilities of RM0.7 million and repayment of banking facilities of RM0.1 million and interest payment of approximately RM13,000.

(iii) Borrowings

As at 28 February 2014, our Group had a total outstanding bank borrowings of RM9.2 million, all of which are interest-bearing, secured and denominated in RM. The details of the total outstanding bank borrowings as at 28 February 2014 are set out below:

	Note	-----Audited-----		
		----- As at 28 February 2014 -----		
		Payable within Twelve (12) Months RM'000	Payable after Twelve (12) Months RM'000	Total RM'000
Finance lease liabilities	(i)	165	247	412
Bank overdraft		8,049	-	8,049
Bankers' acceptances		730	-	730
Total		8,944	247	9,191
Gearing*				0.15

Notes:

(i) Finance lease liabilities were for the hire purchase of motor vehicles.

* Calculated based on pro forma shareholders' funds after Incorporation of Subsidiaries, Dividend Payment and Acquisitions but before our IPO and utilisation of proceeds.

As at 28 February 2014, our interest bearing borrowings amounted to RM9.2 million, of which RM0.4 million were obtained for our hire purchase of motor vehicles and RM8.8 million were obtained for working capital purposes. The repayment of the hire purchase will be in accordance with the repayment terms in the hire purchase agreements using our internally generated funds. As at 28 February 2014, the effective interest rate for our bank borrowings ranged from 4.4% to 8.1%.

The details of the finance lease liabilities as at 28 February 2014 are as follows:

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Type of Financial Instruments	Tenure	Interest Rates	Balance as at 28 February 2014 RM'000
Finance lease liabilities	- 36 months installment commencing July 2011	4.81%	16
	- 36 months installment commencing September 2011	5.58%	50
	- 60 months installment commencing September 2012	4.43%	346
			412

As at LPD, our Group does not have any non-interest bearing borrowings or foreign borrowings. We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during FYE 31 August 2010 to 2013 as well as FPE 28 February 2014 and up to LPD.

As at LPD, neither our Company nor any of our subsidiary companies is in breach of any terms and conditions or covenants associated with the credit arrangement or bank borrowings which can materially affect our financial position and results or business operations or the investments by holders of our securities.

Currently, our Group does not have any interest rate hedging policy. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings where necessary. We will monitor the movement in interest rates and will take the necessary steps to minimise interest rate risk when appropriate, such as implementing a hedging policy. However, no assurance can be given that any future significant movements in interest rates would not have a material adverse impact on our business, operating results and financial position.

(iv) Treasury policies and objectives

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. The goal of our funding policy is to obtain the most suitable type of financing and favourable cost of funding. The goal of our treasury policy is to maintain sufficient working capital to finance our operations, coupled with maintaining adequate credit facilities to meet projected commitments arising from our operational expenditure and financial liabilities.

The normal credit terms granted to our Group by our suppliers range from 30 days to 90 days due to the good relationship which we have established with our suppliers. Our Group's borrowings from financial institutions are finance lease liabilities for our purchases of motor vehicles, and bankers' acceptance and bank overdraft for working capital purposes. In addition, our Group has in place banking facilities amounting to RM13.0 million as at LPD, of which approximately RM8.0 million and RM0.2 million in the form of bank overdraft and bank guarantees respectively, have been utilised by our Group. Please refer to Section 12.2.11(viii) of this Prospectus for further details on our Group's bank guarantees.

The decision to either utilise internally generated funds or banking facilities to finance our operations depends on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(v) Financial instruments for hedging purposes

For FYE 31 August 2013 and FPE 28 February 2014, 5.5% and 9.3% of our purchases of materials, services and products were transacted in USD. In addition, 0.5% of our revenue for FYE 31 August 2013 was transacted in USD and Brunei Dollar. There was no revenue transacted in USD for FPE 28 February 2014, whilst we have recorded minimal negative revenue in Brunei Dollar in the financial period under review as a result of the sales returns from the Brunei market. Due to the transactions in foreign currencies being not material, fluctuations in foreign exchange rates will not have a material impact on our purchases as well as revenue.

In this regard, as at LPD, our Group does not hold any financial instruments for hedging purposes.

