SASBADI HOLDINGS BERHAD (1022660-T)

Incorporated in Malaysia
FOURTH QUARTER REPORT ENDED 31 AUGUST 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER AND TWELVE (12) MONTHS ENDED 31 AUGUST 2018 (1)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.08.2018 RM'000	Preceding Year Quarter 31.08.2017 RM'000	Current Year-To-Date 31.08.2018 RM'000	Preceding Year-To-Date 31.08.2017 RM'000 (Audited)
Revenue	12,775	12,982	87,841	93,053
Cost of sales	(13,764)	(9,648)	(51,089)	(47,531)
Gross profit	(989)	3,334	36,752	45,522
Other operating income	323	292	727	635
Distribution expenses	(2,354)	(2,775)	(10,016)	(10,735)
Administrative expenses	(3,441)	(4,297)	(15,664)	(17,527)
Other operating expenses	(2,728)	(1,600)	(4,682)	(4,736)
Results from operating activities	(9,189)	(5,046)	7,117	13,159
Finance income	3	29	22	148
Finance costs	(711)	(526)	(3,015)	(1,856)
(Loss)/Profit before tax	(9,897)	(5,543)	4,124	11,451
Tax expense	1,994	980	(2,121)	(3,455)
Net (loss)/profit for the financial period/year	(7,903)	(4,563)	2,003	7,996
Other comprehensive income for the financial period/year, net of tax :				
Item that will not be reclassified subsequently to profit or loss				
Revaluation of land and buildings	(93)	-	8,888	-
Item that is or may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets	-	(3)	(20)	4
Other comprehensive (loss)/income for the financial period/(year), net of tax	(93)	(3)	8,868	4
Total comprehensive (loss)/income for the financial period/year	(7,996)	(4,566)	10,871	8,000
Net (loss)/profit for the financial period/year attributable to:				
- Owners of the Company	(7,903)	(4,225)	2,003	8,044
- Non-controlling interests	-	(338)	-	(48)
	(7,903)	(4,563)	2,003	7,996
Total comprehensive (loss)/income attributable to :				
- Owners of the Company	(7,996)	(4,227)	10,871	8,047
- Non-controlling interests	-	(339)	-	(47)
	(7,996)	(4,566)	10,871	8,000
(Loss)/Earnings per share (sen) attributable to owners of the Company:				
- Basic (2)	(1.89)	(1.01)	0.48	1.92
- 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

SASBADI HOLDINGS BERHAD (1022660-T)

Incorporated in Malaysia
FOURTH QUARTER REPORT ENDED 31 AUGUST 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2018 [1]

	Unaudited As at 31.08.2018 RM'000	Audited As at 31.08.2017 RM'000
ASSETS		
Property, plant and equipment	53,942	44,306
Investment properties	2,531	2,584
Intangible assets	26,075	26,217
Other investments	246	371
Deferred tax assets	1,213	1,369
Total non-current assets	84,007	74,847
Inventories	73,472	65,188
Current tax assets	3,918	2,805
Trade and other receivables	56,406	54,122
Prepayments	2,879	2,888
Cash and cash equivalents	6,161	10,246
Total current assets	142,836	135,249
Total assets	**226,843**	**210,096**
EQUITY		
Share capital	108,210	108,210
Treasury shares	(1)	(1)
Reserves	48,045	37,174
Total equity	156,254	145,383
LIABILITIES		
Loans and borrowings	16,558	20,429
Deferred tax liabilities	7,900	6,463
Total non-current liabilities	24,458	26,892
Loans and borrowings	26,080	16,267
Provisions	1,093	1,203
Trade and other payables	18,958	20,351
Current tax liabilities	-	-
Total current liabilities	46,131	37,821
Total liabilities	70,589	64,713
Total equity and liabilities	**226,843**	**210,096**
Net assets per share attributable to owners of the Company (RM)	**0.37**	**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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWELVE (12) MONTHS ENDED 31 AUGUST 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 year	-	-	-	(20)	8,888	2,003	10,871
Transactions with owners of the Company	-	-	-	-	-	-	-
At 31 August 2018	108,210	(1)	(50,500)	-	22,484	76,061	156,254

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWELVE (12) MONTHS ENDED 31 AUGUST 2018(1) (CONT'D)

