SASBADI HOLDINGS BERHAD (1022660-T)
Incorporated in Malaysia
THIRD QUARTER REPORT ENDED 31 MAY 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 31 MAY 2019 (1)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.05.2019 RM'000	Preceding Year Quarter 31.05.2018 RM'000 (Restated)	Current Year-To-Date 31.05.2019 RM'000	Preceding Year-To-Date 31.05.2018 RM'000 (Restated)
Revenue	17,795	19,454	72,630	73,282
Cost of sales	(10,013)	(10,170)	(37,261)	(35,820)
Gross profit	7,782	9,284	35,369	37,462
Other operating income	149	21	321	404
Distribution expenses	(2,145)	(2,384)	(6,811)	(7,662)
Administrative expenses	(3,061)	(3,915)	(11,240)	(12,223)
Other operating expenses	(871)	(953)	(2,651)	(2,556)
Results from operating activities	1,854	2,053	14,988	15,425
Finance income	3	3	9	19
Finance costs	(645)	(725)	(2,233)	(2,304)
Profit before tax	1,212	1,331	12,764	13,140
Tax expense	(577)	(561)	(4,118)	(3,903)
Net profit for the financial period	635	770	8,646	9,237
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	-	8,888	-	8,888
Item that is or may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets	8	-	31	(20)
Other comprehensive income for the financial period, net of tax	8	8,888	31	8,868
Total comprehensive income for the financial period	643	9,658	8,677	18,105
Net profit for the financial period attributable to:				
- Owners of the Company	635	770	8,646	9,237
- Non-controlling interests	-	-	-	-
	635	770	8,646	9,237
Total comprehensive income attributable to :				
- Owners of the Company	643	770	8,677	18,105
- Non-controlling interests	-	-	-	-
	643	770	8,677	18,105
Earnings per share (sen) attributable to owners of the Company:				
- Basic	0.15	0.18	2.06	2.20
- 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 2018 and the accompanying explanatory notes attached to these interim financial statements.

N/A Not applicable

SASBADI HOLDINGS BERHAD (1022660-T)
Incorporated in Malaysia
THIRD QUARTER REPORT ENDED 31 MAY 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2019 [(1)]

	Unaudited As at 31.05.2019 RM'000	Audited As at 31.08.2018 RM'000 (Restated)
ASSETS		
Property, plant and equipment	52,557	53,941
Investment properties	2,492	2,532
Intangible assets	25,411	26,075
Other investments	277	246
Deferred tax assets	2,796	2,827
Total non-current assets	83,533	85,621
Inventories	73,846	73,462
Current tax assets	2,488	3,897
Trade and other receivables	50,690	52,484
Prepayments	3,861	3,371
Cash and cash equivalents	8,856	6,164
Total current assets	139,741	139,378
Total assets	**223,274**	**224,999**
EQUITY		
Share capital	108,210	108,210
Treasury shares	(1)	(1)
Reserves	51,669	42,992
Total equity	159,878	151,201
LIABILITIES		
Loans and borrowings	13,837	16,558
Deferred tax liabilities	7,804	7,941
Total non-current liabilities	21,641	24,499
Loans and borrowings	24,753	26,097
Provisions	2,179	1,092
Trade and other payables	14,360	22,110
Current tax liabilities	463	-
Total current liabilities	41,755	49,299
Total liabilities	63,396	73,798
Total equity and liabilities	**223,274**	**224,999**
Net assets per share attributable to owners of the Company (RM)	**0.38**	**0.36**

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 2018 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE (9) MONTHS ENDED 31 MAY 2019 (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 31 August 2018, as previously stated	108,210	(1)	(50,500)	(25)	22,484	76,099	156,267
- Effects of adopting MFRS 9 and MFRS 15	-	-	-	-	-	(5,066)	(5,066)
Balance as at 1 September 2018, restated	108,210	(1)	(50,500)	(25)	22,484	71,033	151,201
Total comprehensive income for the financial period	-	-	-	31	-	8,646	8,677
Transactions with owners of the Company	-	-	-	-	-	-	-
At 31 May 2019	108,210	(1)	(50,500)	6	22,484	79,679	159,878

