



SASBADI HOLDINGS BERHAD (1022660-T)
 Incorporated in Malaysia
 SECOND QUARTER REPORT ENDED 28 FEBRUARY 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 28 FEBRUARY 2018 (1)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 28.02.2018 RM'000	Preceding Year Quarter 28.02.2017 RM'000	Current Year-To-Date 28.02.2018 RM'000	Preceding Year-To-Date 28.02.2017 RM'000
Revenue	26,493	27,173	55,971	58,384
Cost of sales	(11,638)	(10,224)	(26,865)	(26,521)
Gross profit	14,855	16,949	29,106	31,863
Other operating income	134	64	383	290
Distribution expenses	(2,669)	(3,110)	(5,278)	(5,530)
Administrative expenses	(4,248)	(5,756)	(8,308)	(10,146)
Other operating expenses	(589)	(648)	(1,328)	(2,243)
Results from operating activities	7,483	7,499	14,575	14,234
Finance income	3	26	16	77
Finance costs	(780)	(442)	(1,579)	(849)
Profit before tax	6,706	7,083	13,012	13,462
Tax expense	(1,773)	(1,891)	(3,631)	(3,519)
Net profit for the financial period	4,933	5,192	9,381	9,943
Other comprehensive income for the financial period, net of tax :				
Item that will not be reclassified subsequently to profit or loss				
Revaluation of land and buildings	8,981	-	8,981	-
Item that is or may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets	(5)	23	(20)	10
Other comprehensive income for the financial period, net of tax	8,976	23	8,961	10
Total comprehensive income for the financial period	13,909	5,215	18,342	9,953
Net profit for the financial period attributable to:				
- Owners of the Company	4,933	5,369	9,381	9,706
- Non-controlling interests	-	(177)	-	237
	4,933	5,192	9,381	9,943
Total comprehensive income attributable to :				
- Owners of the Company	13,909	5,385	18,342	9,713
- Non-controlling interests	-	(170)	-	240
	13,909	5,215	18,342	9,953
Earnings per share (sen) attributable to owners of the Company:				
- Basic ⁽²⁾	1.18	1.28	2.24	2.32
- 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 28 FEBRUARY 2018 ⁽¹⁾

	Unaudited As at 28.02.2018 RM'000	Audited As at 31.08.2017 RM'000
ASSETS		
Property, plant and equipment	55,019	44,306
Investment properties	2,680	2,584
Intangible assets	25,578	26,217
Other investments	343	371
Deferred tax assets	1,675	1,369
Total non-current assets	85,295	74,847
Inventories	69,784	65,188
Current tax assets	2,125	2,805
Trade and other receivables	63,405	54,122
Prepayments	2,607	2,888
Cash and cash equivalents	8,290	10,246
Total current assets	146,211	135,249
Total assets	231,506	210,096
EQUITY		
Share capital	108,210	108,210
Treasury shares	(1)	(1)
Reserves	55,516	37,174
Total equity	163,725	145,383
LIABILITIES		
Loans and borrowings	18,469	20,429
Deferred tax liabilities	9,405	6,463
Total non-current liabilities	27,874	26,892
Loans and borrowings	20,878	16,267
Provisions	2,131	1,203
Trade and other payables	16,195	20,351
Current tax liabilities	703	-
Total current liabilities	39,907	37,821
Total liabilities	67,781	64,713
Total equity and liabilities	231,506	210,096
Net assets per share attributable to owners of the Company (RM)	0.39	0.35

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 SIX (6) MONTHS ENDED 28 FEBRUARY 2018 ⁽¹⁾

	←----- 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	9,381	18,342	
Transactions with owners of the Company	-	-	-	-	-	-	-	
At 28 February 2018	108,210	(1)	(50,500)	-	22,577	83,439	163,725	



