



# SASBADI HOLDINGS BERHAD (1022660-T)

Incorporated in Malaysia

THIRD QUARTER REPORT ENDED 31 MAY 2018

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 MAY 2018 <sup>(1)</sup>

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.05.2018 RM'000	Preceding Year Quarter 31.05.2017 RM'000	Current Year-To-Date 31.05.2018 RM'000	Preceding Year-To-Date 31.05.2017 RM'000
<b>Revenue</b>	19,095	21,687	75,066	80,071
Cost of sales	(10,460)	(11,362)	(37,325)	(37,883)
<b>Gross profit</b>	8,635	10,325	37,741	42,188
Other operating income	21	53	404	343
Distribution expenses	(2,384)	(2,430)	(7,662)	(7,960)
Administrative expenses	(3,915)	(3,084)	(12,223)	(13,230)
Other operating expenses	(626)	(893)	(1,954)	(3,136)
<b>Results from operating activities</b>	1,731	3,971	16,306	18,205
Finance income	3	42	19	119
Finance costs	(725)	(481)	(2,304)	(1,330)
<b>Profit before tax</b>	1,009	3,532	14,021	16,994
Tax expense	(484)	(916)	(4,115)	(4,435)
<b>Net profit for the financial period</b>	525	2,616	9,906	12,559
<b>Other comprehensive income for the financial period, net of tax :</b>				
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Revaluation of land and buildings	-	-	8,981	-
<b>Item that is or may be reclassified subsequently to profit or loss</b>				
Fair value of available-for-sale financial assets	-	(3)	(20)	7
<b>Other comprehensive income for the financial period, net of tax</b>	-	(3)	8,961	7
<b>Total comprehensive income for the financial period</b>	525	2,613	18,867	12,566
<b>Net profit for the financial period attributable to:</b>				
- Owners of the Company	525	2,563	9,906	12,269
- Non-controlling interests	-	53	-	290
	525	2,616	9,906	12,559
<b>Total comprehensive income attributable to :</b>				
- Owners of the Company	525	2,561	18,867	12,274
- Non-controlling interests	-	52	-	292
	525	2,613	18,867	12,566
<b>Earnings per share (sen) attributable to owners of the Company:</b>				
- Basic <sup>(2)</sup>	0.13	0.61	2.36	2.93
- 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 2017 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 31 MAY 2018 <sup>(1)</sup>

	Unaudited As at 31.05.2018 RM'000	Audited As at 31.08.2017 RM'000
<b>ASSETS</b>		
Property, plant and equipment	54,469	44,306
Investment properties	2,666	2,584
Intangible assets	25,435	26,217
Other investments	243	371
Deferred tax assets	1,735	1,369
<b>Total non-current assets</b>	<b>84,548</b>	<b>74,847</b>
Inventories	71,026	65,188
Current tax assets	2,519	2,805
Trade and other receivables	62,607	54,122
Prepayments	2,640	2,888
Cash and cash equivalents	6,241	10,246
<b>Total current assets</b>	<b>145,033</b>	<b>135,249</b>
<b>Total assets</b>	<b>229,581</b>	<b>210,096</b>
<b>EQUITY</b>		
Share capital	108,210	108,210
Treasury shares	(1)	(1)
Reserves	56,041	37,174
<b>Total equity</b>	<b>164,250</b>	<b>145,383</b>
<b>LIABILITIES</b>		
Loans and borrowings	17,485	20,429
Deferred tax liabilities	9,350	6,463
<b>Total non-current liabilities</b>	<b>26,835</b>	<b>26,892</b>
Loans and borrowings	22,683	16,267
Provisions	1,508	1,203
Trade and other payables	14,296	20,351
Current tax liabilities	9	-
<b>Total current liabilities</b>	<b>38,496</b>	<b>37,821</b>
<b>Total liabilities</b>	<b>65,331</b>	<b>64,713</b>
<b>Total equity and liabilities</b>	<b>229,581</b>	<b>210,096</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>0.39</b>	<b>0.35</b>

### 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 2017 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 NINE (9) MONTHS ENDED 31 MAY 2018 <sup>(1)</sup>**

	<----- Non-distributable ----->					Distributable	
	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	Total equity RM'000
At 1 September 2017	108,210	(1)	(50,500)	20	13,596	74,058	145,383
Total comprehensive income for the financial period	-	-	-	(20)	8,981	9,906	18,867
Transactions with owners of the Company	-	-	-	-	-	-	-
At 31 May 2018	108,210	(1)	(50,500)	-	22,577	83,964	164,250