(Audited)	**<------ Non-distributable ------>**						**Distributable**			
	Share capital RM'000	**Share premium RM'000**	**Treasury shares RM'000**	**Merger deficit RM'000**	**Fair value reserve RM'000**	**Revaluation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 September 2016	69,850	38,401	-	(50,500)	17	13,596	76,280	147,644	5,467	153,111
Total comprehensive income for the financial year	-	-	-	-	3	-	8,044	8,047	(47)	8,000
Transactions with owners of the Company										
Repurchase of shares	-	-	(1)	-	-	-	-	(1)	-	(1)
Issue of bonus shares	34,925	(34,925)	-	-	-	-	-	-	-	-
Share issuance expenses	-	(41)	-	-	-	-	-	(41)	-	(41)
Dividends to owners of the Company	-	-	-	-	-	-	(6,286)	(6,286)	-	(6,286)
	34,925	(34,966)	(1)	-	-	-	(6,286)	(6,328)	-	(6,328)
Changes in ownership interest in a subsidiary	-	-	-	-	-	-	(3,980)	(3,980)	(5,420)	(9,400)
Total transactions with owners of the Company	34,925	(34,966)	(1)	-	-	-	(10,266)	(10,308)	(5,420)	(15,728)
Transfer in accordance with Section 618(2) of the Companies Act 2016	3,435	(3,435)								-
At 31 August 2017	108,210	-	(1)	(50,500)	20	13,596	74,058	145,383	-	145,383

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE TWELVE (12) MONTHS ENDED 31 AUGUST 2018 (1)

	Current Year-To-Date 31.08.2018 RM'000	Preceding Year-To-Date 31.08.2017 RM'000
Cash flows from operating activities		**(Audited)**
Profit before tax	4,124	11,451
Adjustments for:		
Amortisation of intangible assets	1,292	2,064
Depreciation on property, plant and equipment	2,572	2,487
Depreciation on investment properties	53	53
Dividend income	-	(10)
Provision/(Reversal) of inventories write-down, net	4,045	(853)
Write-off of property, plant and equipment	6	16
Impairment loss on trade receivables	2,033	1,149
Reversal of impairment loss on trade receivables	(162)	(62)
Gain on disposal of property, plant and equipment	(77)	(298)
Gain on disposal of available-for-sale financial assets	(10)	-
Finance costs	3,015	1,856
Finance income	(22)	(148)
Fair value of available-for-sale financial assets	25	-
Provision for sales returns	(111)	141
Operating profit before changes in working capital	16,783	17,846
Changes in inventories	(12,204)	(16,441)
Changes in trade and other receivables and prepayments	(3,725)	(3,849)
Changes in trade and other payables	(1,434)	(2,095)
Cash used in operations	(580)	(4,539)
Tax paid	(6,047)	(6,453)
Tax refunded	1,580	590
Interest paid	(1,518)	(1,218)
Interest received	22	148
Net cash used in operating activities	(6,543)	(11,472)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	99	336
Proceeds from disposal of available-for-sale financial assets	90	-
Dividend received from other investments	-	10
Acquisition of non-controlling interest	-	(9,400)
Acquisition of subsidiaries, net of cash and cash equivalents	(685)	(847)
Acquisition/developement of intangible assets	(972)	(11)
Acquisition of property, plant and equipment	(519)	(3,905)
Net cash used in investing activities	(1,987)	(13,817)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE TWELVE (12) MONTHS ENDED 31 AUGUST 2018 (1) (CONT'D)

Cash flows from financing activities		
Net drawdown of bankers' acceptances	2,538	(807)
Repayment of finance lease liabilities	(28)	(118)
Repayment of term loans	(5,422)	(1,239)
Proceeds from term loan	1,656	15,000
Share issuance expenses paid	-	(41)
Purchase of treasury shares	-	(1)
Dividends paid	-	(6,286)
Interest paid	(1,497)	(638)
Net cash (used in)/generated from financing activities	(2,753)	5,870
Net decrease in cash and cash equivalents	(11,283)	(19,419)
Cash and cash equivalents at beginning of the financial period	(2,774)	16,645
Cash and cash equivalents at end of the financial period	(14,057)	(2,774)

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

	Current Year-To-Date 31.08.2018 RM'000	**Preceding Year-To-Date 31.08.2017 RM'000**
Cash and bank balances	5,443	9,538
Deposit placed with a licensed bank	718	708
Short term funds	-	-
	6,161	10,246
Less : Deposits pledged	(648)	(648)
Bank overdrafts	(19,570)	(12,372)
	(14,057)	(2,774)

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)*

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.

a) Classification and Measurement
The Group has concluded that the new classification requirement will not have a significant impact on its accounting for financial assets and financial liabilites.