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE (9) MONTHS ENDED 31 MAY 2019 (1) (CONT'D)

	<---------------------------- 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 31 August 2017, as previously reported	108,210	(1)	(50,500)	20	13,596	74,058	145,383
- Effects of adopting MFRS 9 and MFRS 15	-	-	-	-	-	(4,277)	(4,277)
Balance as at 1 September 2017, restated	108,210	(1)	(50,500)	20	13,596	69,781	141,106
Total comprehensive income for the financial period	-	-	-	(20)	8,888	9,237	18,105
Transactions with owners of the Company	-	-	-	-	-	-	-
At 31 May 2018	108,210	(1)	(50,500)	-	22,484	79,018	159,211

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 2018 and the accompanying explanatory notes attached to these interim financial statements.

SASBADI HOLDINGS BERHAD (1022660-T)

Incorporated in Malaysia

THIRD QUARTER REPORT ENDED 31 MAY 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE (9) MONTHS ENDED 31 MAY 2019 (1)

	Current Year-To-Date 31.05.2019 RM'000	Preceding Year-To-Date 31.05.2018 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	12,764	13,140
Adjustments for:		
Amortisation of intangible assets	1,052	963
Depreciation on property, plant and equipment	1,763	1,865
Depreciation on investment properties	40	40
Dividend income	(5)	-
Write-off of property, plant and equipment	3	1
Impairment loss on trade receivables	691	770
Reversal of impairment loss on trade receivables	-	(6)
Gain on disposal of property, plant and equipment	(105)	(49)
Gain on disposal of available-for-sale financial assets	-	(10)
Finance costs	2,233	2,304
Finance income	(9)	(19)
Fair value of available-for-sale financial assets	-	28
Provision for sales returns	1,087	305
Operating profit before changes in working capital	19,514	19,332
Changes in inventories	(384)	(5,713)
Changes in trade and other receivables and prepayments	613	(8,008)
Changes in trade and other payables	(7,750)	(5,788)
Cash generated from/(used in) operations	11,993	(177)
Tax paid	(4,661)	(4,964)
Tax refunded	2,309	810
Interest paid	(1,282)	(1,102)
Interest received	9	19
Net cash generated from/(used in) operating activities	8,368	(5,414)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	107	66
Proceeds from disposal of available-for-sale financial assets	-	90
Dividend received from other investments	5	-
Acquisition of subsidiaries, net of cash and cash equivalents	-	(685)
Acquisition of intangible assets	(388)	(3)
Acquisition of property, plant and equipment	(384)	(329)
Net cash used in investing activities	(660)	(861)
Cash flows from financing activities		
Net drawdown of bankers' acceptances	813	2,176
Repayment of finance lease liabilities	(22)	(20)
Repayment of term loans	(4,175)	(2,907)
Proceeds from term loan	1,346	-
Interest paid	(951)	(1,202)
Net cash used in financing activities	(2,989)	(1,953)
Net increase/(decrease) in cash and cash equivalents	4,719	(8,228)
Cash and cash equivalents at beginning of the financial period	(14,012)	(2,774)
Cash and cash equivalents at end of the financial period	(9,293)	(11,002)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE (9) MONTHS ENDED 31 MAY 2019 (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 31.05.2019 RM'000	Preceding Year-To-Date 31.05.2018 RM'000
Cash and bank balances	8,137	5,523
Deposit placed with a licensed bank	719	718
	8,856	6,241
Less : Deposits pledged	(606)	(648)
Bank overdrafts	(17,543)	(16,595)
	(9,293)	(11,002)

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 2018 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 2018 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 2018.

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 2018, 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 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Prepayment Features with Negative Compensation*
- 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 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Long-term Interests in Associates and Joint Ventures*

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 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.

