



SASBADI HOLDINGS BERHAD (1022660-T)

Incorporated in Malaysia under the Companies Act, 1965
SECOND QUARTER REPORT ENDED 28 FEBRUARY 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND SIX (6) MONTHS ENDED 28 FEBRUARY 2017 ⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 28.02.2017 RM'000	Preceding Year Quarter 29.02.2016 RM'000	Current Year-To-Date 28.02.2017 RM'000	Preceding Year-To-Date 29.02.2016 RM'000
Revenue	27,173	33,856	58,384	54,886
Cost of sales	(10,224)	(16,518)	(26,521)	(28,258)
Gross profit	16,949	17,338	31,863	26,628
Other operating income	64	12	290	17
Distribution expenses	(3,110)	(3,011)	(5,530)	(5,003)
Administrative expenses	(6,322)	(4,767)	(11,808)	(8,365)
Other operating expenses	(63)	(315)	(536)	(502)
Results from operating activities	7,518	9,257	14,279	12,775
Finance income	26	66	77	75
Finance costs	(461)	(285)	(894)	(572)
Profit before tax	7,083	9,038	13,462	12,278
Tax expense	(1,891)	(2,374)	(3,519)	(3,294)
Net profit for the financial period	5,192	6,664	9,943	8,984
Other comprehensive income for the financial period, net of tax				
Fair value of available-for-sale financial assets	23	29	10	29
Total comprehensive income for the financial period	5,215	6,693	9,953	9,013
Net profit for the financial period attributable to:				
- Owners of the Company	5,369	6,635	9,706	8,667
- Non-controlling interests	(177)	29	237	317
	5,192	6,664	9,943	8,984
Total comprehensive income attributable to :				
- Owners of the Company	5,385	6,655	9,713	8,687
- Non-controlling interests	(170)	38	240	326
	5,215	6,693	9,953	9,013
Earnings per share (sen) attributable to owners of the Company:				
- Basic ⁽²⁾	1.92	2.50	3.47	3.34
- 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 2016 and the accompanying explanatory notes attached to these interim financial statements.

(2) Based on the weighted average number of ordinary shares in issue as detailed in Note B11.

N/A Not applicable



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2017 (1)

	Unaudited As at 28.02.2017 RM'000	Audited As at 31.08.2016 RM'000
ASSETS		
Property, plant and equipment	44,834	42,581
Investment properties	2,611	2,637
Intangible assets	27,223	27,737
Other investments	377	367
Deferred tax assets	1,231	1,018
Total non-current assets	76,276	74,340
Inventories	57,034	47,869
Current tax assets	3,207	2,657
Trade and other receivables	61,098	51,689
Prepayments	2,692	2,486
Cash and cash equivalents	17,386	25,885
Total current assets	141,417	130,586
Total assets	217,693	204,926
EQUITY		
Share capital	69,850	69,850
Share premium	38,401	38,401
Treasury shares	(1)	-
Reserves	45,614	39,393
Equity attributable to owners of the Company	153,864	147,644
Non-controlling interests	5,707	5,467
Total equity	159,571	153,111
LIABILITIES		
Loans and borrowings	8,877	9,517
Deferred tax liabilities	6,843	7,429
Total non-current liabilities	15,720	16,946
Loans and borrowings	19,385	10,519
Provisions	2,657	1,062
Trade and other payables	18,432	22,351
Current tax liabilities	1,928	937
Total current liabilities	42,402	34,869
Total liabilities	58,122	51,815
Total equity and liabilities	217,693	204,926
Net assets per share attributable to owners of the Company (RM)	0.55	0.53

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 2016 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 SIX (6) MONTHS ENDED 28 FEBRUARY 2017 (1)