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	Non-distributable						Distributable		Non-controlling interests RM'000	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
Total comprehensive income for the financial period	-	-	-	-	7	-	9,706	9,713	240	9,953
Transactions with owners of the Company	-	-	(1)	-	-	-	-	(1)	-	(1)
Repurchase of shares	-	-	-	-	-	-	(3,492)	(3,492)	-	(3,492)
Dividends to owners of the Company	-	-	(1)	-	-	-	(3,492)	(3,493)	-	(3,493)
Total transactions with owners of the Company	-	-	(1)	-	-	-	(3,492)	(3,493)	-	(3,493)
At 28 February 2017	69,850	38,401	(1)	(50,500)	24	13,596	82,494	153,864	5,707	159,571

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 SIX (6) MONTHS ENDED 28 FEBRUARY 2018 ⁽¹⁾

	Current Year-To-Date 28.02.2018 RM'000	Preceding Year-To-Date 28.02.2017 RM'000
Cash flows from operating activities		
Profit before tax	13,012	13,462
Adjustments for:		
Amortisation of intangible assets	642	1,052
Depreciation on property, plant and equipment	1,216	1,224
Depreciation on investment properties	26	26
Write-off of property, plant and equipment	1	10
Impairment loss on trade receivables	168	558
Gain on disposal of property, plant and equipment	(32)	(187)
Finance costs	1,579	849
Finance income	(16)	(77)
Fair value of available-for-sale financial assets	8	-
Provision for sales returns	928	1,595
Operating profit before changes in working capital	<u>17,532</u>	<u>18,512</u>
Changes in inventories	(4,596)	(9,140)
Changes in trade and other receivables and prepayments	(9,170)	(10,100)
Changes in trade and other payables	<u>(4,156)</u>	<u>(4,014)</u>
Cash used in operations	(390)	(4,742)
Tax paid	(2,851)	(3,884)
Tax refunded	403	-
Interest paid	(758)	(570)
Interest received	<u>16</u>	<u>77</u>
Net cash used in operating activities	<u>(3,580)</u>	<u>(9,119)</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	32	225
Acquisition of subsidiaries, net of cash and cash equivalents	-	(848)
Acquisition of intangible assets	(3)	(4)
Acquisition of property, plant and equipment	<u>(235)</u>	<u>(3,163)</u>
Net cash used in investing activities	<u>(206)</u>	<u>(3,790)</u>
Cash flows from financing activities		
Net drawdown of bankers' acceptances	944	1,968
Repayment of finance lease liabilities	(14)	(63)
Repayment of term loans	(1,934)	(798)
Purchase of treasury shares	-	(1)
Dividends paid	-	(3,492)
Interest paid	<u>(821)</u>	<u>(279)</u>
Net cash used in financing activities	<u>(1,825)</u>	<u>(2,665)</u>
Net decrease in cash and cash equivalents	<u>(5,611)</u>	<u>(15,574)</u>
Cash and cash equivalents at beginning of the financial period	<u>(2,774)</u>	<u>16,645</u>
Cash and cash equivalents at end of the financial period	<u>(8,385)</u>	<u>1,071</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX (6) MONTHS ENDED 28 February 2018 ⁽¹⁾ (CONT'D)

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

	Current Year-To-Date 28.02.2018 RM'000	Preceding Year-To-Date 28.02.2017 RM'000
Cash and bank balances	7,572	13,374
Deposit placed with a licensed bank	718	1,012
Short term funds	-	3,000
	<hr/> 8,290	<hr/> 17,386
Less : Deposits pledged	(648)	(648)
Bank overdrafts	<u>(16,027)</u>	<u>(15,667)</u>
	<hr/> <u>(8,385)</u>	<hr/> <u>1,071</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.*



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 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 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.



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 RM0.19 million and RM0.37 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 28 February 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	23,621	2,565	879	(572)	26,493
Cost of sales	(9,773)	(1,847)	(444)	426	(11,638)
Gross profit	13,848	718	435	(146)	14,855
Add/(Less):					
Other operating income					134
Distribution expenses					(2,669)
Administrative expenses					(4,248)
Other operating expenses					(589)
Results from operating activities					7,483

Current financial year-to-date ended 28 February 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	50,087	5,900	1,565	(1,581)	55,971
Cost of sales	(23,200)	(4,212)	(640)	1,187	(26,865)
Gross profit	26,887	1,688	925	(394)	29,106
Add/(Less):					
Other operating income					383
Distribution expenses					(5,278)
Administrative expenses					(8,308)
Other operating expenses					(1,328)
Results from operating activities					14,575