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.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

The effects of first time-adoption of MRFS are primarily from the following:

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 liabilities.

b) Impairment
MFRS 9 replaces the ‘incurred losses model’ in MFRS 139 with the ‘expected credit losses model’ ("ECL"). The Group applied the simplified approach on a forward-looking basis and recognise expected credit losses for its trade receivables. The impact as a result of MFRS 9 adoption will be adjusted to Retained Earnings retrospectively.

The adoption of MFRS 9 has resulted in additional impairment of trade receivables of RM4.312 million and RM0.630 million as at 31 August 2018 and 31 May 2019 respectively.

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.

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 and the impact upon adoption is as follows:-

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 are recognised over time as compared to the previous 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.

The Group adjusted an amount of RM3.043 million to reduce the retained earnings as at 31 August 2018 and classified as Contract Liabilities. The subsequent assessment was net increase to the revenue of RM1.185 million for the current financial year-to-date ended 31 May 2019.

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 settlement 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.

Based on historical data, the Group adjusted the rebate of RM0.075 million by reducing the retained earnings as at 31 August 2018 and classified it as Contract Liabilities. The subsequent assessment on rebate was net decrease of the revenue by RM0.101 million for the current quarter ended 31 May 2019.

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 is 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.

The reclassification of Personal Sales Bonus does not affect the retained earnings as at 31 August 2018. However, it reduced the revenue and cost of sales by the same amount of RM1.162 million for the current financial year-to-date ended 31 May 2019.

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.

The recognition of the personal sales bonus mentioned in item (b) above and the capitalisation of cost to obtain contract collectively resulted in an increase of RM0.764 million in retained earnings as at 31 August 2018 and is being classified as Contract Assets. The subsequent assessment was net decrease to the Contract Assets of RM0.311 million for the current financial year-to-date ended 31 May 2019.

The overall effects of the adoption of MFRS 9 and MFRS 15 are as follows:

Condensed Consolidated Statement of Profit or Loss for the quarter ended 31 May 2019

	Before MFRS Adjustments RM'000	**Effects of adoption of MFRS 9 and MFRS 15 RM'000**	**31.05.2019 After MFRS Adjustments RM'000**
Revenue	17,070	725	17,795
Cost of sales	(10,114)	101	(10,013)
Gross profit	6,956	826	7,782
Other operating income	149	-	149
Distribution expenses	(2,145)	-	(2,145)
Administrative expenses	(3,061)	-	(3,061)
Other operating expenses	(621)	(250)	(871)
Results from operating activities	1,278	576	1,854
Finance income	3	-	3
Finance costs	(645)	-	(645)
Profit before tax	636	576	1,212
Tax expense	(439)	(138)	(577)
Net profit for the financial period	197	438	635

Condensed Consolidated Statement of Profit or Loss for the nine months ended 31 May 2019

	Before MFRS Adjustments RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	31.05.2019 After MFRS Adjustments RM'000
Revenue	72,708	(78)	72,630
Cost of sales	(38,112)	851	(37,261)
Gross profit	34,596	773	35,369
Other operating income	321	-	321
Distribution expenses	(6,811)	-	(6,811)
Administrative expenses	(11,240)	-	(11,240)
Other operating expenses	(2,021)	(630)	(2,651)
Results from operating activities	14,845	143	14,988
Finance income	9	-	9
Finance costs	(2,233)	-	(2,233)
Profit before tax	12,621	143	12,764
Tax expense	(4,084)	(34)	(4,118)
Net profit for the financial period	8,537	109	8,646

Condensed Consolidated Statement of Profit or Loss for the quarter ended 31 May 2018

	Before MFRS Adjustments RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	31.05.2018 After MFRS Adjustments RM'000
Revenue	19,095	359	19,454
Cost of sales	(10,460)	290	(10,170)
Gross profit	8,635	649	9,284
Other operating income	21	-	21
Distribution expenses	(2,384)	-	(2,384)
Administrative expenses	(3,915)	-	(3,915)
Other operating expenses	(626)	(327)	(953)
Results from operating activities	1,731	322	2,053
Finance income	3	-	3
Finance costs	(725)	-	(725)
Profit before tax	1,009	322	1,331
Tax expense	(484)	(77)	(561)
Net profit for the financial period	525	245	770

