



SASBADI HOLDINGS BERHAD

201201038178 (1022660-T)

Incorporated in Malaysia

FOURTH QUARTER REPORT ENDED 31 AUGUST 2019

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.08.2019 RM'000	Preceding Year Quarter 31.08.2018 RM'000 (Restated)	Current Year-To-Date 31.08.2019 RM'000	Preceding Year-To-Date 31.08.2018 RM'000 (Restated)
Revenue	15,171	12,576	87,801	85,858
Cost of sales	(12,902)	(13,050)	(50,163)	(48,870)
Gross profit	2,269	(474)	37,638	36,988
Other operating income	6	335	327	739
Distribution expenses	(2,222)	(2,243)	(9,033)	(9,905)
Administrative expenses	(4,193)	(3,553)	(15,433)	(15,776)
Other operating expenses	(972)	(5,245)	(3,623)	(7,801)
Results from operating activities	(5,112)	(11,180)	9,876	4,245
Finance income	17	3	26	22
Finance costs	(649)	(707)	(2,882)	(3,011)
(Loss)/Profit before tax	(5,744)	(11,884)	7,020	1,256
Tax expense	404	2,443	(3,714)	(1,460)
Net (loss)/profit for the financial period/year	(5,340)	(9,441)	3,306	(204)
Other comprehensive (loss)/ 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	-	8,888	-	8,888
Item that is or may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets	(13)	(25)	18	(45)
Other comprehensive (loss)/income for the financial period/year, net of tax	(13)	8,863	18	8,843
Total comprehensive (loss)/income for the financial period/year	(5,353)	(578)	3,324	8,639
Net (loss)/profit for the financial period/year attributable to:				
- Owners of the Company	(5,340)	(9,441)	3,306	(204)
- Non-controlling interests	-	-	-	-
	(5,340)	(9,441)	3,306	(204)
Total comprehensive income attributable to :				
- Owners of the Company	(5,353)	(9,466)	3,324	8,639
- Non-controlling interests	-	-	-	-
	(5,353)	(9,466)	3,324	8,639
(Loss)/Earnings per share (sen) attributable to owners of the Company:				
- Basic	(1.27)	(2.25)	0.79	(0.05)
- 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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2019 ⁽¹⁾

	Unaudited As at 31.08.2019 RM'000	Audited As at 31.08.2018 RM'000 (Restated)
ASSETS		
Property, plant and equipment	52,238	53,941
Investment properties	2,479	2,532
Intangible assets	25,057	26,075
Other investments	265	246
Deferred tax assets	1,519	2,682
Total non-current assets	81,558	85,476
Inventories	75,626	75,811
Current tax assets	2,520	3,897
Trade and other receivables	48,695	53,013
Prepayments	4,094	3,371
Cash and cash equivalents	6,643	6,164
Total current assets	137,578	142,256
Total assets	219,136	227,732
EQUITY		
Share capital	108,210	108,210
Treasury shares	(1)	(1)
Reserves	46,775	43,451
Total equity	154,984	151,660
LIABILITIES		
Loans and borrowings	13,052	16,558
Deferred tax liabilities	8,364	7,941
Total non-current liabilities	21,416	24,499
Loans and borrowings	21,561	26,097
Provision - Refund liabilities	3,851	3,441
Trade and other payables	17,324	22,035
Total current liabilities	42,736	51,573
Total liabilities	64,152	76,072
Total equity and liabilities	219,136	227,732
Net assets per share attributable to owners of the Company (RM)	0.37	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.