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 28 February 2017

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	25,605	1,349	813	(594)	27,173
Cost of sales	(9,232)	(1,202)	(384)	594	(10,224)
Gross profit	16,373	147	429	-	16,949
Add/(Less):					
Other operating income					64
Distribution expenses					(3,110)
Administrative expenses					(5,756)
Other operating expenses					(648)
Results from operating activities					7,499

Preceding financial year's corresponding year-to-date ended 28 February 2017

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	51,763	2,554	5,123	(1,056)	58,384
Cost of sales	(23,018)	(2,268)	(2,291)	1,056	(26,521)
Gross profit	28,745	286	2,832	-	31,863
Add/(Less):					
Other operating income					290
Distribution expenses					(5,530)
Administrative expenses					(10,146)
Other operating expenses					(2,243)
Results from operating activities					14,234



A9. Valuation of Property, Plant and Equipment

During the the current financial quarter, the Group has carried out a revaluation on its properties as disclosed in Note A4 above.

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

Save for the proposal mentioned in Note B7 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

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

A12. Capital Commitments

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

A13. Changes in Contingent Liabilities and Contingent Assets

Contingent Liabilities

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

Contingent Assets

The Group does not have any material contingent assets as at 28 February 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 28 February 2018 against Preceding Financial Year's Corresponding Quarter ended 28 February 2017

The Group recorded a revenue of RM26.493 million for the current financial quarter as compared to RM27.173 million for the preceding financial year's corresponding quarter, representing a small decrease of RM0.680 million (equivalent to 2.5%).

The small decrease in revenue was mainly due to the lower revenue of the Print Publishing Division attributed to the drop in workbook sales arising from the reminders issued by the Ministry of Education Malaysia ("MoE") to only allow one workbook each for Bahasa Malaysia, English, Chinese, Tamil, Mathematics and Science for students in standard four, five and six. The MoE also reminded the schools to abide the latest rule which disallows workbooks for standard one, two, and three. However, the decrease in revenue was partly offset by the higher revenue of the Digital & Network Marketing Division as a result of the growth in our network marketing/direct sales business.

The Group recorded a profit before tax ("PBT") of RM6.706 million for the current financial quarter vis-à-vis RM7.083 million for the preceding financial year's corresponding quarter, representing a small decrease of RM0.377 million (equivalent to 5.3%). The small decrease in PBT was due to lower gross profit margin, partly offset by lower expenses incurred by the Group.

Current Financial Year-to-Date ended 28 February 2018 against Preceding Financial Year's Corresponding Year-to-Date ended 28 February 2017

The Group recorded a revenue of RM55.971 million for the current financial year-to-date as compared to RM58.384 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 RM52.004 million. In this regard, the Group would have recorded an increase in revenue of RM3.967 million (equivalent to 7.6%) for the current financial year-to-date if these two (2) revenue items were excluded.

The Group recorded a PBT of RM13.012 million for the current financial year-to-date vis-à-vis RM13.462 million for the preceding financial year's corresponding year-to-date, representing a small decrease of RM0.450 million (equivalent to 3.3%). Similar to the explanations for the small decrease in PBT in the current financial quarter, the small decrease in PBT was due to lower gross profit margin, partly offset by lower expenses incurred by the Group.

B2. Variation of Results for the Current Financial Quarter ended 28 February 2018 against the Immediate Preceding Financial Quarter

The Group recorded a revenue of RM26.493 million for the current financial quarter as compared to the immediate preceding financial quarter's revenue of RM29.478 million, representing a decrease of RM2.985 million (equivalent to 10.1%). The decrease was mainly due to the drop in workbook sales as explained above.

The Group recorded a PBT of RM6.706 million for the current financial quarter vis-à-vis RM6.306 million for the immediate preceding financial quarter, representing an increase of RM0.400 million (equivalent to 6.3%). The increase in PBT was mainly due to better gross profit margin recorded by the Group.