(vi) Capital expenditure and divestment

Our Group's material capital expenditure for the past four (4) FYE 31 August 2010 to 2013, FPE 28 February 2014 and up to LPD was as follows:

Investments	Audited					Unaudited Up to LPD*
	2010 RM'000	FYE 31 August*			FPE 28 February*	
		2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	RM'000
Motor vehicles	259	2,329	1,309	1,116	463	365
Office equipment, furniture and fittings	102	213	42	65	170	4
Computers	235	174	135	167	20	3
Renovation	8	-	-	-	-	-
	604	2,716	1,486	1,348	653	372

Note:

* The value of capital expenditure in the table above is presented based on the costs incurred.

Our material capital expenditure during FYE 31 August 2010 to 2013, FPE 28 February 2014 and up to LPD comprised capital expenditure on motor vehicles, office equipment, furniture and fittings, computers and renovation.

Our Group's material divestments for the past four (4) FYE 31 August 2010 to 2013, FPE 28 February 2014 and up to LPD were as follows:

Divestments	Audited					Unaudited Up to LPD #
	2010 RM'000	FYE 31 August#			FPE 28 February#	
		2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	RM'000
Motor vehicles	*	57	25	*	-	-

Notes:

The value of the capital divestments in the table above is presented based on the net book value of the assets at the point of divestments.

* The net book value of these divestments are nil.

As at LPD, our Group does not have any material capital expenditures or divestments that are currently in progress.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

(vii) Material capital commitments

As at LPD, save as disclosed in Section 3.6 of this Prospectus, our Board is not aware of any material capital commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results / position.

(viii) Material Contingent Liabilities

Save as disclosed below, as at LPD, our Board is not aware of any material contingent liabilities, which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable:

	Notes	RM'000
Bank guarantees obtained by Sasbadi to Ministry of Education	(a)	229 ^(b)

Notes:

(a) *As part of the agreements with the Ministry of Education, Sasbadi has issued performance bond in the form of bank guarantees to the Ministry of Education for the service provided for the supply of text books and applied learning products.*

(b) *The performance bond issued by Sasbadi in the form of bank guarantees to the Ministry of Education for applied learning products amounting to approximately RM59,000 has expired in April 2014. As at LPD, our Group is in the midst of seeking to discharge the said bank guarantees.*

(ix) Material litigation, claims or arbitration

As at LPD, neither our Company nor our Group is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our Group. Our Board has no knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Company or our Group.

(x) Key financial ratios

Trade Receivables

A summary of our Group's trade receivables for the four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 is set out below:

	< ----- Audited ----- >				FPE 28 February 2014
	< ----- FYE 31 August ----- >				
	2010	2011	2012	2013	
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	10,556	12,218	12,463	19,141	34,049
Revenue	47,012	59,961	64,821	77,964	43,992
Trade receivables turnover period (days)	82	74	70	90	140

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

The normal credit period generally granted to our customers is between 60 days and 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history and credit worthiness while new customers are subject to our credit verification process. Our trade receivables turnover period for the past four (4) FYE 31 August 2010 to 2013 is within our Group's credit period granted to our customers. Nevertheless, our trade receivables turnover period increased from 70 days in FYE 31 August 2012 to 90 days in FYE 31 August 2013. The increase was largely contributed by slower payment for iPBS, which was a new product launched in the later part of FYE 31 August 2013.

For the FPE 28 February 2014, our trade receivables turnover period was 140 days. The increase was mainly attributed to the higher sales during the peak sales period of December and January. In addition, our revenue for the FPE 28 February 2014 of approximately RM44.0 million is net of provision for sales returns of approximately RM6.7 million. For comparison, the provision for sales returns was RM1.5 million for FYE 31 August 2013.

