



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



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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.



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

	Non-distributable						Distributable		Total equity RM'000	
	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		
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
<i>Contributions by and distributions to owners of the Company</i>	-	-	(1)	-	-	-	-	(1)	-	(1)
Repurchase of shares	-	-	-	-	-	-	(6,286)	(6,286)	-	(6,286)
Dividends to owners of the Company	-	-	(1)	-	-	-	(6,286)	(6,287)	-	(6,287)
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



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	Non-distributable				Distributable		Non-controlling interests RM'000	Total equity RM'000	
	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
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
<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	-	(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.



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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	<u>22,472</u>	<u>21,472</u>
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	<u>(3,701)</u>	<u>8,628</u>
Tax paid	(5,244)	(5,495)
Interest paid	(928)	(600)
Interest received	<u>119</u>	<u>250</u>
Net cash (used in) / generated from operating activities	<u>(9,754)</u>	<u>2,783</u>
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	<u>(4,432)</u>	<u>(8,607)</u>
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	<u>(4,615)</u>	<u>33,507</u>
Net (decrease)/increase in cash and cash equivalents	<u>(18,801)</u>	<u>27,683</u>
Cash and cash equivalents at beginning of the financial period	<u>17,293</u>	<u>45</u>
Cash and cash equivalents at end of the financial period	<u>(1,508)</u>	<u>27,728</u>



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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
	<hr/>	<hr/>
	15,726	29,936
Less: Bank overdrafts	<u>(17,234)</u>	<u>(2,208)</u>
	<hr/>	<hr/>
	(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*



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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.



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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.

(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 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, 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.



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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 31 May 2017

	Sasbadi Holdings Berhad RM'000	Sasbadi Malaysian Book Promotions Sdn Bhd RM'000	Sasbadi Book Education Sdn Bhd RM'000	Sasbadi Online Sdn Bhd & Mindtech Education Sdn Bhd RM'000	Sasbadi Learning Solutions Bhd and its subsidiaries RM'000	Orbit Bukit Sdn Bhd 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	786	3,022	2,784	-	(5,445)	-	-	21,687
Cost of sales	-	(7,973)	(958)	(390)	(1,880)	(2,425)	-	2,445	-	-	(11,362)
Gross profit	3,000	8,099	201	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 to date ended 31 May 2017

	Sasbadi Holdings Berhad RM'000	Sasbadi Malaysian Book Promotions Sdn Bhd RM'000	Sasbadi Book Education Sdn Bhd RM'000	Sasbadi Online Sdn Bhd & Mindtech Education Sdn Bhd RM'000	Sasbadi Learning Solutions Bhd and its subsidiaries RM'000	Orbit Bukit Sdn Bhd 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	2,059	14,090	6,666	-	(11,308)	-	-	80,071
Cost of sales	-	(27,941)	(3,226)	(1,107)	(8,873)	(4,293)	-	8,308	-	-	(37,883)
Gross profit	3,000	32,949	487	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



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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 31 May 2016

	Sasbadi Sdn Bhd & Malaysian							Total RM'000	
	Sasbadi Holdings Berhad RM'000	Sasbadi 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
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									<u>5,746</u>

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

	Sasbadi Sdn Bhd & Malaysian							Total RM'000	
	Sasbadi Holdings Berhad RM'000	Sasbadi 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
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									<u>18,521</u>



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	<u>(316)</u>
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 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	<u>643</u>	<u>338</u>

Contingent Assets

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



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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.



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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)	-
	<u>939</u>	<u>1,462</u>	<u>5,264</u>	<u>5,145</u>
Deferred tax expense				
- Current period	(23)	180	(731)	(209)
- Prior period	-	-	(98)	-
	<u>(23)</u>	<u>180</u>	<u>(829)</u>	<u>(209)</u>
Total income tax expense	<u>916</u>	<u>1,642</u>	<u>4,435</u>	<u>4,936</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

(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 satisfied 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.



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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
	<u>8,643</u>	<u>9,517</u>
Current		
Finance lease liabilities	53	125
Term loans - secured	874	995
Bank overdrafts - secured	17,234	8,592
Bankers' acceptances - secured	3,992	807
	<u>22,153</u>	<u>10,519</u>
	<u>30,796</u>	<u>20,036</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.

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.



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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 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