**SASBADI HOLDINGS BERHAD (1022660-T)**
**Incorporated in Malaysia**
**THIRD QUARTER REPORT ENDED 31 MAY 2017**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND NINE (9) MONTHS ENDED 31 MAY 2017 (1)**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter 31.05.2017 RM'000 | Preceding Year Quarter 31.05.2016 RM'000 | Current Year-To-Date 31.05.2017 RM'000 | Preceding Year-To-Date 31.05.2016 RM'000 |
| **Revenue** | 21,687 | 22,416 | 80,071 | 77,302 |
| Cost of sales | (11,362) | (10,990) | (37,883) | (39,248) |
| **Gross profit** | 10,325 | 11,426 | 42,188 | 38,054 |
| Other operating income | 53 | 307 | 343 | 324 |
| Distribution expenses | (2,430) | (2,144) | (7,960) | (7,147) |
| Administrative expenses | (3,858) | (3,632) | (15,666) | (11,997) |
| Other operating expenses | (93) | (211) | (629) | (713) |
| **Results from operating activities** | 3,997 | 5,746 | 18,276 | 18,521 |
| Finance income | 42 | 175 | 119 | 250 |
| Finance costs | (507) | (222) | (1,401) | (794) |
| **Profit before tax** | 3,532 | 5,699 | 16,994 | 17,977 |
| Tax expense | (916) | (1,642) | (4,435) | (4,936) |
| **Net profit for the financial period** | 2,616 | 4,057 | 12,559 | 13,041 |
| **Other comprehensive income for the financial period, net of tax** | | | | |
| Fair value of available-for-sale financial assets | (3) | (18) | 7 | 11 |
| **Total comprehensive income for the financial period** | 2,613 | 4,039 | 12,566 | 13,052 |
| **Net profit for the financial period attributable to:** | | | | |
| - Owners of the Company | 2,563 | 3,844 | 12,269 | 12,511 |
| - Non-controlling interests | 53 | 213 | 290 | 530 |
| | 2,616 | 4,057 | 12,559 | 13,041 |
| **Total comprehensive income attributable to :** | | | | |
| - Owners of the Company | 2,561 | 3,832 | 12,274 | 12,519 |
| - Non-controlling interests | 52 | 207 | 292 | 533 |
| | 2,613 | 4,039 | 12,566 | 13,052 |
| **Earnings per share (sen) attributable to owners of the Company:** | | | | |
| - Basic (2) | 0.92 | 1.38 | 4.39 | 4.70 |
| - 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*

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2017 (1)

| | Unaudited As at 31.05.2017 RM'000 | Audited As at 31.08.2016 RM'000 |
|---|---|---|
| **ASSETS** | | |
| Property, plant and equipment | 44,872 | 42,581 |
| Investment properties | 2,598 | 2,637 |
| Intangible assets | 26,717 | 27,737 |
| Other investments | 374 | 367 |
| Deferred tax assets | 1,182 | 1,018 |
| **Total non-current assets** | 75,743 | 74,340 |
| Inventories | 59,660 | 47,869 |
| Current tax assets | 3,268 | 2,657 |
| Trade and other receivables | 57,106 | 51,689 |
| Prepayments | 2,930 | 2,486 |
| Cash and cash equivalents | 15,726 | 25,885 |
| **Total current assets** | 138,690 | 130,586 |
| **Total assets** | **214,433** | **204,926** |
| **EQUITY** | | |
| Share capital | 69,850 | 69,850 |
| Share premium | 38,401 | 38,401 |
| Treasury shares | (1) | - |
| Reserves | 45,381 | 39,393 |
| **Equity attributable to owners of the Company** | 153,631 | 147,644 |
| Non-controlling interests | 5,759 | 5,467 |
| **Total equity** | 159,390 | 153,111 |
| **LIABILITIES** | | |
| Loans and borrowings | 8,643 | 9,517 |
| Deferred tax liabilities | 6,771 | 7,429 |
| **Total non-current liabilities** | 15,414 | 16,946 |
| Loans and borrowings | 22,153 | 10,519 |
| Provisions | 1,513 | 1,062 |
| Trade and other payables | 14,395 | 22,351 |
| Current tax liabilities | 1,568 | 937 |
| **Total current liabilities** | 39,629 | 34,869 |
| **Total liabilities** | 55,043 | 51,815 |
| **Total equity and liabilities** | **214,433** | **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.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE (9) MONTHS ENDED 31 MAY 2017 (1)**