b) Impairment
MFRS 9 replaces the ‘incurred losses model’ in MFRS 139 with the ‘expected credit losses model’. The Group will apply the simplified approach on a forward-looking basis and recognise expected credit losses for its trade receivables . The Group estimates a significant increase in impairment allowances of the Group and an increase in allowance will be adjusted to Retained Earnings.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 establishes a new five-step model that is applicable to revenue arising from contracts with customers. MFRS 15 supersedes the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

MFRS 15, *Revenue from Contracts with Customers (Cont'd)*

The Group has assessed the effects of applying the new standard on the Group's financial statements and anticipates that the application of MFRS 15 will have a **significant** impact.

a) Sale of Goods

Sale of Printed Books, Distribution of Applied Learning Products and Trading of Paper

These sales are generally made on an outright basis and the Group regards these sales transactions consist of a single performance obligation. The Group expects the revenue recognition to occur at a point in time when the customers take control of the goods, generally on delivery of the goods. As such, the Group concludes that there will be no impact on the timing of revenue recognition for these sales.

Sale of Online/Digital Educational Materials

Under the five-step model, sales of the online digital products will be recognised over time as compared to the existing practice of the Group to recognise the revenue upon delivery of products, as consumers can only benefit from the usage of the products by logging in to the platform over the contracted period.

b) Variable Consideration

Sale of Printed Books, Distribution of Applied Learning Products and Trading of Paper

The Group's customary business practices provides customers a right of return and early settlement rebates. Upon adoption of MFRS 15, The Group will change the recognition method on the early settlment rebates from recognising the actual amount incurred as and when customers make payments to recognising the rebates based on an estimate at the time the revenue is recognised.

However, the Group expects that the adjustment to revenue due to returns from customers with a related adjustment to cost of sales will not be significant upon the adoption of MFRS 15 as a provision for sales return has been provided in the financial statements based on historical data.

Sale of Online/Digital Educational Materials

The Group previously classified the performance bonus paid to its distributors in its Cost of Sales. Under MFRS 15 , the Group is required to determine whether the consideration paid to its distributors is a payment for distinct goods or services. The performance bonus paid to the distributors are classified into two types ie:-

i) Personal Sales Bonus
ii) Group Network Sales Bonus

The Group is of the view that the Personal Sales Bonus ia a reduction of transaction price and will be recognised over time as compared to the existing practice of the Group to recognise the revenue upon delivery of the products. On the other hand, the Group Network Sales Bonus is a consideration paid to distributors for the provision of distinct services and will be charged out to the income statement as it is incurred.

c) Cost to Obtain Contract

Sale of Online/Digital Educational Materials

Upon the adoption of MFRS 15, the Group expects to capitalise sales bonus (for newly-recruited distributors in the direct marketing business of online/digital educational products) as costs to obtain contract with a customer when they are incurred and expected to be recovered over the service period. These costs will be amortised consistently with the transfer of the service to the customer. Currently, these costs are recognised in the income statement.

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 Cyclicality 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 RM8.888 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 RM0.74 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.

(iii) Bonus Issue
On 14 August 2017, the Company completed the bonus issue of 139,699,500 new ordinary shares of the Company.

A7. Dividend Paid

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

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 August 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	10,476	1,873	1,239	(813)	12,775
Cost of sales	(12,169)	(1,675)	(588)	668	(13,764)
Gross profit/(loss)	(1,693)	198	651	(145)	(989)
Add/(Less):					
Other operating income					323
Distribution expenses					(2,354)
Administrative expenses					(3,441)
Other operating expenses					(2,728)
Results from operating activities					(9,189)

Current financial year-to-date ended 31 August 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	77,740	8,880	4,298	(3,077)	87,841
Cost of sales	(45,672)	(6,088)	(1,806)	2,477	(51,089)
Gross profit	32,068	2,792	2,492	(600)	36,752
Add/(Less):					
Other operating income					727
Distribution expenses					(10,016)
Administrative expenses					(15,664)
Other operating expenses					(4,682)
Results from operating activities					7,117

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*

A8. Segment Information (cont'd)

Preceding financial year's corresponding quarter ended 31 August 2017

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	9,793	2,432	1,521	(764)	12,982
Cost of sales	(7,475)	(2,196)	(741)	764	(9,648)
Gross profit	2,318	236	780	-	3,334
Add/(Less):					
Other operating income					292
Distribution expenses					(2,775)
Administrative expenses					(4,297)
Other operating expenses					(1,600)
Results from operating activities					(5,046)

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

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	81,727	6,146	7,429	(2,249)	93,053
Cost of sales	(40,936)	(5,422)	(3,422)	2,249	(47,531)
Gross profit	40,791	724	4,007	-	45,522
Add/(Less):					
Other operating income					635
Distribution expenses					(10,735)
Administrative expenses					(17,527)
Other operating expenses					(4,736)
Results from operating activities					13,159

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:

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

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 August 2018.