As at 28 February 2014, the net trade receivables of our Group amounted to approximately RM34.0 million which can be analysed as follows:

	<----Within Credit Period (days) ---->			<----Exceeding Credit Period (days) ---->		
	0 – 30	31 – 60	61 – 90	91 – 120	Over 120	Total
Trade receivables (RM'000)	8,297	9,449	11,160	1,731	3,836	34,473
Less: Allowance for impairment (RM'000)	-	-	-	-	(424)	(424)
Net trade receivables (RM'000)	8,297	9,449	11,160	1,731	3,412	34,049
Percentage of total net trade receivables (%)	24.4	27.8	32.8	5.1	10.0	100.0 [^]
Subsequent collections/credit notes up to LPD (RM'000)	(1,921)	(5,277)	(8,724)	(1,327)	(542)	(17,792) [^]
Net trade receivables net of subsequent collections/credit notes (RM'000)	6,376	4,172	2,436	404	2,870	16,257 [^]
Percentage of net trade receivables net of subsequent collections/credit notes to total net trade receivables (%)	18.7	12.3	7.2	1.2	8.4	47.7 [^]
Revenue (RM'000)						43,992
Percentage of net trade receivables net of subsequent collections/credit notes to revenue (%)	14.5	9.5	5.5	0.9	6.5	37.0 [^]

Note:

[^] Total does not add-up due to rounding.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Up to LPD, of the net trade receivables outstanding as at 28 February 2014 of RM34.0 million, RM12.9 million has been collected while credit notes totalling RM4.9 million have been issued mainly for early payments, incentive discounts and stock returns, of which RM3.2 million was in relation to stock returns. In this regard, the value of net trade receivables as at 28 February 2014 that are still outstanding as at LPD was approximately RM16.3 million. Our Directors are of the opinion that the remaining trade receivables of RM16.3 million are recoverable after taking into consideration the long term relationship between most of these customers and our Group, and various credit control measures being implemented by us to minimise customer default.

Trade Payables

A summary of our Group's trade payables for the four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 is set out below:

	<----- Audited ----->				
	<----- FYE 31 August ----->				FPE 28 February
	2010	2011	2012	2013	2014
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	2,303	4,948	1,981	2,009	4,976
Cost of sales	28,460	35,143	37,916	45,831	22,343
Trade payables turnover period (days)	30	51	19	16	40

The normal credit period granted to our Group by our suppliers ranges from 30 days to 90 days.

For the FYE 31 August 2010 and 2011, our trade payables turnover periods were approximately 30 days and 51 days, which were within the credit periods that were granted to us. Our Group normally proceeds with payment approximately 30 days after the date of invoice for purchases of main materials, specifically paper materials.

As for the FYE 31 August 2012 and 2013, our trade payables turnover periods were 19 days and 16 days respectively as a result of our prompt payment practice in order to secure timely and consistent supply of materials as well as maintaining good relationships with our suppliers. In addition, there were less purchases of paper made during the end of FYE 31 August 2012 and 2013.

For the FPE 28 February 2014, our trade payables turnover period was 40 days, which was within the normal credit period granted to us. The increase was mainly attributed to higher purchases of materials and services to cater for the expected high demand for our products in the first half of calendar year of 2014.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

As at 28 February 2014, the trade payables of our Group amounted to approximately RM5.0 million which can be analysed as follows:

	<-Within Credit Period (days)->			<-Exceeding Credit Period (days) ->		Total
	0 – 30	31 – 60	61 – 90	91 – 120	Over 120	
Trade payables (RM'000)	1,280	2,563	1,053	37	41	4,976 [^]
Percentage of total trade payables (%)	25.7	51.5	21.2	0.7	0.8	100.0 [^]
Subsequent payments up to LPD (RM'000)	(858)	(1,324)	(821)	(4)	#	(3,007)
Trade payables net of subsequent payments (RM'000)	422	1,239	232	33	41	1,969 [^]
Percentage of trade payables net of subsequent payments to total trade payables (%)	8.5	24.9	4.7	0.7	0.8	39.6

Notes:

[^] Total does not add-up due to rounding.
[#] Insignificant amount.

Up to LPD, a total of RM3.0 million of the trade payables outstanding as at 28 February 2014 has been paid, which represents 60.4% of the trade payables outstanding on that date. The amount of trade payables as at 28 February 2014 that are still outstanding as at LPD was approximately RM2.0 million.

