



SASBADI HOLDINGS BERHAD (1022660-T)

Incorporated in Malaysia

FIRST QUARTER REPORT ENDED 30 NOVEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2018 ⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.11.2018 RM'000	Preceding Year Quarter 30.11.2017 RM'000 (Restated)	Current Year-To-Date 30.11.2018 RM'000	Preceding Year-To-Date 30.11.2017 RM'000 (Restated)
Revenue	30,508	27,514	30,508	27,514
Cost of sales	(15,345)	(14,522)	(15,345)	(14,522)
Gross profit	15,163	12,992	15,163	12,992
Other operating income	62	249	62	249
Distribution expenses	(2,263)	(2,609)	(2,263)	(2,609)
Administrative expenses	(3,852)	(4,060)	(3,852)	(4,060)
Other operating expenses	(1,567)	(2,200)	(1,567)	(2,200)
Results from operating activities	7,543	4,372	7,543	4,372
Finance income	3	13	3	13
Finance costs	(913)	(799)	(913)	(799)
Profit before tax	6,633	3,586	6,633	3,586
Tax expense	(2,251)	(1,205)	(2,251)	(1,205)
Net profit for the financial period	4,382	2,381	4,382	2,381
Other comprehensive income for the financial period, net of tax :				
Item that will not be reclassified subsequently to profit or loss				
Revaluation of land and buildings	-	-	-	-
Item that is or may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets	(5)	(15)	(5)	(15)
Other comprehensive income for the financial period, net of tax	(5)	(15)	(5)	(15)
Total comprehensive income for the financial period	4,377	2,366	4,377	2,366
Net profit for the financial period attributable to:				
- Owners of the Company	4,382	2,381	4,382	2,381
- Non-controlling interests	-	-	-	-
	4,382	2,381	4,382	2,381
Total comprehensive income attributable to :				
- Owners of the Company	4,377	2,366	4,377	2,366
- Non-controlling interests	-	-	-	-
	4,377	2,366	4,377	2,366
Earnings per share (sen) attributable to owners of the Company:				
- Basic	1.05	0.57	1.05	0.57
- Diluted	N/A	N/A	N/A	N/A

Notes:

(1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements of Sasbadi Holdings Berhad ("the Company") for the financial year ended 31 August 2018 and the accompanying explanatory notes attached to these interim financial statements.

N/A Not applicable



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2018 ⁽¹⁾

	Unaudited As at 30.11.2018 RM'000	Audited As at 31.08.2018 RM'000 (Restated)
ASSETS		
Property, plant and equipment	53,521	53,941
Investment properties	2,518	2,532
Intangible assets	25,729	26,075
Other investments	242	246
Deferred tax assets	2,845	2,638
Total non-current assets	84,855	85,432
Inventories	74,718	73,462
Current tax assets	3,573	3,897
Trade and other receivables	67,198	53,270
Prepayments	3,367	3,371
Cash and cash equivalents	5,413	6,164
Total current assets	154,269	140,164
Total assets	239,124	225,596
EQUITY		
Share capital	108,210	108,210
Treasury shares	(1)	(1)
Reserves	47,966	43,589
Total equity	156,175	151,798
LIABILITIES		
Loans and borrowings	15,852	16,558
Deferred tax liabilities	7,803	7,941
Total non-current liabilities	23,655	24,499
Loans and borrowings	34,258	26,097
Provisions	2,407	1,092
Trade and other payables	21,931	22,110
Current tax liabilities	698	-
Total current liabilities	59,294	49,299
Total liabilities	82,949	73,798
Total equity and liabilities	239,124	225,596
Net assets per share attributable to owners of the Company (RM)	0.37	0.36

Note:

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of the Company for the financial year ended 31 August 2018 and the accompanying explanatory notes attached to these interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE (3) MONTHS ENDED 30 NOVEMBER 2018 ⁽¹⁾

	<----- Non-distributable ----->					Distributable	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Merger deficit RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	
At 31 August 2018, as previously stated	108,210	(1)	(50,500)	(25)	22,484	76,099	156,267
- Effects of adopting MFRS 9 and MFRS 15	-	-	-	-	-	(4,469)	(4,469)
Balance as at 1 September 2018, restated	108,210	(1)	(50,500)	(25)	22,484	71,630	151,798
Total comprehensive income for the financial period	-	-	-	(5)	-	4,382	4,377
Transactions with owners of the Company	-	-	-	-	-	-	-
At 30 November 2018	108,210	(1)	(50,500)	(30)	22,484	76,012	156,175