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWELVE (12) MONTHS ENDED 31 AUGUST 2019 ⁽¹⁾

	<----- Non-distributable ----->					Distributable	Total equity RM'000
	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	
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	-	-	-	-	-	(4,607)	(4,607)
Balance as at 1 September 2018, restated	108,210	(1)	(50,500)	(25)	22,484	71,492	151,660
Total comprehensive income for the financial period	-	-	-	18	-	3,306	3,324
Transactions with owners of the Company	-	-	-	-	-	-	-
At 31 August 2019	108,210	(1)	(50,500)	(7)	22,484	74,798	154,984



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE TWELVE (12) MONTHS ENDED 31 AUGUST 2019 ⁽¹⁾ (CONT'D)

	<----- Non-distributable ----->					Distributable	Total equity RM'000
	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	
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	-	-	-	-	-	(2,362)	(2,362)
Balance as at 1 September 2017, restated	108,210	(1)	(50,500)	20	13,596	71,696	143,021
Total comprehensive income for the financial period	-	-	-	(45)	8,888	(204)	8,639
Transactions with owners of the Company	-	-	-	-	-	-	-
At 31 August 2018	108,210	(1)	(50,500)	(25)	22,484	71,492	151,660

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.*



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE TWELVE (12) MONTHS ENDED 31 AUGUST 2019 ⁽¹⁾

	Current Year-To-Date 31.08.2019 RM'000	Preceding Year-To-Date 31.08.2018 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	7,020	1,256
Adjustments for:		
Amortisation of intangible assets	1,406	1,292
Depreciation on property, plant and equipment	2,390	2,575
Depreciation on investment properties	53	52
Dividend income	(7)	(9)
(Reversal)/Provision of inventories write-down	2,438	3,634
Write-off of property, plant and equipment	107	6
Impairment loss on trade receivables	472	5,038
Reversal of impairment loss on trade receivables	(50)	(156)
Gain on disposal of property, plant and equipment	(110)	(78)
Gain on disposal of available-for-sale financial assets	-	(10)
Finance costs	2,882	3,011
Finance income	(26)	(22)
Fair value of available-for-sale financial assets	(1)	-
Provision/(Reversal) for sales returns	723	(111)
Operating profit before changes in working capital	<u>17,297</u>	<u>16,478</u>
Changes in inventories	(2,566)	(11,783)
Changes in trade and other receivables and prepayments	3,173	(3,821)
Changes in trade and other payables	<u>(4,711)</u>	<u>(1,480)</u>
Cash generated from/(used in) operations	13,193	(606)
Tax paid	(6,056)	(6,047)
Tax refunded	5,305	1,580
Interest paid	(1,621)	(1,514)
Interest received	<u>26</u>	<u>22</u>
Net cash generated from/(used in) operating activities	<u>10,847</u>	<u>(6,565)</u>
Cash flows from investing activities		
Change in pledged deposits	-	42
Proceeds from disposal of property, plant and equipment	181	99
Proceeds from disposal of available-for-sale financial assets	-	90
Dividend received from other investments	7	9
Acquisition of subsidiaries, net of cash and cash equivalents	-	(685)
Acquisition of intangible assets	(388)	(972)
Acquisition of property, plant and equipment	<u>(865)</u>	<u>(520)</u>
Net cash used in investing activities	<u>(1,065)</u>	<u>(1,937)</u>
Cash flows from financing activities		
Net drawdown of bankers' acceptances	(614)	2,538
Drawdown/(Repayment) of finance lease liabilities	236	(28)
Repayment of term loans	(5,088)	(5,410)
Proceeds from term loan	1,346	1,661
Interest paid	<u>(1,261)</u>	<u>(1,497)</u>
Net cash used in financing activities	<u>(5,381)</u>	<u>(2,736)</u>
Net increase/(decrease) in cash and cash equivalents	4,401	(11,238)
Cash and cash equivalents at beginning of the financial year	<u>(14,012)</u>	<u>(2,774)</u>
Cash and cash equivalents at end of the financial year	<u>(9,611)</u>	<u>(14,012)</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE TWELVE (12) MONTHS ENDED 31 AUGUST 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 31.08.2019 RM'000	Preceding Year-To-Date 31.08.2018 RM'000
Cash and bank balances	5,911	5,445
Deposit placed with a licensed bank	732	719
	<u>6,643</u>	<u>6,164</u>
Less : Deposits pledged	(606)	(606)
Bank overdrafts	(15,648)	(19,570)
	<u>(9,611)</u>	<u>(14,012)</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 2018 and the accompanying explanatory notes attached to these interim financial statements.*