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE (9) MONTHS ENDED 31 MAY 2018<sup>(1)</sup> (CONT'D)**

	Non-distributable						Distributable		Non-controlling interests	Total equity
	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	RM'000	RM'000
<b>At 1 September 2016</b>	69,850	38,401	-	(50,500)	17	13,596	76,280	147,644	5,467	153,111
<b>Total comprehensive income for the financial period</b>	-	-	-	-	5	-	12,269	12,274	292	12,566
<b>Transactions with owners of the Company</b>										
Repurchase of shares	-	-	(1)	-	-	-	-	(1)	-	(1)
Dividends to owners of the Company	-	-	-	-	-	-	(6,286)	(6,286)	-	(6,286)
<b>Total transactions with owners of the Company</b>	-	-	(1)	-	-	-	(6,286)	(6,287)	-	(6,287)
<b>At 31 May 2017</b>	69,850	38,401	(1)	(50,500)	22	13,596	82,263	153,631	5,759	159,390

**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 2017 and the accompanying explanatory notes attached to these interim financial statements.



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## **UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE (9) MONTHS ENDED 31 MAY 2018 <sup>(1)</sup>**

	<b>Current Year-To-Date 31.05.2018 RM'000</b>	<b>Preceding Year-To-Date 31.05.2017 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	14,021	16,994
Adjustments for:		
Amortisation of intangible assets	963	1,558
Depreciation on property, plant and equipment	1,865	1,850
Depreciation on investment properties	40	39
Write-off of property, plant and equipment	1	10
Impairment loss on trade receivables	168	568
Reversal of impairment loss on trade receivables	(6)	-
Gain on disposal of property, plant and equipment	(49)	(209)
Gain on disposal of available-for-sale financial assets	(10)	-
Finance costs	2,304	1,330
Finance income	(19)	(119)
Fair value of available-for-sale financial assets	28	-
Provision for sales returns	305	451
Operating profit before changes in working capital	19,611	22,472
Changes in inventories	(5,713)	(11,766)
Changes in trade and other receivables and prepayments	(7,978)	(6,356)
Changes in trade and other payables	(6,096)	(8,051)
Cash used in operations	(176)	(3,701)
Tax paid	(4,965)	(5,244)
Tax refunded	810	-
Interest paid	(1,102)	(928)
Interest received	19	119
Net cash used in operating activities	(5,414)	(9,754)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	66	247
Proceeds from disposal of available-for-sale financial assets	90	-
Acquisition of subsidiaries, net of cash and cash equivalents	(685)	(848)
Acquisition of intangible assets	(3)	(4)
Acquisition of property, plant and equipment	(329)	(3,827)
Net cash used in investing activities	(861)	(4,432)
<b>Cash flows from financing activities</b>		
Net drawdown of bankers' acceptances	2,176	3,185
Repayment of finance lease liabilities	(20)	(86)
Repayment of term loans	(2,907)	(1,025)
Purchase of treasury shares	-	(1)
Dividends paid	-	(6,286)
Interest paid	(1,202)	(402)
Net cash used in financing activities	(1,953)	(4,615)
<b>Net decrease in cash and cash equivalents</b>	<b>(8,228)</b>	<b>(18,801)</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>(2,774)</b>	<b>16,645</b>
<b>Cash and cash equivalents at end of the financial period</b>	<b>(11,002)</b>	<b>(2,156)</b>



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX (9) MONTHS ENDED 31 MAY 2018 <sup>(1)</sup> (CONT'D)**

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

	<b>Current Year-To-Date 31.05.2018 RM'000</b>	<b>Preceding Year-To-Date 31.05.2017 RM'000</b>
Cash and bank balances	5,523	11,690
Deposit placed with a licensed bank	718	1,036
Short term funds	-	3,000
	<u>6,241</u>	<u>15,726</u>
Less : Deposits pledged	(648)	(648)
Bank overdrafts	<u>(16,595)</u>	<u>(17,234)</u>
	<u>(11,002)</u>	<u>(2,156)</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 2017 and the accompanying explanatory notes attached to these interim financial statements.*



## **SASBADI HOLDINGS BERHAD (1022660-T)**

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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 2017 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 2017.