Condensed Consolidated Statement of Profit or Loss for the nine months ended 31 May 2018

	As previously stated RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	31.05.2018 After MFRS Adjustments RM'000
Revenue	75,066	(1,784)	73,282
Cost of sales	(37,325)	1,505	(35,820)
Gross profit	37,741	(279)	37,462
Other operating income	404	-	404
Distribution expenses	(7,662)	-	(7,662)
Administrative expenses	(12,223)	-	(12,223)
Other operating expenses	(1,954)	(602)	(2,556)
Results from operating activities	16,306	(881)	15,425
Finance income	19	-	19
Finance costs	(2,304)	-	(2,304)
Profit before tax	14,021	(881)	13,140
Tax expense	(4,115)	212	(3,903)
Net profit for the financial period	9,906	(669)	9,237

Statement of Financial Positions
The impact of adopting both MRFS 9 and MFRS 15 as at 31 August 2018 are as follows:

	As previously reported RM'000	Retrospective adjustments of MFRS RM'000	After MFRS Adjustments RM'000
Assets			
Deferred tax assets	1,227	1,600	2,827
Contract Assets	-	764	764
Trade and other receivables	56,032	(4,312)	51,720
Impact to assets	57,259	(1,948)	55,311
Liabilities			
Contract Liabilities	-	(3,118)	(3,118)
Trade and other payables	(18,992)	-	(18,992)
Impact to liabilities	(18,992)	(3,118)	(22,110)
Equity			
Retained Earnings	(76,099)	5,066	(71,033)

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 2018 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 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 material changes in the estimates that have a material effect in the current financial quarter and financial year-to-date other than the effect of adoption of MFRS 9 as disclosed in Note A1.

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.

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

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

A8. Segment Information

Segmental information is presented by the Group in accordance with the Group's operations and products, to provide for better monitoring and management, and clearer performance reporting.

-1,088

Current financial quarter ended 31 May 2019

-6.3%

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	16,115	1,559	1,553	(1,432)	17,795
Cost of sales	(10,034)	(566)	(630)	1,217	(10,013)
Gross profit	6,081	993	923	(215)	7,782
Add/(Less):					
Other operating income					149
Distribution expenses					(2,145)
Administrative expenses					(3,061)
Other operating expenses					(871)
Results from operating activities					1,854

Current financial year-to-date ended 31 May 2019

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	67,499	4,025	3,506	(2,400)	72,630
Cost of sales	(35,401)	(2,340)	(1,505)	1,985	(37,261)
Gross profit	32,098	1,685	2,001	(415)	35,369
Add/(Less):					
Other operating income					321
Distribution expenses					(6,811)
Administrative expenses					(11,240)
Other operating expenses					(2,651)
Results from operating activities					14,988

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 May 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	17,203	1,441	1,493	(683)	19,454
Cost of sales	(10,303)	89	(578)	622	(10,170)
Gross profit	6,900	1,530	915	(61)	9,284
Add/(Less):					
Other operating income					21
Distribution expenses					(2,384)
Administrative expenses					(3,915)
Other operating expenses					(953)
Results from operating activities					2,053

Preceding financial year's corresponding year-to-date ended 31 May 2018

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	67,087	5,401	3,058	(2,264)	73,282
Cost of sales	(33,503)	(2,908)	(1,218)	1,809	(35,820)
Gross profit	33,584	2,493	1,840	(455)	37,462
Add/(Less):					
Other operating income					404
Distribution expenses					(7,662)
Administrative expenses					(12,223)
Other operating expenses					(2,556)
Results from operating activities					15,425

A9. Valuation of Property, Plant and Equipment

There was no valuation of property, plant and equipment undertaken in the current financial quarter.

During the preceding financial year, the Group carried out a revaluation on its properties 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.