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A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. Accounting Policies and Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”), and paragraph 9.22 and Part A of Appendix 9B of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

These interim financial statements should be read in conjunction with the Audited Financial Statements of the Company for the financial year ended 31 August 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*



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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 MFRS 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 RM4.052 million and RM0.472 million as at 31 August 2018 and 31 August 2019 respectively.



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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 RM1.804 million for the current financial year-to-date ended 31 August 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, an asset for a right to recover returned goods is recognised in relation to finished goods sold with a right of return. These are measured by reference to the former carrying amount of the sold inventories less any expected costs to recover those inventories and any potential decreases in the value to the Group of the returned inventories. Provision for refund liabilities were also recognised in other payables. The adoption of this changes resulted in an increase to the Inventories and Provision - Refund Liabilities by the same amount of RM2.349 and RM2.036 million as at 31 August 2018 and 31 August 2019 respectively.

The Group will also 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. The adoption of these changes does not have any material impact to the financial statement for the financial year ended as at 31 August 2018 and 31 August 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



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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 RM1.445 million for the current financial year-to-date ended 31 August 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 RM1.032 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 RM0.652 million for the current financial year-to-date ended 31 August 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 August 2019

	Before MFRS Adjustments RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	31.08.2019 After MFRS Adjustments RM'000
Revenue	14,734	437	15,171
Cost of sales	(12,844)	(58)	(12,902)
Gross profit	<u>1,890</u>	<u>379</u>	<u>2,269</u>
Other operating income	6	-	6
Distribution expenses	(2,222)	-	(2,222)
Administrative expenses	(4,193)	-	(4,193)
Other operating expenses	<u>(1,130)</u>	<u>158</u>	<u>(972)</u>
Results from operating activities	(5,649)	537	(5,112)
Finance income	17	-	17
Finance costs	<u>(649)</u>	<u>-</u>	<u>(649)</u>
(Loss)/Profit before tax	(6,281)	537	(5,744)
Tax expense	514	(110)	404
Net (loss)/ profit for the financial period	<u>(5,767)</u>	<u>427</u>	<u>(5,340)</u>



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Condensed Consolidated Statement of Profit or Loss for the twelve months ended 31 August 2019

	Before MFRS Adjustments RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	31.08.2019 After MFRS Adjustments RM'000
Revenue	87,442	359	87,801
Cost of sales	(50,956)	793	(50,163)
Gross profit	<u>36,486</u>	<u>1,152</u>	<u>37,638</u>
Other operating income	327	-	327
Distribution expenses	(9,033)	-	(9,033)
Administrative expenses	(15,433)	-	(15,433)
Other operating expenses	<u>(3,151)</u>	<u>(472)</u>	<u>(3,623)</u>
Results from operating activities	9,196	680	9,876
Finance income	26	-	26
Finance costs	<u>(2,882)</u>	<u>-</u>	<u>(2,882)</u>
Profit before tax	6,340	680	7,020
Tax expense	(3,570)	(144)	(3,714)
Net profit for the financial period	<u><u>2,770</u></u>	<u><u>536</u></u>	<u><u>3,306</u></u>