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 2017, 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 2018***

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

#### ***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 128, *Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- 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 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*



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***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*

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

- From the annual period beginning on 1 September 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018.
- 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.

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 2017 were not qualified.





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**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 unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial year-to-date except for the revaluation of its properties undertaken by the Group. The revaluation was carried out by an independent professional valuer on 28 February 2018. Revaluation surplus of RM8.981 million has been recognised in other comprehensive income and accumulated in equity under the revaluation reserve.

**A5. Changes in Estimates**

During the financial period, the Group conducted a review of our intellectual properties which resulted in changes in the expected usage period of the intellectual properties. The intellectual properties which were previously amortised over 10 years, have been determined to have a longer useful life of 15 years based on the Group's historical records of use of intellectual properties. As a result, the Group has changed the basis for amortisation of the intellectual properties from 10 to 15 years in the current financial year.

The revision is accounted for as a prospective change in accounting estimates and comparatives of the previous financial year ended 31 August 2017 are not restated. The change in the basis above has been treated as a change in accounting estimates and resulted in a reduction in amortisation of RM0.18 million and RM0.55 million during the current financial quarter and current financial year-to-date respectively.

**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.

**A7. Dividend Paid**

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



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## A8. Segment Information

Segmental information was previously presented by the Group in accordance with the Group's entities. However, beginning this current financial year, the Group has changed the presentation of the segmental information in accordance with the Group's operations and products, to provide for better monitoring and management, and clearer performance reporting.

### Current financial quarter ended 31 May 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	17,177	1,107	1,494	(683)	19,095
Cost of sales	(10,303)	(201)	(578)	622	(10,460)
Gross profit	6,874	906	916	(61)	8,635
<b>Add/(Less):</b>					
Other operating income					21
Distribution expenses					(2,384)
Administrative expenses					(3,915)
Other operating expenses					(626)
<b>Results from operating activities</b>					<b>1,731</b>

### Current financial year-to-date ended 31 May 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	67,264	7,007	3,059	(2,264)	75,066
Cost of sales	(33,503)	(4,413)	(1,218)	1,809	(37,325)
Gross profit	33,761	2,594	1,841	(455)	37,741
<b>Add/(Less):</b>					
Other operating income					404
Distribution expenses					(7,662)
Administrative expenses					(12,223)
Other operating expenses					(1,954)
<b>Results from operating activities</b>					<b>16,306</b>

#### 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



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## A8. Segment Information (cont'd)

### Preceding financial year's corresponding quarter ended 31 May 2017

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	20,171	1,160	785	(429)	21,687
Cost of sales	(10,443)	(958)	(390)	429	(11,362)
Gross profit	9,728	202	395	-	10,325
<b>Add/(Less):</b>					
Other operating income					53
Distribution expenses					(2,430)
Administrative expenses					(3,084)
Other operating expenses					(893)
<b>Results from operating activities</b>					<b>3,971</b>

### Preceding financial year's corresponding year-to-date ended 31 May 2017

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	71,934	3,714	5,908	(1,485)	80,071
Cost of sales	(33,461)	(3,226)	(2,681)	1,485	(37,883)
Gross profit	38,473	488	3,227	-	42,188
<b>Add/(Less):</b>					
Other operating income					343
Distribution expenses					(7,960)
Administrative expenses					(13,230)
Other operating expenses					(3,136)
<b>Results from operating activities</b>					<b>18,205</b>



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**A9. Valuation of Property, Plant and Equipment**

A valuation of property, plant and equipment was carried out on 28 February 2018 as disclosed in Note A4 above.

**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 4 May 2018, the Company's wholly-owned subsidiary, United Publishing House (M) Sdn Bhd, completed the acquisition of 100% equity interest in Pinko Creative Sdn Bhd ("Pinko Creative") for a cash consideration of RM860,000.

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

	<b>RM'000</b>
Purchase consideration	860
Provisional fair value of identifiable net assets of Pinko Creative	(682)
Goodwill on acquisition	<u>178</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

There were no material changes in the Group's contingent liabilities since the last audited statement of financial position as at 31 August 2017.

Contingent Assets

The Group does not have any material contingent assets as at 31 May 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 31 May 2018 against Preceding Financial Year's Corresponding Quarter ended 31 May 2017**

The Group recorded a revenue of RM19.095 million for the current financial quarter as compared to RM21.687 million for the preceding financial year's corresponding quarter, representing a decrease of RM2.592 million (equivalent to 11.95%).