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

B1. Review of Performance

Current Quarter ended 31 August 2018 against Preceding Financial Year's Corresponding Quarter ended 31 August 2017

The Group recorded a revenue of RM12.775 million for the current financial quarter as compared to RM12.982 million for the preceding financial year’s corresponding quarter, representing a slight decrease of RM0.207 million (equivalent to 1.6%). The slight decrease was mainly due to the drop in revenue recorded by the Group’s Digital & Network Marketing Division (which declined from RM2.432 million for the preceding financial year’s corresponding quarter to RM1.873 million for the current financial quarter) and the ALP & STEM Education Division (which declined from RM1.521 million for the preceding financial year’s corresponding quarter to RM1.239 million for the current financial quarter), partly offset by the higher revenue recorded by the Print Publishing Division (which increased from RM9.793 million for the preceding financial year’s corresponding quarter to RM10.476 million for the current financial quarter).

The Group recorded a loss before tax (“LBT”) of RM9.897 million for the current financial quarter vis-à-vis a LBT of RM5.543 million for the preceding financial year’s corresponding quarter. The increase in the LBT by RM4.354 million was mainly due to the provision for impairment of inventories of RM4.045 million in the current financial quarter.

Current Financial Year-to-Date ended 31 August 2018 against Preceding Financial Year's Corresponding Year-to-Date ended 31 August 2017

The Group recorded a drop in revenue of RM5.212 million (equivalent to 5.6%) from RM93.053 million for the preceding financial year to RM87.841 million for the current financial year. It is to be noted that the revenue for the preceding financial year included revenue from the non-recurring contract of RM3.850 million for the supply of robotics sets to the Ministry of Education Malaysia (“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 would have been RM86.673 million. In this regard, the Group would have recorded a slight increase in revenue of RM1.168 million (equivalent to 1.3%) for the current financial year if these two (2) revenue items were excluded.

The analysis by division shows that the Group’s Print Publishing Division’s revenue decreased from RM81.727 million for the preceding financial year to RM77.740 million for the current financial year, which was mainly due to the delayed orders from the MoE as explained above coupled with the workbook “ban” enforced by the MoE, the continued weak retail market, the more than usual public holidays and the post general election announcement on the change of Goods and Services Tax rate to 0% effective from 1 June 2018. The Group’s Digital & Network Marketing Division, on the other hand, showed an increase in revenue from RM6.146 million for the preceding financial year to RM8.880 million for the current financial year due to the growth in our network marketing/direct sales business. The Group’s ALP & STEM Education Division’s revenue decreased from RM7.429 million for the preceding financial year to RM4.298 million for the current financial year mainly due to the non-recurring contract for the supply of robotics sets to the MoE as explained above.

The Group recorded a profit before tax (“PBT”) of RM4.124 million for the current financial year vis-à-vis PBT of RM11.451 million for the preceding financial year, representing a decrease of RM7.327 million (equivalent to 64.0%). The decrease in PBT was mainly due to lower revenue as explained above, lower gross profit mainly due to the provision for impairment of inventories of RM4.045 million as explained above, and higher finance costs, but partly offset by lower distribution, administrative and other operating expenses incurred by the Group.

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

The Group recorded a revenue of RM12.775 million for the current financial quarter as compared to the revenue of RM19.095 million for the immediate preceding financial quarter, representing a decrease of RM6.320 million (equivalent to 33.1%). The decrease was mainly due to the current financial quarter being a seasonally weak financial quarter historically, coupled with the delay by the Group in fulfilling some of the orders which came in late towards the end of the current financial quarter.

The Group recorded a LBT of RM9.897 million for the current financial quarter vis-à-vis a PBT of RM1.009 million for the immediate preceding financial quarter. The LBT recorded by the Group for the current financial quarter vis-à-vis the PBT for the immediate preceding financial quarter was mainly due to the decrease in revenue and the provision for impairment of inventories as explained above.