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

	Before MFRS Adjustments RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	31.08.2018 After MFRS Adjustments RM'000
Revenue	12,775	(199)	12,576
Cost of sales	(13,547)	497	(13,050)
Gross profit	<u>(772)</u>	<u>298</u>	<u>(474)</u>
Other operating income	335	-	335
Distribution expenses	(2,243)	-	(2,243)
Administrative expenses	(3,553)	-	(3,553)
Other operating expenses	<u>(2,874)</u>	<u>(2,371)</u>	<u>(5,245)</u>
Results from operating activities	(9,107)	(2,073)	(11,180)
Finance income	3	-	3
Finance costs	<u>(707)</u>	<u>-</u>	<u>(707)</u>
Loss before tax	(9,811)	(2,073)	(11,884)
Tax expense	1,946	497	2,443
Net loss for the financial period	<u><u>(7,865)</u></u>	<u><u>(1,576)</u></u>	<u><u>(9,441)</u></u>



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Condensed Consolidated Statement of Profit or Loss for the twelve months ended 31 August 2018

	As previously stated RM'000	Effects of adoption of MFRS 9 and MFRS 15 RM'000	31.08.2018 After MFRS Adjustments RM'000
Revenue	87,841	(1,983)	85,858
Cost of sales	(50,872)	2,002	(48,870)
Gross profit	36,969	19	36,988
Other operating income	739	-	739
Distribution expenses	(9,905)	-	(9,905)
Administrative expenses	(15,776)	-	(15,776)
Other operating expenses	(4,828)	(2,973)	(7,801)
Results from operating activities	7,199	(2,954)	4,245
Finance income	22	-	22
Finance costs	(3,011)	-	(3,011)
Profit before tax	4,210	(2,954)	1,256
Tax expense	(2,169)	709	(1,460)
Net profit/(loss) for the financial period	2,041	(2,245)	(204)

Statement of Financial Position

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	1,455	2,682
Inventories	73,462	2,349	75,811
Trade and other receivables	56,032	(3,019)	53,013
Impact to assets	130,721	785	131,506
Liabilities			
Trade and other payables	(18,992)	(3,043)	(22,035)
Provisions - Refund liabilities	(1,092)	(2,349)	(3,441)
Impact to liabilities	(20,084)	(5,392)	(25,476)
Equity			
Retained Earnings	(76,099)	4,607	(71,492)



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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 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 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.



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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.

Current financial quarter ended 31 August 2019

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	14,353	889	1,410	(1,481)	15,171
Cost of sales	(12,927)	(716)	(555)	1,296	(12,902)
Gross profit	1,426	173	855	(185)	2,269
Add/(Less):					
Other operating income					6
Distribution expenses					(2,222)
Administrative expenses					(4,193)
Other operating expenses					(972)
Results from operating activities					(5,112)

Current financial year-to-date ended 31 August 2019

	Print Publishing RM'000	Digital & Network Marketing * RM'000	ALP & STEM Education ^ RM'000	Inter-segment elimination RM'000	Total RM'000
Revenue	81,852	4,914	4,916	(3,881)	87,801
Cost of sales	(48,328)	(3,056)	(2,060)	3,281	(50,163)
Gross profit	33,524	1,858	2,856	(600)	37,638
Add/(Less):					
Other operating income					327
Distribution expenses					(9,033)
Administrative expenses					(15,433)
Other operating expenses					(3,623)
Results from operating activities					9,876

Notes:

* Digital/Online and Technology-enabled Solutions and Network Marketing Business Division

^ Applied Learning Products ("ALP") and Science, Technology, Engineering and Mathematics ("STEM") Education Services Division



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A8. Segment Information (cont'd)

Preceding financial year's corresponding quarter ended 31 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	10,653	1,496	1,240	(813)	12,576
Cost of sales	(11,952)	(1,178)	(588)	668	(13,050)
Gross profit	(1,299)	318	652	(145)	(474)
Add/(Less):					
Other operating income					335
Distribution expenses					(2,243)
Administrative expenses					(3,553)
Other operating expenses					(5,245)
Results from operating activities					(11,180)

Preceding financial year's corresponding 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	6,897	4,298	(3,077)	85,858
Cost of sales	(45,455)	(4,086)	(1,806)	2,477	(48,870)
Gross profit	32,285	2,811	2,492	(600)	36,988
Add/(Less):					
Other operating income					739
Distribution expenses					(9,905)
Administrative expenses					(15,776)
Other operating expenses					(7,801)
Results from operating activities					4,245



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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.