The decrease in revenue was mainly due to the lower revenue of the Print Publishing Division (decreased by RM2.994 million) attributed to continued weak market sentiment. The current quarter result was also impacted by the festive holidays, unscheduled long breaks and the post general election announcement on the change of Goods and Service Tax ("GST") rate to 0% effective from 1st June 2018 which resulted in orders being postponed. However, the decrease in revenue was partly offset by the higher revenue of the Applied Learning Products and Science, Technology, Engineering and Mathematics Education Services Division from RM0.785 million in the preceding year's corresponding quarter to RM1.494 million in the current quarter.

The Group recorded a profit before tax ("PBT") of RM1.009 million for the current financial quarter vis-à-vis RM3.532 million for the preceding financial year's corresponding quarter, representing a decrease of RM2.523 million (equivalent to 71.43%). The decrease in PBT was due to lower gross profit margin as a result of lower economy of scale and coupled by the reversal of over accrued expenses in the preceding financial year's corresponding quarter.

##### **Current Financial Year-to-Date ended 31 May 2018 against Preceding Financial Year's Corresponding Year-to-Date ended 31 May 2017**

The Group recorded a revenue of RM75.066 million for the current financial year-to-date as compared to RM80.071 million for the preceding financial year's corresponding year-to-date. It is to be noted that the revenue for the preceding financial year's corresponding year-to-date included revenue from the non-recurring contract of RM3.850 million for the supply of robotics sets to the MoE and the delayed orders of reprinted textbooks of approximately RM2.530 million from the MoE (delayed from the fourth quarter of the Group's financial year ended 31 August 2016 to the first quarter of the financial year ended 31 August 2017). Excluding these two (2) revenue items, the revenue of the Group for the preceding financial year's corresponding year-to-date would have been RM73.691 million. In this regard, the Group would have recorded a slight increase in revenue of RM1.375 million (equivalent to 1.87%) for the current financial year-to-date if these two (2) revenue items were excluded.

The Group recorded a PBT of RM14.021 million for the current financial year-to-date vis-à-vis RM16.994 million for the preceding financial year's corresponding year-to-date, representing a decrease of RM2.973 million (equivalent to 17.49%). The decrease in PBT was mainly due to lower revenue recorded and the slightly lower gross profit margin. However, this was partly offset by lower expenses incurred by the Group.

#### **B2. Variation of Results for the Current Financial Quarter ended 31 May 2018 against the Immediate Preceding Financial Quarter**

The Group recorded a revenue of RM19.095 million for the current financial quarter as compared to the immediate preceding financial quarter's revenue of RM26.493 million, representing a decrease of RM7.398 million (equivalent to 27.92%). Similarly, the Group's PBT decreased from RM6.706 million for the immediate preceding financial quarter to RM1.009 million for the current financial quarter.

The better results recorded in the immediate preceding financial quarter was due to the seasonally stronger second quarter with higher sales due to the start of the school academic year. The current quarter result was also impacted by the festive holidays, unscheduled long breaks and the post general election announcement on the change of Goods and Service Tax rate to 0% effective from 1st June 2018 which resulted in orders being postponed. Inadvertently, the festive holidays and the anticipated change in GST policy had also disrupted the growth of the Digital & Network Marketing Division.



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## B3. Group's Prospects for the financial year ending ("FYE") 31 August 2018

Notwithstanding the weak market sentiment and other challenges, the Group recorded an increase of RM1.375 million in revenue vis-à-vis the preceding year's corresponding period, after taking into consideration the one-off items of (i) the non-recurring contract of RM3.850 million for the supply of robotics sets to the MoE; and (ii) the delayed orders for reprinted textbooks from the MoE valued at RM2.530 million.

Historically (FYE 31 August 2015 to FYE 31 August 2017), the Group derived up to 60% of its yearly revenue during the first and second financial quarters, mainly from the Group's academic related products. To mitigate the seasonality factor, the Group will continue to step up our efforts to pursue growth for our network marketing/direct sales and ALP & STEM Education segments. The Group anticipates new revenue contributions from non-academic products, new market segments related to early education, and private/international schools (Marshall Cavendish products) for the fourth quarter of the financial year.