| | <------ Non-distributable | | | | | ------> | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **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** | **Non-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 | - | - | - | - | 5 | - | - | 5 | 2 | 7 |
| Total other comprehensive income | - | - | - | - | 5 | - | - | 5 | 2 | 7 |
| Net profit for the financial period | - | - | - | - | - | - | 12,269 | 12,269 | 290 | 12,559 |
| **Total comprehensive income for the financial period** | - | - | - | - | 5 | - | 12,269 | 12,274 | 292 | 12,566 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | | |
| Repurchase of shares | - | - | (1) | - | - | - | - | (1) | - | (1) |
| Dividends to owners of the Company | - | - | - | - | - | - | (6,286) | (6,286) | - | (6,286) |
| **Total transactions with owners of the Company** | - | - | (1) | - | - | - | (6,286) | (6,287) | - | (6,287) |
| **At 31 May 2017** | 69,850 | 38,401 | (1) | (50,500) | 22 | 13,596 | 82,263 | 153,631 | 5,759 | 159,390 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE (9) MONTHS ENDED 31 MAY 2016[1] (CONT'D)**

| | <---- Non-distributable | | | | ----> | Distributable | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | Non-controlling interests RM'000 | Total equity 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 | - | - | - | 8 | - | - | 8 | 3 | 11 |
| Total other comprehensive income | - | - | - | 8 | - | - | 8 | 3 | 11 |
| Net profit for the financial period | - | - | - | - | - | 12,511 | 12,511 | 530 | 13,041 |
| **Total comprehensive income for the financial period** | - | - | - | 8 | - | 12,511 | 12,519 | 533 | 13,052 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | |
| Issuance of ordinary shares | 6,350 | 25,273 | - | - | - | - | 31,623 | - | 31,623 |
| Share issuance expenses | - | (334) | - | - | - | - | (334) | - | (334) |
| Dividends to owners of the Company | - | - | - | - | - | (5,588) | (5,588) | - | (5,588) |
| **Total transactions with owners of the Company** | 6,350 | 24,939 | - | - | - | (5,588) | 25,701 | - | 25,701 |
| **At 31 May 2016** | **69,850** | **38,400** | **(50,500)** | **8** | **13,596** | **72,096** | **143,450** | **5,594** | **149,044** |

***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.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE (9) MONTHS ENDED 31 MAY 2017 (1)**

| | Current Year-To-Date 31.05.2017 RM'000 | Preceding Year-To-Date 31.05.2016 RM'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 16,994 | 17,977 |
| Adjustments for: | | |
| Amortisation of intangible assets | 1,558 | 993 |
| Depreciation on property, plant and equipment | 1,850 | 1,824 |
| Depreciation on investment properties | 39 | - |
| Write-off of property, plant and equipment | 10 | - |
| Impairment loss on trade receivables | 568 | - |
| Gain on disposal of property, plant and equipment | (209) | (207) |
| Interest expense | 1,330 | 749 |
| Interest income | (119) | (250) |
| Provision for sales returns | 451 | 386 |
| Operating profit before changes in working capital | 22,472 | 21,472 |
| Changes in inventories | (11,766) | (5,354) |
| Changes in trade and other receivables and prepayments | (6,356) | (9,187) |
| Changes in trade and other payables | (8,051) | 1,697 |
| Cash (used in) / generated from operations | (3,701) | 8,628 |
| Tax paid | (5,244) | (5,495) |
| Interest paid | (928) | (600) |
| Interest received | 119 | 250 |
| Net cash (used in) / generated from operating activities | (9,754) | 2,783 |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property, plant and equipment | 247 | 207 |
| Acquisition of subsidiaries, net of cash and cash equivalents | (848) | - |
| Acquisition of intangible assets | (4) | - |
| Acquisition of property, plant and equipment | (3,827) | (8,814) |
| Net cash used in investing activities | (4,432) | (8,607) |
| **Cash flows from financing activities** | | |
| Net drawdown / (repayment) of bankers' acceptance | 3,185 | (941) |
| Repayment of finance lease liabilities | (86) | (83) |
| Repayment of term loans | (1,025) | (115) |
| Proceeds from term loan | - | 6,300 |
| Net proceeds from issuance of shares | - | 31,289 |
| Purchase of treasury shares | (1) | - |
| Dividends paid | (6,286) | (2,794) |
| Interest paid | (402) | (149) |
| Net cash (used in) / generated from financing activities | (4,615) | 33,507 |
| **Net (decrease)/increase in cash and cash equivalents** | (18,801) | 27,683 |
| **Cash and cash equivalents at beginning of the financial period** | 17,293 | 45 |
| **Cash and cash equivalents at end of the financial period** | (1,508) | 27,728 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE (9) MONTHS ENDED 31 MAY 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 31.05.2017 RM'000 | Preceding Year-To-Date 31.05.2016 RM'000 |
|---|---|---|
| Cash and bank balances | 11,690 | 19,897 |
| Deposit placed with a licensed bank | 1,036 | 39 |
| Short term funds | 3,000 | 10,000 |
| | 15,726 | 29,936 |
| Less: Bank overdrafts | (17,234) | (2,208) |
| | (1,508) | 27,728 |