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE (3) MONTHS ENDED 30 NOVEMBER 2018⁽¹⁾ (CONT'D)

	<----- Non-distributable ----->					Distributable	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Merger deficit RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	
At 31 August 2017, as previously reported	108,210	(1)	(50,500)	20	13,596	74,058	145,383
- Effects of adopting MFRS 9 and MFRS 15	-	-	-	-	-	(4,289)	(4,289)
Balance as at 1 September 2017, restated	108,210	(1)	(50,500)	20	13,596	69,769	141,094
Total comprehensive income for the financial period	-	-	-	(15)	-	2,381	2,366
Transactions with owners of the Company	-	-	-	-	-	-	-
At 30 November 2017	108,210	(1)	(50,500)	5	13,596	72,150	143,460

Note:

(1) *The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements of the Company for the financial year ended 31 August 2018 and the accompanying explanatory notes attached to these interim financial statements.*



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE (3) MONTHS ENDED 30 NOVEMBER 2018 ⁽¹⁾

	Current Year-To-Date 30.11.2018 RM'000	Preceding Year-To-Date 30.11.2017 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	6,633	3,586
Adjustments for:		
Amortisation of intangible assets	346	330
Depreciation on property, plant and equipment	604	626
Depreciation on investment properties	14	13
Dividend income	(3)	-
Impairment loss on trade receivables	958	1,629
Gain on disposal of property, plant and equipment	-	(32)
Finance costs	913	799
Finance income	(3)	(13)
Provision for sales returns	1,315	664
Operating profit before changes in working capital	<u>10,777</u>	<u>7,602</u>
Changes in inventories	(1,256)	(4,239)
Changes in trade and other receivables and prepayments	(14,882)	(15,809)
Changes in trade and other payables	<u>(179)</u>	<u>1,143</u>
Cash used in operations	(5,540)	(11,303)
Tax paid	(1,575)	(1,214)
Tax refunded	-	403
Interest paid	(573)	(377)
Interest received	<u>3</u>	<u>13</u>
Net cash used in operating activities	<u>(7,685)</u>	<u>(12,478)</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	32
Dividend received from other investments	3	-
Acquisition of intangible assets	-	(3)
Acquisition of property, plant and equipment	<u>(184)</u>	<u>(185)</u>
Net cash used in investing activities	<u>(181)</u>	<u>(156)</u>
Cash flows from financing activities		
Net drawdown of bankers' acceptances	5,860	3,036
Repayment of finance lease liabilities	(8)	(7)
Repayment of term loans	(2,184)	(971)
Proceeds from term loan	1,346	-
Interest paid	<u>(340)</u>	<u>(422)</u>
Net cash generated from financing activities	<u>4,674</u>	<u>1,636</u>
Net decrease in cash and cash equivalents	<u>(3,192)</u>	<u>(10,998)</u>
Cash and cash equivalents at beginning of the financial period	<u>(14,012)</u>	<u>(2,774)</u>
Cash and cash equivalents at end of the financial period	<u>(17,204)</u>	<u>(13,772)</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE (3) MONTHS ENDED 30 NOVEMBER 2018 ⁽¹⁾ (CONT'D)

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

	Current Year-To-Date 30.11.2018 RM'000	Preceding Year-To-Date 30.11.2017 RM'000
Cash and bank balances	4,695	5,291
Deposit placed with a licensed bank	718	718
	<u>5,413</u>	<u>6,009</u>
Less : Deposits pledged	(606)	(648)
Bank overdrafts	(22,011)	(19,133)
	<u>(17,204)</u>	<u>(13,772)</u>

Note:

- (1) *The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements of the Company for the financial year ended 31 August 2018 and the accompanying explanatory notes attached to these interim financial statements.*



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A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. Accounting Policies and Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”), and paragraph 9.22 and Part A of Appendix 9B of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

These interim financial statements should be read in conjunction with the Audited Financial Statements of the Company for the financial year ended 31 August 2018 and the accompanying explanatory notes attached to these interim financial statements.

These interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (“the Group”) since the financial year ended 31 August 2018.