In addition to this, the Group will continue to explore acquisition opportunities and to pursue synergistic collaboration opportunities to spur growth. The Group will also continue to optimize its assets and business operations to achieve higher cost efficiency. In this regard, it is notable that the measures taken by the Group during the first nine (9) months has improved the Group's EBITDA.

Premised on the above and in anticipation of improving market sentiment, the Group remains positive of our prospects and performance for FYE 31 August 2018, barring any unforeseen circumstances.

## 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 31.05.2018 RM'000	Preceding Year Quarter 31.05.2017 RM'000	Current Year-To-Date 31.05.2018 RM'000	Preceding Year-To-Date 31.05.2017 RM'000
Amortisation of intangible assets	321	506	963	1,558
Depreciation on property, plant and equipment	649	626	1,865	1,850
Depreciation on investment properties	14	13	40	39
Gain on disposal of property, plant and equipment	(17)	(22)	(49)	(209)
Gain on disposal of available-for-sale financial assets	(10)	-	(10)	-
Write-off of property, plant and equipment	-	-	1	10
Impairment loss on trade receivables	-	10	168	568
Reversal of impairment loss on trade receivables	(6)	-	(6)	-
Finance costs	725	481	2,304	1,330
Finance income	(3)	(42)	(19)	(119)
Realised foreign exchange (gain)/loss	(8)	(29)	(22)	(3)
(Reversal of)/provision for sales returns	(623)	(1,144)	305	451

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**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 31.05.2018 RM'000</b>	<b>Preceding Year Quarter 31.05.2017 RM'000</b>	<b>Current Year-To-Date 31.05.2018 RM'000</b>	<b>Preceding Year-To-Date 31.05.2017 RM'000</b>
<b>Current tax expense</b>				
- Current period	507	987	4,309	5,424
- Prior period	94	(48)	123	(160)
	<u>601</u>	<u>939</u>	<u>4,432</u>	<u>5,264</u>
<b>Deferred tax expense</b>				
- Current period	(117)	(23)	(277)	(731)
- Prior period	-	-	(40)	(98)
	<u>(117)</u>	<u>(23)</u>	<u>(317)</u>	<u>(829)</u>
<b>Total tax expense</b>	<u>484</u>	<u>916</u>	<u>4,115</u>	<u>4,435</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**

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.



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**B8. Loans and Borrowings**

The Group's loans and borrowings as at 31 May 2018 were as follows:

	As at 31.05.2018 RM'000	As at 31.08.2017 RM'000
<b>Non-current</b>		
Finance lease liabilities	80	103
Term loans - secured	17,405	20,326
	<u>17,485</u>	<u>20,429</u>
<b>Current</b>		
Finance lease liabilities	30	27
Term loans - secured	3,882	3,868
Bank overdrafts - secured	16,595	12,372
Bankers' acceptances - secured	2,176	-
	<u>22,683</u>	<u>16,267</u>
	<u>40,168</u>	<u>36,696</u>

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.

SSB had, on 30 August 2017, via its solicitors, Messrs Shook Lin & Bok, filed its defence against the claim and submitted a counterclaim (Note: Please refer to the Company's announcement dated 5 September 2017 for details of the counterclaim). SSB had, on 27 September 2017, via its solicitors, Messrs Shook Lin & Bok, received a reply whereby PPSB denied SSB's counterclaims and SSB is put to strict proof of the said claims.

PPSB, MPM and SSB (collectively, the "Parties") entered into a settlement agreement dated 16 April 2018 whereby it has been agreed between the Parties that PPSB will withdraw its claim in the lawsuit with no liberty to file afresh and no order as to costs and, simultaneously, SSB will withdraw its counterclaim in the lawsuit with no liberty to file afresh and no order as to costs.





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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 31.05.2018 RM'000	Preceding Year Quarter 31.05.2017 RM'000	Current Year-To-Date 31.05.2018 RM'000	Preceding Year-To-Date 31.05.2017 RM'000
Net profit attributable to owners of the Company	525	2,563	9,906	12,269
Weighted average number of ordinary shares in issue ('000)	419,099	419,099 <sup>^</sup>	419,099	419,099 <sup>^</sup>
Basic earnings per ordinary share (sen)	0.13	0.61	2.36	2.93

**Note:**

<sup>^</sup> On 14 August 2017, the Company completed the bonus issue of 139,699,500 new ordinary shares of the Company. The comparative figures have been restated to reflect the effects of the bonus issue.

(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.

By order of the Board  
Kuala Lumpur  
26 July 2018