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

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

During the preceding financial year's corresponding quarter, 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 on 4 May 2018.

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 2018.

Contingent Assets

The Group does not have any material contingent assets as at 31 May 2019.

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

B1. Review of Performance

Current Quarter ended 31 May 2019 against Preceding Financial Year's Corresponding Quarter ended 31 May 2018

The Group recorded a revenue of RM17.795 million for the current financial quarter as compared to RM19.454 million for the preceding year's corresponding quarter, representing a decrease of RM1.659 million (equivalent to 8.5%).

The decrease in revenue was mainly due to the lower revenue recorded by the Print Publishing Division from RM17.203 million in preceding year's corresponding quarter to RM16.115 million in the current quarter, a decrease of RM1.088 million (equivalent to 6.3%). The decrease was attributed to the continued weak market sentiment and also the full enforcement of the workbook "ban" by the Ministry of Education Malaysia ("MoE") for standard one, two and three students. The MoE only allows the usage of one workbook each for Bahasa Malaysia, English, Chinese, Tamil, Mathematics and Science for students in standard four, five and six.

The decrease in revenue was also partly due to the higher intercompany sales elimination.

The Group recorded a profit before tax ("PBT") of RM1.212 million for the current financial quarter vis-a-vis RM1.331 million for the preceding year's corresponding quarter, a decrease of RM0.119 million, (equivalent to 8.9%). The decrease was mainly attributed to lower gross profit in the current quarter, partly offset by lower expenses incurred as a result of the Group's continuous efforts in optimising the operational efficiency.

Current Financial Year-to-Date ended 31 May 2019 against Preceding Financial Year's Corresponding Year-to-Date ended 31 May 2018

The Group recorded a revenue of RM72.630 million for the current financial year-to-date as compared to RM73.282 million for the preceding financial year's corresponding year-to-date, representing a slight decrease of RM0.652 million (equivalent to 0.9%). The decrease was mainly attributed to the lower revenue from the Digital & Network Marketing Division, which were partly offset by the higher contribution from the Print Publishing Division and the Applied Learning Products and STEM Education Services Division.

The Group recorded a PBT of RM12.764 million for the current financial year-to-date vis-a vis RM13.140 million for the preceding financial year's corresponding year-to-date, representing a slight decrease of RM0.376 million (equivalent to 2.9%). The decrease was mainly attributed to the drop in gross profit in the current year-to-date, partly offset by lower expenses incurred as a result of the Group's continuous efforts in optimising the operational efficiency.

B2. Variation of Results for the Current Financial Quarter ended 31 May 2019 against the Immediate Preceding Financial Quarter

	Current Quarter 31.05.2019 RM'000	Preceding Quarter 28.02.2019 RM'000 (Restated)	Change RM'000
Revenue	17,795	24,327	(6,532)
Profit Before Tax	1,212	4,919	(3,707)

The Group recorded a revenue of RM17.795 million for the current financial quarter as compared to RM24.327 million for the immediate preceding financial quarter, representing a decrease of RM6.532 million (equivalent to 26.9%).

The decrease in revenue was mainly due to the lower revenue recorded by the Print Publishing Division of RM16.115 million in the current quarter as compared to RM22.739 million in the immediate preceding financial quarter, a decrease of RM6.624 million (equivalent to 29.1%). The better results recorded in the immediate preceding financial quarter was due to the seasonally stronger second quarter with higher sales due to the start of the school academic year.

The Group recorded a PBT of RM1.212 million for the current financial quarter vis-a-vis RM4.919 million for the immediate preceding financial quarter, a decrease of RM3.707 million, (equivalent to 75.4%). The decrease in PBT was mainly due to a lower gross profit which was partly offset by the lower expenses incurred.

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

Despite the country's Consumer Sentiments Index (CSI) falling for three consecutive quarters to 83 Index Points in the first quarter of 2019, the Group managed to achieve a relatively consistent level of revenue for the first nine (9) months of FYE 31 August 2019.