***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.*

## 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*

***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 Cyclicality 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.

**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.

(iii) Proposed Bonus Issue
On 20 June 2017, the Company announced its proposal to undertake a bonus issue of up to 139,699,500 new ordinary shares of the Companhy ("Bonus Share(s)") to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) existing ordinary shares of the Company, as disclosed in Note B7(i)(a) below. The proposal is currently pending the approval of the shareholders of the Company at the Extraordinary General Meeting to be held on 28 July 2017.

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.

On 31 May 2017, the Company paid an interim single tier dividend of 1.0 sen per ordinary share amounting to RM2.794 million in respect of the financial year ended 31 August 2017.

**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 31 May 2017**

| | Sasbadi Holdings Berhad RM'000 | Sasbadi Sdn Bhd & Malaysian Book Promotions Sdn Bhd RM'000 | Sasbadi Online Sdn Bhd & Mindtech Education Sdn Bhd RM'000 | Orbit Bukit Sdn Bhd RM'000 | Sasbadi Learning Solutions Sdn Bhd and its subsidiaries RM'000 | Sanjung Unggul Sdn Bhd and its subsidiaries RM'000 | United Publishing House (M) Sdn Bhd and its subsidiaries RM'000 | Other entities RM'000 | Inter-company elimination RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | 3,000 | 16,072 | 1,159 | 309 | 786 | 3,022 | 2,784 | - | (5,445) | 21,687 |
| Cost of sales | - | (7,973) | (958) | (181) | (390) | (1,880) | (2,425) | - | 2,445 | (11,362) |
| Gross profit | 3,000 | 8,099 | 201 | 128 | 396 | 1,142 | 359 | - | (3,000) | 10,325 |
| **Add/(Less):** | | | | | | | | | | |
| Other operating income | | | | | | | | | | 53 |
| Distribution expenses | | | | | | | | | | (2,430) |
| Administrative expenses | | | | | | | | | | (3,858) |
| Other operating expenses | | | | | | | | | | (93) |
| **Results from operating activities** | | | | | | | | | | 3,997 |

**Current financial year todate ended 31 May 2017**

| | Sasbadi Holdings Berhad RM'000 | Sasbadi Sdn Bhd & Malaysian Book Promotions Sdn Bhd RM'000 | Sasbadi Online Sdn Bhd & Mindtech Education Sdn Bhd RM'000 | Orbit Bukit Sdn Bhd RM'000 | Sasbadi Learning Solutions Sdn Bhd and its subsidiaries RM'000 | Sanjung Unggul Sdn Bhd and its subsidiaries RM'000 | United Publishing House (M) Sdn Bhd and its subsidiaries RM'000 | Other entities RM'000 | Inter-company elimination RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | 3,000 | 60,890 | 3,713 | 961 | 2,059 | 14,090 | 6,666 | - | (11,308) | 80,071 |
| Cost of sales | - | (27,941) | (3,226) | (751) | (1,107) | (8,873) | (4,293) | - | 8,308 | (37,883) |
| Gross profit | 3,000 | 32,949 | 487 | 210 | 952 | 5,217 | 2,373 | - | (3,000) | 42,188 |
| **Add/(Less):** | | | | | | | | | | |
| Other operating income | | | | | | | | | | 343 |
| Distribution expenses | | | | | | | | | | (7,960) |
| Administrative expenses | | | | | | | | | | (15,666) |
| Other operating expenses | | | | | | | | | | (629) |
| **Results from operating activities** | | | | | | | | | | 18,276 |