	<----- Non-distributable ----->					Distributable			Non-	
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Merger deficit RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	controlling interests RM'000	Total equity RM'000
At 1 September 2016	69,850	38,401	-	(50,500)	17	13,596	76,280	147,644	5,467	153,111
Fair value of available-for-sale financial assets	-	-	-	-	7	-	-	7	3	10
Total other comprehensive income	-	-	-	-	7	-	-	7	3	10
Net profit for the financial period	-	-	-	-	-	-	9,706	9,706	237	9,943
Total comprehensive income for the financial period	-	-	-	-	7	-	9,706	9,713	240	9,953
Contributions by and distributions to owners of the Company										
Repurchase of shares	-	-	(1)	-	-	-	-	(1)	-	(1)
Dividends to owners of the Company	-	-	-	-	-	-	(3,492)	(3,492)	-	(3,492)
Total transactions with owners of the Company	-	-	(1)	-	-	-	(3,492)	(3,493)	-	(3,493)
At 28 February 2017	69,850	38,401	(1)	(50,500)	24	13,596	82,494	153,864	5,707	159,571



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	Non-distributable ----->				Distributable		Non-controlling interests		Total equity
	Share capital RM'000	Share premium RM'000	Merger deficit RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	RM'000	RM'000
At 1 September 2015	63,500	13,461	(50,500)	-	13,596	65,173	105,230	5,061	110,291
Fair value of available-for-sale financial assets	-	-	-	20	-	-	20	9	29
Total other comprehensive income	-	-	-	20	-	-	20	9	29
Net profit for the financial period	-	-	-	-	-	8,667	8,667	317	8,984
Total comprehensive income for the financial period	-	-	-	20	-	8,667	8,687	326	9,013
<i>Contributions by and distributions to owners of the Company</i>									
Issuance of ordinary shares	6,350	25,273	-	-	-	-	31,623	-	31,623
Share issuance expenses	-	(333)	-	-	-	-	(333)	-	(333)
Dividends to owners of the Company	-	-	-	-	-	(2,794)	(2,794)	-	(2,794)
Total transactions with owners of the Company	6,350	24,940	-	-	-	(2,794)	28,496	-	28,496
At 29 February 2016	69,850	38,401	(50,500)	20	13,596	71,046	142,413	5,387	147,800

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 2016 and the accompanying explanatory notes attached to these interim financial statements.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX (6) MONTHS ENDED 28 FEBRUARY 2017 ⁽¹⁾

	Current Year-To-Date 28.02.2017 RM'000	Preceding Year-To-Date 29.02.2016 RM'000
Cash flows from operating activities		
Profit before tax	13,462	12,278
Adjustments for:		
Amortisation of intangible assets	1,052	662
Depreciation on property, plant and equipment	1,224	1,217
Depreciation on investment properties	26	-
Write-off of property, plant and equipment	10	-
Impairment loss on trade receivables	558	-
Gain on disposal of property, plant and equipment	(187)	(5)
Interest expense	849	549
Interest income	(77)	(75)
Provision for sales returns	1,595	1,267
Operating profit before changes in working capital	18,512	15,893
Changes in inventories	(9,140)	(1,491)
Changes in trade and other receivables and prepayments	(10,100)	(11,524)
Changes in trade and other payables	(4,014)	2,347
Cash (used in) / generated from operations	(4,742)	5,225
Tax paid	(3,884)	(3,217)
Interest paid	(570)	(487)
Interest received	77	75
Net cash (used in) / generated from operating activities	(9,119)	1,596
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	225	5
Acquisition of subsidiaries, net of cash and cash equivalents	(848)	-
Acquisition of intangible assets	(4)	-
Acquisition of property, plant and equipment	(3,163)	(7,936)
Net cash used in investing activities	(3,790)	(7,931)
Cash flows from financing activities		
Net drawdown / (repayment) of bankers' acceptance	1,968	(941)
Repayment of finance lease liabilities	(63)	(58)
Repayment of term loans	(798)	(46)
Proceeds from term loan	-	6,300
Net proceeds from issuance of shares	-	31,289
Purchase of treasury shares	(1)	-
Dividends paid	(3,492)	-
Interest paid	(279)	(62)
Net cash (used in) / generated from financing activities	(2,665)	36,482
Net decrease in cash and cash equivalents	(15,574)	30,147
Cash and cash equivalents at beginning of the financial period	17,293	45
Cash and cash equivalents at end of the financial period	1,719	30,192

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX (6) MONTHS ENDED 28 FEBRUARY 2017 ⁽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 28.02.2017 RM'000	Preceding Year-To-Date 29.02.2016 RM'000
Cash and bank balances	13,374	25,896
Deposit placed with a licensed bank	1,012	39
Short term funds	3,000	10,000
	<u>17,386</u>	<u>35,935</u>
Less: Bank overdrafts	<u>(15,667)</u>	<u>(5,743)</u>
	<u>1,719</u>	<u>30,192</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 2016 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 2016 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 2016.