For FYE 31 August 2019, the Group hopes to see an improvement in PT3 examination related publications as the students will be facing a new examination format for the first time beginning this year. It will also pursue growth through the non-academic related segments by riding on the wave of the ongoing "Kempen Dekad Membaca Kebangsaan" which is spearheaded by the Ministry of Education (MoE). The MoE has declared 2020 to 2030 as the National Reading Decade.

In addition to that, Kuala Lumpur has been named World Book Capital for the year 2020 by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The book fraternity is working together with the Kuala Lumpur City Authority to undertake a series of programmes to promote books and reading in general.

The Group will continue to explore and identify new revenue streams, in particular in relation to education services. It will also continue to pursue growth through the rights licensing and book export market as the Group sees much potential in these relatively untapped markets. The Group will also continue to pursue growth for our network marketing/direct sales business through product enhancement and business plan refinement.

The Group will continue to monitor the changes in the market closely and respond to it within the shortest time possible by leveraging on our readily available resources.

Premised on the above and barring any unforeseen circumstances, the Group is optimistic about 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 31.05.2019 RM'000	**Preceding Year Quarter 31.05.2018 RM'000 (Restated)**	**Current Year-To-Date 31.05.2019 RM'000**	**Preceding Year-To-Date 31.05.2018 RM'000 (Restated)**
Amortisation of intangible assets	355	321	1,052	963
Depreciation on property, plant and equipment	580	649	1,763	1,865
Depreciation on investment properties	14	14	40	40
Gain on disposal of property, plant and equipment	(105)	(17)	(105)	(49)
Gain on disposal of available-for-sale financial assets	-	(10)	-	(10)
Write-off of property, plant and equipment	-	-	3	1
Impairment loss on trade receivables	250	321	691	764
Finance costs	645	725	2,233	2,304
Finance income	(3)	(3)	(9)	(19)
Realised foreign exchange gain	(22)	(8)	(9)	(22)
Provision for sales returns	(98)	(623)	1,087	305

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

B6. Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.05.2019 RM'000	**Preceding Year Quarter 31.05.2018 RM'000 (Restated)**	**Current Year-To-Date 31.05.2019 RM'000**	**Preceding Year-To-Date 31.05.2018 RM'000 (Restated)**
Current tax expense				
- Current period	399	507	4,241	4,309
- Prior period	(5)	94	(17)	123
	394	601	4,224	4,432
Deferred tax expense				
- Current period	183	(40)	(74)	(489)
- Prior period	-	-	(32)	(40)
	183	(40)	(106)	(529)
Total tax expense	577	561	4,118	3,903

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 May 2019 were as follows:

	As at 31.05.2019 RM'000	As at 31.08.2018 RM'000
Non-current		
Finance lease liabilities	49	72
Term loans - secured	13,788	16,486
	13,837	16,558
Current		
Finance lease liabilities	31	30
Term loans - secured	3,828	3,959
Bank overdrafts - secured	17,543	19,570
Bankers' acceptances - secured	3,351	2,538
	24,753	26,097
	38,590	42,655

The above borrowings are denominated in Ringgit Malaysia.

B9. Material Litigation

There is no pending material litigation at the date of this report.

B10. Dividend

No dividend has been declared or recommended for payment by the Company for the current financial quarter.

B11. Earnings Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current financial quarter is computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.05.2019 RM'000	Preceding Year Quarter 31.05.2018 RM'000 (Restated)	Current Year-To-Date 31.05.2019 RM'000	Preceding Year-To-Date 31.05.2018 RM'000 (Restated)
Net profit attributable to owners of the Company	635	770	8,646	9,237
Weighted average number of ordinary shares in issue ('000)	419,099	419,099	419,099	419,099
Basic earnings per ordinary share (sen)	0.15	0.18	2.06	2.20

(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. Derivative Financial Instruments

The Group did not enter into any derivative financial instruments which were outstanding as at 31 May 2019.

By order of the Board
Kuala Lumpur
23 July 2019