**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 31 May 2016**

| | Sasbadi Holdings Berhad RM'000 | Sasbadi Sdn Bhd & Malaysian Book Promotions Sdn Bhd RM'000 | Sasbadi Online Sdn Bhd RM'000 | Orbit Buku 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** | 2,880 | 18,961 | 604 | 805 | 907 | 2,587 | - | (4,328) | 22,416 |
| Cost of sales | - | (10,134) | (400) | (533) | (523) | (848) | - | 1,448 | (10,990) |
| Gross profit | 2,880 | 8,827 | 204 | 272 | 384 | 1,739 | - | (2,880) | 11,426 |
| **Add/(Less):** | | | | | | | | | |
| Other operating income | | | | | | | | | 307 |
| Distribution expenses | | | | | | | | | (2,144) |
| Administrative expenses | | | | | | | | | (3,632) |
| Other operating expenses | | | | | | | | | (211) |
| **Results from operating activities** | | | | | | | | | 5,746 |

**Preceding financial year's corresponding year-to-date ended 31 May 2016**

| | Sasbadi Holdings Berhad RM'000 | Sasbadi Sdn Bhd & Malaysian Book Promotions Sdn Bhd | Sasbadi Online Sdn Bhd RM'000 | Orbit Buku 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** | 5,880 | 62,950 | 2,298 | 1,784 | 3,412 | 12,235 | - | (11,257) | 77,302 |
| Cost of sales | - | (32,840) | (1,660) | (1,084) | (1,771) | (7,270) | - | 5,377 | (39,248) |
| Gross profit | 5,880 | 30,110 | 638 | 700 | 1,641 | 4,965 | - | (5,880) | 38,054 |
| **Add/(Less):** | | | | | | | | | |
| Other operating income | | | | | | | | | 324 |
| Distribution expenses | | | | | | | | | (7,147) |
| Administrative expenses | | | | | | | | | (11,997) |
| Other operating expenses | | | | | | | | | (713) |
| **Results from operating activities** | | | | | | | | | 18,521 |

**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**

Save for the proposals mentioned in Note B7(i) below, 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 | 534 |

**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 31.05.2017 RM'000 | As at 31.08.2016 RM'000 |
|---|---|---|
| Bank guarantees obtained by the subsidiaries and provided to the Ministry of Education Malaysia | 643 | 338 |

Contingent Assets

The Group does not have any material contingent assets as at 31 May 2017.

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

### B1. Review of Performance

**Current Quarter ended 31 May 2017 against Preceding Financial Year's Corresponding Quarter ended 31 May 2016**

The Group recorded a revenue of RM21.687 million for the current financial quarter as compared to RM22.416 million for the preceding financial year's corresponding quarter, representing a decrease of RM0.729 million (equivalent to a 3.3% decrease).

The decrease in revenue was mainly attributable to the lower revenue recorded by our subsidiaries, i.e. Sasbadi Sdn Bhd and Malaysian Book Promotions Sdn Bhd (decreased by RM2.889 million) and Orbit Buku Sdn Bhd (decreased by RM0.496 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) (RM2.784 million) post acquisition by the Company in August 2016. The decrease in the revenue of the above-mentioned subsidiaries was mainly due to weaker market conditions. 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 Group recorded a profit before tax ("PBT") of RM3.532 million for the current financial quarter vis-a-vis RM5.699 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 31 May 2017 against Preceding Financial Year's Corresponding Year-to-Date ended 31 May 2016**

The Group recorded an increase in revenue of RM2.769 million (equivalent to 3.6%) from RM77.302 million for the preceding financial year's corresponding year-to-date to RM80.071 million for the current financial year-to-date. However, the Group recorded a drop in PBT of RM0.983 million (equivalent to 5.5%) from RM17.977 million for the preceding financial year's corresponding year-to-date to RM16.994 million for the current financial year-to-date.