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 August 2019.



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

B1. Review of Performance

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

The Group recorded a revenue of RM15.171 million for the current financial quarter as compared to RM12.576 million for the preceding financial year's corresponding quarter, representing an increase of RM2.595 million (equivalent to 20.6%), contributed by the Print Publishing Division and the Applied Learning Products and STEM Education Services Division.

The increase was mainly due to the higher revenue recorded by the Print Publishing Division from RM10.653 million in preceding year's corresponding quarter to RM14.353 million in the current financial quarter, an increase of RM3.700 million (equivalent to 34.7%), due to better performance from academic book sales.

However, this was partly offset by the lower contribution from the Digital & Network Marketing Division, which declined from RM1.496 million (after adjustments for adoption of MFRS 15) for the preceding year's corresponding quarter to RM0.889 million for the current financial quarter due to fewer new members recruited.

The Group recorded a loss before tax ("LBT") of RM5.744 million for the current financial quarter vis-à-vis a LBT of RM11.884 million (after adjustments for MFRS 9 and MFRS 15) for the preceding financial year's corresponding quarter. The decrease in the LBT by RM6.140 million (equivalent to 51.7%) was mainly due to higher revenue achieved and lower provision for impairment of inventories from RM3.634 million in the preceding year's corresponding quarter to RM2.438 million in the current financial quarter.

On adoption of MFRS 9, which was applied retrospectively, there was also an additional provision for impairment loss on trade receivables of RM2.371 million to be recognised (over the existing provision of RM1.897 million) in the preceding year's corresponding quarter vis-à-vis a total reversal of RM0.269 million in the current financial quarter.

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

The Group recorded a revenue of RM87.801 million for the current financial year as compared to RM85.858 million for the preceding financial year, representing an increase of RM1.943 million (equivalent to 2.3%), contributed by the Print Publishing Division and the Applied Learning Products and STEM Education Services Division.

The increase was mainly attributed to the higher revenue recorded by the Print Publishing Division from RM77.740 million in preceding financial year to RM81.852 million in the current financial year, an increase of RM4.112 million (equivalent to 5.3%), due to better performance arising from higher revenue from new textbook contracts with the Ministry of Education and contribution from the sales of non-academic products.

However, the increase was partly offset by the lower contribution from the Digital & Network Marketing Division, which declined from RM6.897 million (after adjustments for adoption of MFRS 15) for the preceding financial year to RM4.914 million for the current financial year due to fewer new members recruited.

The Group recorded a profit before tax ("PBT") of RM7.020 million for the current financial year vis-a vis RM1.256 million (after adjustments for MFRS 9 and MFRS 15) for the preceding financial year, representing an increase of RM5.764 million (equivalent to 458.9%). The increase was mainly attributed to higher revenue, lower provision of impairment of inventories and provision for impairment loss on trade receivables as explained above.

The overall better result was also attributed to the Group's continuous efforts in optimising the operational efficiency.



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

	Current Quarter 31.08.2019 RM'000	Preceding Quarter 31.05.2019 RM'000 (Restated)	Change RM'000
Revenue	15,171	17,795	(2,624)
Profit Before Tax	<u>(5,744)</u>	<u>1,212</u>	(6,956)

The Group recorded a revenue of RM15.171 million for the current financial quarter as compared to the revenue of RM17.795 million for the immediate preceding financial quarter, representing a decrease of RM2.624 million (equivalent to 14.7%). The decrease was mainly due to the current financial quarter being a seasonally weak financial quarter historically.