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 2016, 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 2017

- . Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)*
- . Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- . Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

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

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

- . MFRS 16, *Leases*



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MFRSs, Interpretations and amendments effective for a date yet to be confirmed

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

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

- From the annual period beginning on 1 September 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- From the annual period beginning on 1 September 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.
- From the annual period beginning on 1 September 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations is not expected to have any material financial impacts to the financial statements of the Group except as mentioned below:

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.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, Revenue from Contracts with Customers

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

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*.

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

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 2016 were not qualified.

A3. Seasonality or Cyclicity of Operations

The Group's business operations are exposed to seasonality patterns as the Group generally experiences significantly higher quarterly sales in the second financial quarter (December to February) compared to the other three (3) 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.

Notwithstanding the above, the Group recorded significantly higher sales in the immediate preceding financial quarter (i.e. September 2016 to November 2016) as explained in Note B1 below.



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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 changes in the estimates that have a material effect in the current financial quarter and current financial year-to-date.

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

On 6 September 2016, the Company purchased 1,000 of its own shares from the open market at a price of RM1.11 per share, which was financed by internally generated funds. The purchased shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

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

On 22 February 2017, the Company paid a final single tier dividend of 1.25 sen per ordinary share amounting to RM3.492 million in respect of the financial year ended 31 August 2016.



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A8. Segment Information

Segmental information is presented in accordance with the Group's entities, which are the Group's strategic business units.

Current financial quarter ended 28 February 2017

	Sasbadi				United			
	Online		Sasbadi		Publishing House (M)		Inter-	
	Sasbadi Sdn Bhd & Mindtech	Education Sdn Bhd	Orbit Bukit Sdn Bhd	Malaysian Book Promotions Sdn Bhd	Sasbadi Learning Solutions Sdn Bhd and its subsidiaries	Sanjung Unggul Sdn Bhd and its subsidiaries	Other entities	company elimination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	22,262	1,348	207	1,620	813	2,986	-	(3,966)
Cost of sales	(8,723)	(1,155)	(213)	(996)	(384)	(1,737)	-	3,919
Gross profit	13,539	193	(6)	624	429	1,249	-	(47)
Add/(Less):								
Other operating income								64
Distribution expenses								(3,110)
Administrative expenses								(6,322)
Other operating expenses								(63)
Results from operating activities								7,518

Current financial year to date ended 28 February 2017

	Sasbadi				United			
	Online		Sasbadi		Publishing House (M)		Inter-	
	Sasbadi Sdn Bhd & Mindtech	Education Sdn Bhd	Orbit Bukit Sdn Bhd	Malaysian Book Promotions Sdn Bhd	Sasbadi Learning Solutions Sdn Bhd and its subsidiaries	Sanjung Unggul Sdn Bhd and its subsidiaries	Other entities	company elimination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	43,114	2,554	652	2,804	1,273	11,068	-	(6,963)
Cost of sales	(19,761)	(2,221)	(570)	(1,307)	(717)	(6,993)	-	6,916
Gross profit	23,353	333	82	1,497	556	4,075	-	(47)
Add/(Less):								
Other operating income								290
Distribution expenses								(5,530)
Administrative expenses								(11,808)
Other operating expenses								(536)
Results from operating activities								14,279



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A8. Segment Information

Segmental information is presented in accordance with the Group's entities, which are the Group's strategic business units.