The increase in revenue was mainly due to the higher revenue recorded by the Sanjung Unggul Group (i.e. Sanjung Unggul Sdn Bhd and its subsidiaries) and the consolidation of the revenue of the United Publishing Group, while the drop in PBT was mainly due to higher operating costs as mentioned above.

### B2. Variation of Results for the Current Financial Quarter ended 31 May 2017 against the Immediate Preceding Financial Quarter

The Group recorded a decrease in revenue of RM5.486 million (equivalent to 20.2%) from RM27.173 million for the immediate preceding financial quarter to RM21.687 million for the current financial quarter. Similarly, the Group's PBT decreased from RM7.083 million for the immediate preceding financial quarter to RM3.532 million for the current financial quarter.

The better results recorded in the immediate preceding financial quarter was due to the seasonally stronger second financial quarter with higher sales due to the start of the school academic year.

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

Notwithstanding the lower revenue and profits recorded in this third financial quarter (i.e. March to May 2017), the Group is steadfast in pursuing healthy growth for FYE 31 August 2017.

While the market outlook remains challenging, the Group aims to accomplish what we have set out to achieve for FYE 31 August 2017 by continuing to, among others, (i) leverage on our wide distribution network to improve effectiveness of product sales; (ii) expand our product offerings by leveraging on the Group's intellectual properties across all subsidiaries; (iii) 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); (iv) grow the STEM (i.e. Science, Technology, Engineering and Mathematics) education related offerings via Sasbadi Learning Solutions Sdn Bhd and its subsidiaries; (v) grow the direct sales/multi-level network marketing sales via Mindtech Education; (vi) explore opportunities for tenders under the Ministry of Education Malaysia; and (vii) explore collaboration opportunities for projects that leverage on the Group's competitive strengths, particularly related to the Group's in-house developed technology.

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 31.05.2017 RM'000 | Preceding Year Quarter 31.05.2016 RM'000 | Current Year-To-Date 31.05.2017 RM'000 | Preceding Year-To-Date 31.05.2016 RM'000 |
| Amortisation of intangible assets | 506 | 331 | 1,558 | 993 |
| Depreciation on property, plant and equipment | 626 | 607 | 1,850 | 1,824 |
| Depreciation on investment properties | 13 | - | 39 | - |
| Gain on disposal of property, plant and equipment | (22) | (202) | (209) | (207) |
| Write-off of property, plant and equipment | - | - | 10 | - |
| Impairment loss on trade receivables | 10 | - | 568 | - |
| Interest expense | 481 | 200 | 1,330 | 749 |
| Interest income | (42) | (175) | (119) | (250) |
| Provision for inventories write-down | - | 50 | - | 224 |
| Realised foreign exchange gain | (29) | (3) | (3) | (2) |
| (Reversal of) / Provision for sales returns | (1,144) | (881) | 451 | 386 |

*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 31.05.2017 RM'000 | Preceding Year Quarter 31.05.2016 RM'000 | Current Year-To-Date 31.05.2017 RM'000 | Preceding Year-To-Date 31.05.2016 RM'000 |
| **Current tax expense** | | | | |
| - Current period | 987 | 1,462 | 5,424 | 5,145 |
| - Prior period | (48) | - | (160) | - |
| | 939 | 1,462 | 5,264 | 5,145 |
| **Deferred tax expense** | | | | |
| - Current period | (23) | 180 | (731) | (209) |
| - Prior period | - | - | (98) | - |
| | (23) | 180 | (829) | (209) |
| Total income tax expense | 916 | 1,642 | 4,435 | 4,936 |

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**

(a) Proposed Bonus Issue

On 20 June 2017, the Company announced its proposal to undertake a bonus issue of up to 139,699,500 new ordinary shares of the Company ("Bonus Share(s)") to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) existing ordinary shares of the Company. The proposal is currently pending the approval of the shareholders of the Company at the Extraordinary General Meeting to be held on 28 July 2017.

(b) Proposed Acquisition of 30% Equity Interest in Sanjung Unggul Sdn Bhd

On 25 July 2017, the Company entered into a sale and purchase agreement ("SPA") with Law En Tzer to acquire the remaining 30% of the issued share capital of Sanjung Unggul Sdn Bhd ("Sanjung Unggul"), comprising 2,400,000 ordinary shares, for a purchase consideration of RM9,400,000 only to be satisified entirely by cash, subject to the terms and conditions in the SPA ("Proposed Acquisition").