The significant accounting policies and methods of computation applied in these unaudited condensed interim financial statements are consistent with those adopted as disclosed in the Audited Financial Statements of the Company for the financial year ended 31 August 2018, except for the following accounting standards, amendments and interpretations that have been issued by the MASB but have not been adopted by the Group:

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

- . MFRS 16, *Leases*
- . IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- . Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- . Amendments to MFRS 9, *Prepayment Features with Negative Compensation*
- . Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

- . Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

- . Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- . Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

- . Amendments to MFRS 128, *Long-term Interests in Associates and Joint Ventures*

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

- . MFRS 17, *Insurance Contracts*

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

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



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

- From the annual period beginning on 1 September 2019 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019; and
- From the annual period beginning on 1 September 2021 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2021.

MFRS 16, Leases

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

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

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

The effects of first time-adoption of MRFS are primarily from the following:

MFRS 9, Financial Instruments

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

- a) Classification and Measurement
The Group has concluded that the new classification requirement will not have a significant impact on its accounting for financial assets and financial liabilities.
- b) Impairment
MFRS 9 replaces the 'incurred losses model' in MFRS 139 with the 'expected credit losses model' ("ECL"). The Group applied the simplified approach on a forward-looking basis and recognise expected credit losses for its trade receivables. The impact as a result of MFRS 9 adoption will be adjusted to Retained Earnings retrospectively.

The adoption of MFRS 9 has resulted in additional impairment of trade receivables of RM3.326 million and RM0.897 million as at 31 August 2018 and 30 November 2018 respectively.



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MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that is applicable to revenue arising from contracts with customers. MFRS 15 supersedes the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has assessed the effects of applying the new standard on the Group’s financial statements and anticipates that the application of MFRS 15 and the impact upon adoption is as follows:-

a) Sale of Goods

Sale of Printed Books, Distribution of Applied Learning Products and Trading of Paper

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

Sale of Online/Digital Educational Materials

Under the five-step model, sales of the online digital products are recognised over time as compared to the previous practice of the Group to recognise the revenue upon delivery of products, as consumers can only benefit from the usage of the products by logging in to the platform over the contracted period.

The Group adjusted an amount of RM3.043 million to reduce the retained earnings as at 31 August 2018 and classified as Contract Liabilities. The subsequent assessment was net increase to the revenue of RM69,000 for the current financial quarter ended 30 November 2018.

b) Variable Consideration

Sale of Printed Books, Distribution of Applied Learning Products and Trading of Paper

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

Based on historical data, the Group adjusted the rebate of RM0.075 million by reducing the retained earnings as at 31 August 2018 and classified it as Contract Liabilities. The subsequent assessment on rebate was net decrease of the revenue by RM0.311 million for the current quarter ended 30 November 2018.

Sale of Online/Digital Educational Materials

The Group previously classified the performance bonus paid to its distributors in its Cost of Sales. Under MFRS 15, the Group is required to determine whether the consideration paid to its distributors is a payment for distinct goods or services. The performance bonus paid to the distributors are classified into two types ie:-

- i) Personal Sales Bonus
- ii) Group Network Sales Bonus



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The Group is of the view that the Personal Sales Bonus is a reduction of transaction price and will be recognised over time as compared to the existing practice of the Group to recognise the revenue upon delivery of the products. On the other hand, the Group Network Sales Bonus is a consideration paid to distributors for the provision of distinct services and will be charged out to the income statement as it is incurred.

The reclassification of Personal Sales Bonus does not affect the retained earnings as at 31 August 2018. However, it reduced the revenue and cost of sales by the same amount of RM0.433 million for the current quarter ended 30 November 2018.

c) Cost to Obtain Contract

Sale of Online/Digital Educational Materials

Upon the adoption of MFRS 15, the Group expects to capitalise sales bonus (for newly-recruited distributors in the direct marketing business of online/digital educational products) as costs to obtain contract with a customer when they are incurred and expected to be recovered over the service period. These costs will be amortised consistently with the transfer of the service to the customer. Currently, these costs are recognised in the income statement.

The recognition of the personal sales bonus mentioned in item (b) above and the capitalisation of cost to obtain contract collectively resulted in an increase of RM0.764 million in retained earnings as at 31 August 2018 and is being classified as Contract Assets. The subsequent assessment was net decrease to the Contract Assets of RM0.020 million for the current quarter ended 30 November 2018.