B3. Group's Prospects for the financial year ending ("FYE") 31 August 2019

Despite the Group's efforts in pursuing growth for our other segments, i.e. (i) network marketing/direct sales; (ii) non-academic products; (iii) early education and private/international schools (Marshall Cavendish products); and (iv) rights licensing, the revenue generated was not enough to offset the drop in revenue attributed to the workbook "ban" enforced by the MoE and the continued weak retail market in the financial year ended 31 August 2018. The Group's overall performance was also impacted by the interruption caused by the more than usual public holidays.

The revenue from the above mentioned segments has remained low compared to our academic print publishing business as these markets are relatively new to our Group and we have yet to achieve the optimum efficiency desired.

For FYE 31 August 2019, the Group expects better results from all the non-academic related segments mentioned above in anticipation of achieving better efficiency in our marketing and sales efforts. The Group will continue to focus on developing these markets to achieve higher growth. The Group will also heighten our participation in textbook and other tenders by the MoE. To mitigate the lost of school workbook-related revenue, the Group has reallocated the resources to produce workbooks that are targeting the retail market and contents for our digital solutions.

Premised on the above and barring any unforeseen circumstances, the Group is positive of our prospects and performance for FYE 31 August 2019.

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 31.08.2018 RM'000	Preceding Year Quarter 31.08.2017 RM'000	Current Year-To-Date 31.08.2018 RM'000	Preceding Year-To-Date 31.08.2017 RM'000
Amortisation of intangible assets	329	506	1,292	2,064
Depreciation on property, plant and equipment	707	637	2,572	2,487
Depreciation on investment properties	13	14	53	53
Gain on disposal of property, plant and equipment	(28)	(89)	(77)	(298)
Gain on disposal of available-for-sale financial assets	-	-	(10)	-
Write-off of property, plant and equipment	5	6	6	16
Impairment loss on trade receivables	1,865	581	2,033	1,149
Reversal of impairment loss on trade receivables	(156)	(62)	(162)	(62)
Finance costs	711	526	3,015	1,856
Finance income	(3)	(29)	(22)	(148)
Reversal of write-down of inventories	-	(939)	-	(939)
Inventories write-down	4,045	86	4,045	86
Realised foreign exchange (gain)/loss	6	13	(16)	10
(Reversal of)/provision for sales returns	(416)	(310)	(111)	141

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

B6. Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.08.2018 RM'000	Preceding Year Quarter 31.08.2017 RM'000	Current Year-To-Date 31.08.2018 RM'000	Preceding Year-To-Date 31.08.2017 RM'000
Current tax expense				
- Current period	(1,092)	(351)	3,217	5,073
- Prior period	(3)	(135)	120	(295)
	(1,095)	(486)	3,337	4,778
Deferred tax expense				
- Current period	(899)	(87)	(1,176)	(818)
- Prior period	-	(407)	(40)	(505)
	(899)	(494)	(1,216)	(1,323)
Total tax expense	(1,994)	(980)	2,121	3,455

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.

B8. Loans and Borrowings

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

	As at 31.08.2018 RM'000	As at 31.08.2017 RM'000
Non-current		
Finance lease liabilities	72	103
Term loans - secured	16,486	20,326
	16,558	20,429
Current		
Finance lease liabilities	30	27
Term loans - secured	3,942	3,868
Bank overdrafts - secured	19,570	12,372
Bankers' acceptances - secured	2,538	-
	26,080	16,267
	42,638	36,696

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”). The lawsuit brought 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”) (please refer to the Company’s announcement dated 13 March 2017 for further details on the Publishing Agreement).

SSB had, on 30 August 2017, via its solicitors, Messrs Shook Lin & Bok, filed its defence against the claim and submitted a 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 was put to strict proof of the said claims.

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

Subsequently, on 18 April 2018, the Kuala Lumpur High Court struck out the claim by PPSB and the counterclaim by SSB in the lawsuit, with no liberty to file afresh and no order as to costs. In this regard, SSB shall continue to enjoy the exclusive licence granted by MPM to SSB to prepare, publish, print, distribute, market and sell the collections of past year question papers for the STPM examination and MUET, during the duration of the Publishing Agreement.

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 31.08.2018 RM'000	Preceding Year Quarter 31.08.2017 RM'000	Current Year-To-Date 31.08.2018 RM'000	Preceding Year-To-Date 31.08.2017 RM'000
Net (loss)profit attributable to owners of the Company	(7,903)	(4,225)	2,003	8,044
Weighted average number of ordinary shares in issue ('000)	419,099	419,099 ^	419,099	419,099 ^
Basic (loss)/earnings per ordinary share (sen)	(1.89)	-1.01	0.48	1.92

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
31 October 2018