Upon completion of the Proposed Acquisition, Sanjung Unggul will become a wholly-owned subsidiary of the Company.

The proposal is currently pending fulfilment of conditions precedent as set out in the SPA.

**(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 Placement proceeds have been fully utilised as proposed as at the date of this report.

**B8. Loans and Borrowings**

The Group's loans and borrowings as at 31 May 2017 were as follows:

| | As at 31.05.2017 RM'000 | As at 31.08.2016 RM'000 |
|---|---|---|
| **Non-current** | | |
| Finance lease liabilities | 109 | 123 |
| Term loans - secured | 8,534 | 9,394 |
| | 8,643 | 9,517 |
| **Current** | | |
| Finance lease liabilities | 53 | 125 |
| Term loans - secured | 874 | 995 |
| Bank overdrafts - secured | 17,234 | 8,592 |
| Bankers' acceptances - secured | 3,992 | 807 |
| | 22,153 | 10,519 |
| | 30,796 | 20,036 |

The above borrowings are denominated in Ringgit Malaysia.

**B9. Material Litigation**

On 21 July 2017, Sasbadi Sdn Bhd ("SSB"), a wholly-owned subsidiary of the Company, received a copy of the sealed Writ and Statement of Claim dated 29 June 2017 from Messrs Skrine, acting on behalf of Penerbitan Pelangi Sdn Bhd ("PPSB"). Please refer to the Company's announcement dated 24 July 2017 for details of the claims pursuant to the Writ and Statement of Claim.

The circumstances leading to the filing of the Writ and Statement of Claim against SSB was due to the alleged infringement of PPSB's copyright by SSB resulting from SSB's publishing and sales of books on past year question papers for the Sijil Tinggi Persekolahan Malaysia ("STPM") examination and the Malaysian University English Test ("MUET") under the publishing agreement entered into on 13 March 2017 between SSB and Majlis Peperiksaan Malaysia ("MPM") ("Publishing Agreement").

MPM is a statutory body established under the Malaysian Examinations Council Act 1980 ("the Act") and operates under the aegis of the Ministry of Education Malaysia. MPM is the sole owner of the question papers for the STPM examination and MUET. This is provided for under Section 27(1) of the Act which states that MPM has exclusive rights in all examination questions set by it or on its behalf.

Under the Publishing Agreement, MPM has granted an exclusive licence to SSB for a period of three (3) years from 1 January 2017 to 31 December 2019 to prepare, publish, print, distribute, market and sell the collections of past years question papers for the STPM examination and MUET.

In the Writ and Statement of Claim, PPSB is claiming copyright ownership in, inter alia, the past year question papers for the STPM examination and MUET for the years of 2011 to 2016.

The Company remains steadfast that PPSB's claim on the copyright ownership is without basis and will rigorously challenge the allegation of infringement. In this regard, at this juncture, the Company is not able to ascertain the financial impact arising from the claims. The claims, however, are not expected to have any material operational impact on the Group.

The Court has fixed for case management on 7 August 2017 and the Company is currently seeking advice of its solicitor to resolve and/or defend against the matter.

**B10. Dividend**

On 25 April 2017, the Board of Directors of the Company 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 was paid on 31 May 2017.

**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 31.05.2017 RM'000** | **Preceding Year Quarter 31.05.2016 RM'000** | **Current Year-To-Date 31.05.2017 RM'000** | **Preceding Year-To-Date 31.05.2016 RM'000** |
| Net profit attributable to owners of the Company | 2,563 | 3,844 | 12,269 | 12,511 |
| Weighted average number of ordinary shares in issue ('000) | 279,399 | 279,400 | 279,399 | 266,329 |
| Basic earnings per ordinary share (sen) | 0.92 | 1.38 | 4.39 | 4.70 |

(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 31.05.2017 RM'000** | **As at 31.08.2016 RM'000** |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries | | |
| - Realised | 89,374 | 83,776 |
| - Unrealised | (7,111) | (7,496) |
| Total retained earnings | 82,263 | 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
26 July 2017