Preceding financial year's corresponding quarter ended 29 February 2016

	Sasbadi Holdings Berhad RM'000	Sasbadi Sdn Bhd RM'000	Sasbadi Online Sdn Bhd RM'000	Orbit Buku Sdn Bhd RM'000	Malaysian Book Promotions Sdn Bhd RM'000	Sasbadi Learning Solutions Sdn Bhd RM'000	Sanjung Unggul Sdn Bhd and its subsidiaries RM'000	Other entities RM'000	Inter-company elimination RM'000	Total RM'000
Revenue	3,000	27,639	842	732	1,102	1,754	4,294	-	(5,507)	33,856
Cost of sales	-	(13,354)	(681)	(393)	(630)	(877)	(3,090)	-	2,507	(16,518)
Gross profit	3,000	14,285	161	339	472	877	1,204	-	(3,000)	17,338
Add/(Less):										
Other operating income										12
Distribution expenses										(3,011)
Administrative expenses										(4,767)
Other operating expenses										(315)
Results from operating activities										9,257

Preceding financial year's corresponding year-to-date ended 29 February 2016

	Sasbadi Holdings Berhad RM'000	Sasbadi Sdn Bhd RM'000	Sasbadi Online Sdn Bhd RM'000	Orbit Buku Sdn Bhd RM'000	Malaysian Book Promotions Sdn Bhd RM'000	Sasbadi Learning Solutions Sdn Bhd RM'000	Sanjung Unggul Sdn Bhd and its subsidiaries RM'000	Other entities RM'000	Inter-company elimination RM'000	Total RM'000
Revenue	3,000	42,377	1,694	979	1,928	2,505	9,648	-	(7,245)	54,886
Cost of sales	-	(22,047)	(1,260)	(551)	(975)	(1,248)	(6,422)	-	4,245	(28,258)
Gross profit	3,000	20,330	434	428	953	1,257	3,226	-	(3,000)	26,628
Add/(Less):										
Other operating income										17
Distribution expenses										(5,003)
Administrative expenses										(8,365)
Other operating expenses										(502)
Results from operating activities										12,775



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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

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

The effect of the acquisition of 100% equity interest in Distinct Motion on the Group is as follows:

	RM'000
Purchase consideration	850
Provisional fair value of identifiable net assets of Distinct Motion Group	(316)
Goodwill on acquisition	<u>534</u>

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

	As at 28.02.2017 RM'000	As at 31.08.2016 RM'000
Bank guarantees obtained by the subsidiaries to the Ministry of Education Malaysia	<u>535</u>	<u>338</u>

Contingent Assets

The Group does not have any material contingent assets as at 28 February 2017.



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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 28 February 2017 against Preceding Financial Year's Corresponding Quarter ended 29 February 2016

The Group recorded a revenue of RM27.173 million for the current financial quarter as compared to RM33.856 million for the preceding financial year's corresponding quarter, representing a decrease of RM6.683 million (equivalent to a 19.7% decrease).

The decrease in revenue was mainly attributable to the lower revenue recorded by our subsidiaries, i.e. Sasbadi Sdn Bhd (declined by RM5.377 million), the Sasbadi Learning Solutions Group (i.e. Sasbadi Learning Solutions Sdn Bhd and its subsidiaries) (declined by RM0.941 million) and the Sanjung Unggul Group (i.e. Sanjung Unggul Sdn Bhd and its subsidiaries) (declined by RM1.308 million), partly offset by the consolidation of the revenue of the United Publishing Group (i.e. United Publishing House (M) Sdn Bhd and its subsidiaries) (RM1.903 million) post acquisition by the Company in August 2016. Our online/digital products division, spearheaded by Sasbadi Online Sdn Bhd and Mindtech Education Sdn Bhd ("Mindtech Education"), continued to record higher revenue with the commencement of Mindtech Education's operations in direct sales/network marketing in June 2016.

The decrease in the revenue of the above-mentioned subsidiaries was mainly due to weaker market conditions coupled with the delay by the Group in the publishing of certain book titles to the third financial quarter (i.e. March 2017 to May 2017).

The Group recorded a profit before tax ("PBT") of RM7.083 million for the current financial quarter vis-a-vis RM9.038 million for the preceding financial year's corresponding quarter. The decrease was mainly due to the drop in revenue as explained above, coupled with higher operating costs recorded by the Group (with the consolidation of the United Publishing Group's results), which include higher cost of amortisation of intellectual properties and interest expense arising from higher gearing.