The Group recorded a LBT of RM5.744 million for the current financial quarter vis-à-vis a PBT of RM1.212 million (after adjustments for MFRS 9 and MFRS 15) 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 2020

Despite the drop in the country's Consumer Sentiments Index (CSI) from a high of 133 Index Point in the second quarter of 2018 to 80 Index Points in the third quarter of 2019, the Group strived hard and managed to achieve a higher level of revenue for the financial year ended 31 August 2019 as compared to the previous financial year.

For FYE 31 August 2020, the Group hopes to pursue further growth through our provision of education services. The Group has recently been appointed as the Preferred Partner for Cambridge Linguaskill and the exclusive distributor for NYC English products in Malaysia. Both Cambridge Linguaskill, by Cambridge Assessment English and NYC English, by NYC English LLC, USA are aligned to the Common European Framework of Reference for Languages (CEFR).

The Group will continue to pursue growth through the rights licensing and book/technology export market as the Group has yet to make much inroads in these high potential but 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 2020.

B4. Variance of Profit Forecast

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



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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 31.08.2019 RM'000	Preceding Year Quarter 31.08.2018 RM'000 (Restated)	Current Year-To-Date 31.08.2019 RM'000	Preceding Year-To-Date 31.08.2018 RM'000 (Restated)
Amortisation of intangible assets	354	329	1,406	1,292
Depreciation on property, plant and equipment	627	710	2,390	2,575
Depreciation on investment properties	13	12	53	52
Dividend income	(7)	(9)	(7)	(9)
Gain on disposal of property, plant and equipment	(5)	(29)	(110)	(78)
Gain on disposal of available-for-sale financial assets	-	-	-	(10)
Write-off of property, plant and equipment	104	5	107	6
Impairment loss on trade receivables	(219)	4,268	472	5,038
Reversal of impairment loss on trade receivables	(50)	(150)	(50)	(156)
Provision of inventories write-down	2,438	3,634	2,438	3,634
Finance costs	649	707	2,882	3,011
Finance income	(17)	(3)	(26)	(22)
Realised foreign exchange (gain)/loss	31	6	22	(16)
Provision for sales returns	(364)	(416)	723	(111)

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 31.08.2019 RM'000	Preceding Year Quarter 31.08.2018 RM'000 (Restated)	Current Year-To-Date 31.08.2019 RM'000	Preceding Year-To-Date 31.08.2018 RM'000 (Restated)
Current tax expense				
- Current period	(945)	(988)	3,296	3,321
- Prior period	(1,151)	(86)	(1,168)	37
	(2,096)	(1,074)	2,128	3,358
Deferred tax expense				
- Current period	590	(1,593)	516	(2,082)
- Prior period	1,102	224	1,070	184
	1,692	(1,369)	1,586	(1,898)
Total tax expense	(404)	(2,443)	3,714	1,460

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.



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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 2019 were as follows:

	As at 31.08.2019 RM'000	As at 31.08.2018 RM'000
Non-current		
Finance lease liabilities	308	72
Term loans - secured	12,744	16,486
	<u>13,052</u>	<u>16,558</u>
Current		
Finance lease liabilities	30	30
Term loans - secured	3,959	3,959
Bank overdrafts - secured	15,648	19,570
Bankers' acceptances - secured	1,924	2,538
	<u>21,561</u>	<u>26,097</u>
	<u>34,613</u>	<u>42,655</u>

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.



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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 31.08.2019 RM'000	Preceding Year Quarter 31.08.2018 RM'000 (Restated)	Current Year-To-Date 31.08.2019 RM'000	Preceding Year-To-Date 31.08.2018 RM'000 (Restated)
Net (loss)/profit attributable to owners of the Company	(5,340)	(9,441)	3,306	(204)
Weighted average number of ordinary shares in issue ('000)	419,099	419,099	419,099	419,099
Basic (loss)/earnings per ordinary share (sen)	(1.27)	(2.25)	0.79	(0.05)

(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 August 2019.

By order of the Board
Kuala Lumpur
31 October 2019