The overall effects of the adoption of MFRS 9 and MFRS 15 are as follows:

Condensed Consolidated Statement of Profit or Loss for the three months ended 30 November 2018

	Before MFRS Adjustments RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	30.11.2018 After MFRS Adjustments RM'000
Revenue	31,183	(675)	30,508
Cost of sales	(15,778)	433	(15,345)
Gross profit	15,405	(242)	15,163
Other operating income	62	-	62
Distribution expenses	(2,263)	-	(2,263)
Administrative expenses	(3,852)	-	(3,852)
Other operating expenses	(670)	(897)	(1,567)
Results from operating activities	8,682	(1,139)	7,543
Finance income	3	-	3
Finance costs	(913)	-	(913)
Profit before tax	7,772	(1,139)	6,633
Tax expense	(2,529)	278	(2,251)
Net profit for the financial period	5,243	(861)	4,382



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Condensed Consolidated Statement of Profit or Loss for the three months ended 30 November 2017

	As previously stated RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	30.11.2017 As restated RM'000
Revenue	29,478	(1,964)	27,514
Cost of sales	(15,227)	705	(14,522)
Gross profit	14,251	(1,259)	12,992
Other operating income	249	-	249
Distribution expenses	(2,609)	-	(2,609)
Administrative expenses	(4,060)	-	(4,060)
Other operating expenses	(739)	(1,461)	(2,200)
Results from operating activities	7,092	(2,720)	4,372
Finance income	13	-	13
Finance costs	(799)	-	(799)
Profit before tax	6,306	(2,720)	3,586
Tax expense	(1,858)	653	(1,205)
Net profit for the financial period	4,448	(2,067)	2,381

Statement of Financial Positions

The impact of adopting both MFRS 9 and MFRS 15 as at 31 August 2018 are as follows:

	As previously reported RM'000	Retrospective adjustments of MFRS RM'000	After MFRS Adjustments RM'000
Assets			
Deferred tax assets	1,227	1,411	2,638
Contract Assets	-	764	764
Trade and other receivables	56,032	(3,526)	52,506
Impact to assets	57,259	(1,351)	55,908
Liabilities			
Contract Liabilities	-	(3,118)	(3,118)
Trade and other payables	(18,992)	-	(18,992)
Impact to liabilities	(18,992)	(3,118)	(22,110)
Equity			
Retained Earnings	(76,099)	4,469	(71,630)



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A2. Auditors' Report on Preceding Annual Financial Statements

The Auditors' Reports on the financial statements of the Company and its subsidiaries for the financial year ended 31 August 2018 were not qualified.

A3. Seasonality or Cyclicity of Operations

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

Nevertheless, the Group takes the seasonality patterns into consideration in our cash flow planning. In addition, the Group has implemented strategies to reduce the seasonality patterns such as expanding our market shares for non-academic segment which is less prone to seasonality, and entering into new market segments.

A4. Unusual Items

There were no significant items affecting the assets, liabilities, equity, net income, or cash flows of the Group that are unusual because of their nature, size and incidence during the current financial quarter and current financial year-to-date.

A5. Changes in Estimates

There were no material changes in the estimates that have a material effect in the current financial quarter and financial year-to-date other than the effect of adoption of MFRS 9 as disclosed in Note A1.

A6. Debt and Equity Securities

(i) Employees' Share Option Scheme ("ESOS")

The Company has implemented an ESOS of up to ten percent (10%) of the Company's issued and paid-up share capital (excluding treasury shares, if any) for the eligible employees and executive directors of the Group effective from 1 September 2016. As at the date of this report, the Company has yet to grant any options under the ESOS.

(ii) Repurchase of Shares

The Company did not repurchase any of its own shares from the open market during the current financial quarter.

Save as disclosed above, there was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current financial quarter and current financial year-to-date.

A7. Dividend Paid

No dividend was paid by the Company in the current financial quarter.



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A8. Segment Information

Segmental information is presented by the Group in accordance with the Group's operations and products, to provide for better monitoring and management, and clearer performance reporting.