Current Financial Year-to-Date ended 28 February 2017 against Preceding Financial Year's Corresponding Year-to-Date ended 29 February 2016

The Group recorded an increase in revenue of RM3.498 million (equivalent to 6.4%) from RM54.886 million for the preceding financial year's corresponding year-to-date to RM58.384 million for the current financial year-to-date. Similarly, the Group recorded an increase in PBT of RM1.184 million (equivalent to 9.6%) from RM12.278 million for the preceding financial year's corresponding year-to-date to RM13.462 million for the current financial year-to-date.

The increase in revenue and PBT was mainly due to the higher revenue recorded by the Group in the first financial quarter (i.e. September 2016 to November 2016) from the delivery/supply of robotics sets, and new and reprinted textbooks to schools under contracts with the Ministry of Education Malaysia.

B2. Variation of Results for the Current Financial Quarter ended 28 February 2017 against the Immediate Preceding Financial Quarter

The Group recorded a revenue of RM27.173 million for the current financial quarter as compared to the immediate preceding financial quarter's revenue of RM31.211 million, a decrease of RM4.038 million (equivalent to 12.9%). The decrease in revenue was mainly due to the higher revenue recorded by the Group in the immediate preceding financial quarter as explained above.

The Group recorded a PBT of RM7.083 million for the current financial quarter as compared to RM6.379 million for the immediate preceding financial quarter, an increase of RM0.704 million (equivalent to 11.0%). The increase in PBT was mainly due to better gross profit margin recorded by the Group, partly offset by higher operating costs.



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B3. Group's Prospects for the financial year ending ("FYE") 31 August 2017

Notwithstanding the lower profits recorded in the second financial quarter (i.e. December 2016 to February 2017), the Group has achieved healthy growth in revenue and profits for the first six (6) months of FYE 31 August 2017 amid the weak market conditions.

The Group remains steadfast in pursuing what we have set out to achieve for FYE 31 August 2017, i.e. to continue pursuing organic and inorganic growth. In this regard, the Group will continue to, among others, (i) unleash the full potentials of the Group's assets by leveraging on the strengths, competencies and intellectual properties across our existing and acquired subsidiaries to expand our product offerings and sales, and improve efficiency and effectiveness; (ii) develop and introduce new print and online/digital educational products and materials to the market (including print materials that are embedded with the Group's in-house developed technology); (iii) grow our direct sales/network marketing channel via Mindtech Education, and STEM (i.e. Science, Technology, Engineering and Mathematics) offerings via the Sasbadi Learning Solutions Group; (iv) explore opportunities for tenders under the Ministry of Education Malaysia; and (v) pursue acquisition opportunities that are synergistic or complementary to the Group.

Premised on the above and barring any unforeseen circumstances, the Group remains positive of our prospects and performance for FYE 31 August 2017.

B4. Variance of Profit Forecast

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

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 28.02.2017 RM'000	Preceding Year Quarter 29.02.2016 RM'000	Current Year-To-Date 28.02.2017 RM'000	Preceding Year-To-Date 29.02.2016 RM'000
Amortisation of intangible assets	505	331	1,052	662
Depreciation on property, plant and equipment	610	604	1,224	1,217
Depreciation on investment properties	13	-	26	-
Gain on disposal of property, plant and equipment	-	-	(187)	(5)
Write-off of property, plant and equipment	10	-	10	-
Impairment loss on trade receivables	-	-	558	-
Interest expense	442	267	849	549
Interest income	(26)	(66)	(77)	(75)
Provision for / (Reversal of) inventories write-down	-	(34)	-	174
Realised foreign exchange loss	39	-	26	1
Provision for sales returns	952	1,071	1,595	1,267

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.



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B6. Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 28.02.2017 RM'000	Preceding Year Quarter 29.02.2016 RM'000	Current Year-To-Date 28.02.2017 RM'000	Preceding Year-To-Date 29.02.2016 RM'000
Current tax expense				
- Current period	2,097	2,657	4,437	3,683
- Prior period	-	-	(112)	-
	<u>2,097</u>	<u>2,657</u>	<u>4,325</u>	<u>3,683</u>
Deferred tax expense				
- Current period	(206)	(283)	(708)	(389)
- Prior period	-	-	(98)	-
	<u>(206)</u>	<u>(283)</u>	<u>(806)</u>	<u>(389)</u>
Total income tax expense	<u>1,891</u>	<u>2,374</u>	<u>3,519</u>	<u>3,294</u>

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.