Inventory

A summary of our Group's inventory for the four (4) FYE 31 August 2010 to 2013 and FPE 28 February 2014 is set out below:

	< ----- Audited ----- >				
	< ----- FYE 31 August ----- >				FPE 28 February
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Inventory	13,722	17,663	21,492	15,033	15,952
Cost of sales	28,460	35,143	37,916	45,831	22,343
Inventory turnover period (days)	176	183	207	120	129

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Our Group's inventory turnover period was on an increasing trend over the three (3) financial years between FYE 31 August 2010 and 2012. For the FYE 31 August 2011, the main factors for the increase were due to introduction of our new series of revision guides and workbooks as well as our new online products where we had made an initial bulk purchase of printed access code cards from our technology partner. Each of these cards contains a unique access code for subscribers to gain access to our online educational resources. For the FYE 31 August 2012, our stocks for paper increased by RM2.7 million or 82.7% compared to FYE 31 August 2011. However, in FYE 31 August 2013, our inventory turnover period decreased to 120 days. This was mainly due to a decrease in our stocks for paper by RM3.7 million or 61.0%, workbooks and revision guides by RM1.7 million or 27.8% as compared to FYE 31 August 2012 as well as write down of RM1.2 million of inventory for our past year examination papers for 2010, 2011 and 2012.

For the FPE 28 February 2014, our inventory turnover period was approximately 129 days, which was mainly attributed to an increase in inventory of our workbooks and revision guides. The inventory of the said products increased from RM6.7 million as at FYE 31 August 2013 to RM8.3 million as at FPE 28 February 2014, which was to cater for the expected demand in the first half of calendar year of 2014. However, our stock for paper declined from RM2.4 million as at FYE 31 August 2013 to RM1.8 million as at FPE 28 February 2014.

12.2.12 Trend Analysis

As at LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this Section and Sections 3, 4 and 6 of this Prospectus;
- (ii) material commitment for capital expenditure, other than as set out in Section 12.2.11 (vii) of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and in Section 4 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits save for those that have been disclosed in this Section, industry overview as set out in Section 7 of this Prospectus and future plans and strategies as set out in Section 6.18.1 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Section 4 of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this Section and in Section 4 of this Prospectus.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.3 Order book

Order book is not relevant to our business operations as we do not receive long-term orders from our customers. Our business is commonly based on confirmed purchase orders from our customers.

12.4 Dividend Policy

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

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

- (i) The level of cash and level of indebtedness;
- (ii) Required and expected interest expense, cash flow, our profits and return on equity and retained earnings;
- (iii) Our expected results of operations and future level of operations; and
- (iv) Our projected levels of capital expenditure and other investment plans.

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

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

12.5 CAPITALISATION AND INDEBTEDNESS

The following information shall be read in conjunction with the the Independent Reporting Accountants' Report On The Compilation Of Pro Forma Financial Information Included In A Prospectus and the Accountants' Report set out in Sections 11.4 and 13 of this Prospectus respectively.

The following table shows our Group's cash and cash equivalents, capitalisation and indebtedness:

- (i) based on our pro forma financial position as at 28 February 2014 after Incorporation of Subsidiaries, Dividend Payment and Acquisitions; and
- (ii) as adjusted for the proceeds arising from our Public Issue and utilisation of proceeds.

	Pro forma As at 28 February 2014 [^]	After Public Issue [#]
	RM'000	RM'000
Cash and cash equivalents	9,180	24,538
Indebtedness		
<i>Short term borrowings (Due within 12 months)</i>		
Secured and unguaranteed		
Finance lease liabilities	165	165
Secured and guaranteed		
Bank overdraft	8,049	8,049
Bankers' acceptances	730	730
<i>Long term borrowings (Due after 12 months)</i>		
Secured and unguaranteed		
Finance lease liabilities	247	247
Total indebtedness	9,191	9,191
Shareholders' equity	63,172	86,337
Total capitalisation and indebtedness	72,363	95,528

Notes:

[^] Based on the pro forma financial information after taking into account the Incorporation of Subsidiaries, Dividend Payment and Acquisitions but before the Public Issue and utilisation of IPO proceeds.

[#] Based on the pro forma financial information after taking into account the Incorporation of Subsidiaries, Dividend Payment, Acquisitions, proceeds from our Public Issue and utilisation of IPO proceeds.

The indebtedness shown in the table above is fully denominated in RM and interest-bearing in nature. Please refer to Section 12.2.11 (iii) of this Prospectus for further details on our Group's indebtedness.

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