Current financial quarter/year-to-date ended 30 November 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	28,645	1,300	1,040	(477)	30,508
Cost of sales	(14,033)	(1,197)	(442)	327	(15,345)
Gross profit/(loss)	14,612	103	598	(150)	15,163
Add/(Less):					
Other operating income					62
Distribution expenses					(2,263)
Administrative expenses					(3,852)
Other operating expenses					(1,567)
Results from operating activities					7,543

Preceding financial year's corresponding quarter/year-to-date ended 30 November 2017

	Print Publishing RM'000 (Restated)	Digital & Network Marketing * RM'000 (Restated)	ALP & STEM Education ^ RM'000 (Restated)	Inter-segment elimination RM'000 (Restated)	Total RM'000 (Restated)
Revenue	26,094	1,743	686	(1,009)	27,514
Cost of sales	(13,427)	(1,660)	(196)	761	(14,522)
Gross profit	12,667	83	490	(248)	12,992
Add/(Less):					
Other operating income					249
Distribution expenses					(2,609)
Administrative expenses					(4,060)
Other operating expenses					(2,200)
Results from operating activities					4,372

Notes:

* Digital/Online and Technology-enabled Solutions and Network Marketing Business Division

^ Applied Learning Products and Science, Technology, Engineering and Mathematics ("STEM") Education Services Division



A9. Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment undertaken in the current financial quarter.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the current financial quarter up to the date of this report.

A11. Effects of Changes in Composition of the Group

There were no changes in the composition of the Group during the current financial quarter and current financial year-to-date.

A12. Capital Commitments

There were no material capital commitments for the Group at the end of the current financial quarter.

A13. Changes in Contingent Liabilities and Contingent Assets

Contingent Liabilities

There were no material changes in the Group's contingent liabilities since the last audited statement of financial position as at 31 August 2018.

Contingent Assets

The Group does not have any material contingent assets as at 30 November 2018.



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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

Current Quarter ended 30 November 2018 against Preceding Financial Year's Corresponding Quarter ended 30 November 2017

The Group recorded a revenue of RM30.508 million for the current financial quarter as compared to RM27.514 million for the preceding financial year's corresponding quarter, representing an increase of RM2.994 million (equivalent to 10.9%).

The increase was mainly due to the higher revenue recorded by the Group's Print Publishing Division, which increased from RM26.094 million for the preceding financial year's corresponding quarter to RM28.645 million for the current financial quarter, due to better performance arising from the higher revenue from new textbook contracts with the Ministry of Education ("MoE"), non-academic products and contribution from the sales of Marshall Cavendish Education ("MCE") products. The increase was partly off-set by the drop in school workbook-related revenue. There were no contribution from the MCE products in the preceding financial year's corresponding quarter as the exclusive right to promote, market, advertise, sell and distribute certain MCE-published titles was obtained in November 2017.

The increase in revenue from the Print Publishing Division and the Applied Learning Products and STEM Education Services Division were partly offset by the lower contribution from the Digital & Network Marketing Division, which declined from RM1.743 million (after adjustments for adoption of MFRS 15) for the preceding financial year's corresponding quarter to RM1.300 million for the current financial quarter.

The Group recorded a profit before tax ("PBT") of RM6.633 million for the current financial quarter vis-à-vis a PBT of RM3.586 million for the preceding financial year's corresponding quarter. The increase in the PBT by RM3.047 million was mainly due to the higher revenue achieved and lower expenses incurred for the current financial quarter as a result of the Group's continuous efforts in optimising the operational efficiency. The additional impairment loss on trade receivables required to be recognised upon adoption of MFRS 9 during the current financial quarter of RM0.897 million was also lower than the preceding year's corresponding quarter of RM1.461 million.

B2. Variation of Results for the Current Financial Quarter ended 30 November 2018 against the Immediate Preceding Financial Quarter

	Current Quarter 30.11.2018 RM'000	Preceding Quarter 31.08.2018 RM'000 (Restated)	Change RM'000
Revenue	30,508	12,516	17,992
Profit Before Tax	6,633	(9,609)	16,242

The Group's revenue showed a significant increase of RM17.992 million (equivalent to 143.8%) from RM12.516 million for the immediate preceding financial quarter to RM30.508 million for the current financial quarter. The increase in revenue was due to the immediate preceding financial quarter being a weak quarter as explained in Note A3.

The Group recorded a significant increase in PBT of RM16.242 million, from a loss of RM9.609 million for the immediate preceding financial quarter to a PBT of RM6.633 million for the current financial quarter due to supply of text books to the MoE, recovery of market demand for the new academic year and lower expenses incurred for the current financial quarter as a result of the Group's continuous efforts in optimising the operational efficiency.