B7. Status of Corporate Proposals and Utilisation of Proceeds

(i) Status of Corporate Proposals

There are no corporate proposals announced but not completed as at the date of this report.

(ii) Utilisation of proceeds

On 20 January 2016, the Company completed a private placement exercise involving the placement of 12,700,000 new ordinary shares in the Company at RM2.49 per share to third party investors ("Placement"), raising gross proceeds of RM31.623 million. The status of the utilisation of the Placement proceeds as at the date of this report is as follows:



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Purpose		Proposed utilisation	Actual utilisation	Deviation	Balance	Estimated timeframe for utilisation
		RM'000	RM'000	RM'000	RM'000	
(i)	Part financing of future acquisition(s) of publishing/ education/ education-related business(es), or intellectual property rights	11,000 [^]	(6,000)	-	5,000	By 19 July 2017
(ii)	Part repayment of bank borrowings	12,400 [^]	(12,400)	-	-	By 31 October 2016 [^]
(iii)	Working capital	5,103	(5,236) [*]	133 [*]	-	By 19 July 2016
(iv)	Estimated expenses in relation to the proposals	520	(387) [*]	(133) [*]	-	By 19 April 2016 ^{^^}
(v)	Financing of acquisition of properties	2,600 [^]	(2,600)	-	-	By 28 February 2017 [^]
Total gross proceeds		31,623	(26,623)	-	5,000	

Notes:

[^] Revised as per the Company's announcement dated 9 September 2016.

^{^^} Revised as per the Company's announcement dated 18 February 2016.

^{*} The variation in the actual amount of the expenses was re-allocated for working capital purposes as per the Company's announcement dated 21 December 2015.



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B8. Loans and Borrowings

The Group's loans and borrowings as at 28 February 2017 were as follows:

	As at 28.02.2017 RM'000	As at 31.08.2016 RM'000
Non-current		
Finance lease liabilities	116	123
Term loans - secured	8,761	9,394
	<u>8,877</u>	<u>9,517</u>
Current		
Finance lease liabilities	69	125
Term loans - secured	874	995
Bank overdrafts - secured	15,667	8,592
Bankers' acceptances - secured	2,775	807
	<u>19,385</u>	<u>10,519</u>
	<u>28,262</u>	<u>20,036</u>

The above borrowings are denominated in Ringgit Malaysia.

B9. Material Litigation

The Group is not engaged in any material litigation either as plaintiff or defendant, which has a material effect on the financial position of the Group, and the Directors do not have any knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group, as at the date of this report.

B10. Dividend

On 25 April 2017, the Board of Directors of the Company has declared and approved the payment of an interim single tier dividend of one (1) sen per ordinary share in respect of the financial year ending 31 August 2017. The interim dividend will be paid on 31 May 2017 to shareholders registered in the Record of Depositors as at 16 May 2017.



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B11. Earnings Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current financial quarter and current financial year-to-date are computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 28.02.2017 RM'000	Preceding Year Quarter 29.02.2016 RM'000	Current Year-To-Date 28.02.2017 RM'000	Preceding Year-To-Date 29.02.2016 RM'000
Net profit attributable to owners of the Company	5,369	6,635	9,706	8,667
Weighted average number of ordinary shares in issue ('000)	279,399	265,444 [^]	279,399	259,722 [^]
Basic earnings per ordinary share (sen)	1.92	2.50	3.47	3.34

Note:

[^] On 9 March 2016, the Company completed a share split involving the subdivision of every one (1) existing ordinary share of RM0.50 each in the Company into two (2) ordinary shares of RM0.25 each in the Company. The comparative figures have been restated to reflect the effects of the share split.

(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. Realised and Unrealised Profits/(Losses) Disclosure

The breakdown of the retained earnings of the Group as at the end of the current financial quarter into realised and unrealised profits/(losses) # is as follows:

	As at 28.02.2017 RM'000	As at 31.08.2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	90,763	83,776
- Unrealised	(8,269)	(7,496)
Total retained earnings	82,494	76,280

Note:

Prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants on 20 December 2010.

By order of the Board
Kuala Lumpur
25 April 2017