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

Coming off a strong first financial quarter (i.e. September 2017 to November 2017) which recorded a revenue growth of 18.7% vis-à-vis the preceding year's corresponding quarter, after taking into consideration the one-off items of (i) the 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, the Group has achieved healthy growth in revenue of 7.6% for the first six (6) months of FYE 31 August 2018 amid continued weak market conditions.

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 has put in place new measures to improve the Group's revenue contribution from our non-academic segment and new market segments for the third and fourth financial quarters.

In this regard, while the Group continues to pursue growth for our network marketing/direct sales and ALP & STEM Education segments, the Group anticipates new revenue contributions from non-academic products such as the Chuck Chicken branded products; new market segments related to early education, and private/international schools (Marshall Cavendish products) for the FYE 31 August 2018.

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 six (6) months has improved the Group's EBITDA.

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

B4. Variance of Profit Forecast

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

B5. Notes to the Statement of Comprehensive Income

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 28.02.2018 RM'000	Preceding Year Quarter 28.02.2017 RM'000	Current Year-To-Date 28.02.2018 RM'000	Preceding Year-To-Date 28.02.2017 RM'000
Amortisation of intangible assets	312	505	642	1,052
Depreciation on property, plant and equipment	590	610	1,216	1,224
Depreciation on investment properties	13	13	26	26
Gain on disposal of property, plant and equipment	-	-	(32)	(187)
Write-off of property, plant and equipment	1	10	1	10
Impairment loss on trade receivables	-	-	168	558
Finance costs	780	442	1,579	849
Finance income	(3)	(26)	(16)	(77)
Realised foreign exchange (gain)/loss	17	39	(14)	26
Provision for sales returns	264	952	928	1,595

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



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B6. Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 28.02.2018 RM'000	Preceding Year Quarter 28.02.2017 RM'000	Current Year-To-Date 28.02.2018 RM'000	Preceding Year-To-Date 28.02.2017 RM'000
Current tax expense				
- Current period	1,799	2,097	3,802	4,437
- Prior period	-	-	29	(112)
	<u>1,799</u>	<u>2,097</u>	<u>3,831</u>	<u>4,325</u>
Deferred tax expense				
- Current period	(26)	(206)	(160)	(708)
- Prior period	-	-	(40)	(98)
	<u>(26)</u>	<u>(206)</u>	<u>(200)</u>	<u>(806)</u>
Total tax expense	<u>1,773</u>	<u>1,891</u>	<u>3,631</u>	<u>3,519</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) Acquisition of Pinko Creative Sdn Bhd

On 17 April 2018, the Company's wholly-owned subsidiary, United Publishing House (M) Sdn Bhd ("United Publishing") entered into a share acquisition agreement ("SAA") with See Yew Lee and Fo Siew Fung to acquire 100% of the issued and paid-up share capital of Pinko Creative Sdn Bhd ("Pinko Creative"), comprising 50,000 ordinary shares, for a purchase price of RM860,000.00 only subject to the terms and conditions in the SAA ("Proposed Acquisition").

Upon completion of the Proposed Acquisition, Pinko Creative will become a wholly-owned subsidiary of United Publishing.

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

(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 28 February 2018 were as follows:

	As at 28.02.2018 RM'000	As at 31.08.2017 RM'000
Non-current		
Finance lease liabilities	87	103
Term loans - secured	18,382	20,326
	<u>18,469</u>	<u>20,429</u>
Current		
Finance lease liabilities	29	27
Term loans - secured	3,878	3,868
Bank overdrafts - secured	16,027	12,372
Bankers' acceptances - secured	944	-
	<u>20,878</u>	<u>16,267</u>
	<u>39,347</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 28.02.2018 RM'000	Preceding Year Quarter 28.02.2017 RM'000	Current Year-To-Date 28.02.2018 RM'000	Preceding Year-To-Date 28.02.2017 RM'000
Net profit attributable to owners of the Company	4,933	5,369	9,381	9,706
Weighted average number of ordinary shares in issue ('000)	419,099	419,099 [^]	419,099	419,099 [^]
Basic earnings per ordinary share (sen)	1.18	1.28	2.24	2.32

Note:

[^] 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
 17 April 2018