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B3. Group's Prospects for the financial year ending ("FYE") 31 August 2019

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

Despite the Group's efforts in pursuing growth for our other segments in FYE 31 August 2018, the results was below expectation due to the prevailing weak retail market conditions and the workbook "ban" enforced by the MoE.

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

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

In order to reduce dependency on the local market, the Group will also step up its marketing efforts in the rights licensing and book export market. We have participated in the Frankfurt Book Fair in October 2018 and our early education products with Augmented Reality (AR) technology were met with positive responses that led to many enquiries. Going forward, the Group will participate in all major international book fairs as part of our efforts to grow export-based revenue.

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

B4. Variance of Profit Forecast

No profit forecast has been issued by the Group previously in any public document.



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B5. Notes to the Statement of Comprehensive Income

The profit before tax is arrived at after charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.11.2018 RM'000	Preceding Year Quarter 30.11.2017 RM'000 (Restated)	Current Year-To-Date 30.11.2018 RM'000	Preceding Year-To-Date 30.11.2017 RM'000 (Restated)
Amortisation of intangible assets	346	330	346	330
Depreciation on property, plant and equipment	604	626	604	626
Depreciation on investment properties	14	13	14	13
Gain on disposal of property, plant and equipment	-	(32)	-	(32)
Impairment loss on trade receivables	958	1,629	958	1,629
Finance costs	913	799	913	799
Finance income	(3)	(13)	(3)	(13)
Realised foreign exchange (gain)/loss	(8)	(31)	(8)	(31)
Provision for sales returns	1,315	664	1,315	664

Save as disclosed above, the other items as required under paragraph 16 of Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Securities are not applicable.

B6. Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.11.2018 RM'000	Preceding Year Quarter 30.11.2017 RM'000 (Restated)	Current Year-To-Date 30.11.2018 RM'000	Preceding Year-To-Date 30.11.2017 RM'000 (Restated)
Current tax expense				
- Current period	2,596	2,002	2,596	2,002
- Prior period	-	29	-	29
	2,596	2,031	2,596	2,031
Deferred tax expense				
- Current period	(313)	(786)	(313)	(786)
- Prior period	(32)	(40)	(32)	(40)
	(345)	(826)	(345)	(826)
Total tax expense	2,251	1,205	2,251	1,205

The effective tax rate for the current financial quarter and current financial year-to-date is higher than the statutory tax rate of 24% mainly due to certain expenses not allowable for income tax purposes.



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B7. Status of Corporate Proposals and Utilisation of Proceeds

As at the date of this report:

- (i) There are no corporate proposals announced but not completed; and
- (ii) all proceeds from corporate proposals implemented by the Company in the past have been fully utilised.

B8. Loans and Borrowings

The Group's loans and borrowings as at 30 November 2018 were as follows:

	As at 30.11.2018 RM'000	As at 31.08.2018 RM'000
Non-current		
Finance lease liabilities	64	72
Term loans - secured	15,788	16,486
	<u>15,852</u>	<u>16,558</u>
Current		
Finance lease liabilities	30	30
Term loans - secured	3,819	3,959
Bank overdrafts - secured	22,011	19,570
Bankers' acceptances - secured	8,398	2,538
	<u>34,258</u>	<u>26,097</u>
	<u>50,110</u>	<u>42,655</u>

The above borrowings are denominated in Ringgit Malaysia.

B9. Material Litigation

There is no pending material litigation at the date of this report.



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B10. Dividend

No dividend has been declared or recommended for payment by the Company for the current financial quarter.

B11. Earnings Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current financial quarter is computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.11.2018 RM'000	Preceding Year Quarter 30.11.2017 RM'000 (Restated)	Current Year-To-Date 30.11.2018 RM'000	Preceding Year-To-Date 30.11.2017 RM'000 (Restated)
Net profit attributable to owners of the Company	4,382	2,381	4,382	2,381
Weighted average number of ordinary shares in issue ('000)	419,099	419,099	419,099	419,099
Basic earnings per ordinary share (sen)	1.05	0.57	1.05	0.57

(b) Diluted Earnings Per Share

Diluted earnings per share were not computed as the Company does not have any dilutive potential ordinary shares in issue for the current financial quarter.

B12. Derivative Financial Instruments

The Group did not enter into any derivative financial instruments which were outstanding as at 30 November 2018.

By order of the Board
 Kuala Lumpur
 22 January 2019