PELANGI PUBLISHING GROUP BHD. (593649-H)

(Incorporated in Malaysia)

PELANGI

ANNUAL REPORT 2017

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Corporate **INFORMATION**

1 BOARD OF DIRECTORS

DATUK SUM KOWN CHEEK
(Executive Chairman and Group Managing Director)

SUM LIH KANG *(Appointed on 21 March 2017)*
(Executive Director)

KOH SIEW SHERN *(Appointed on 31 March 2017)*
(Executive Director)

VINCENT WONG SOON CHOY
(Independent Non-Executive Director)

DATUK SAM YUEN @ SAM CHIN YAN
(Non-Independent Non-Executive Director)

SYAHRIZA BINTI SENAN
(Independent Non-Executive Director)

LEE KHENG HON *(Resigned on 17 March 2017)*
(Executive Director)

TEH HUI GUAN *(Resigned on 31 March 2017)*
(Executive Director)

2 AUDIT COMMITTEE

VINCENT WONG SOON CHOY
Chairman

SYAHRIZA BINTI SENAN
Member

DATUK SAM YUEN @ SAM CHIN YAN
Member

3 NOMINATION COMMITTEE

VINCENT WONG SOON CHOY
Chairman

SYAHRIZA BINTI SENAN
Member

4 REMUNERATION COMMITTEE

SYAHRIZA BINTI SENAN
Chairman

VINCENT WONG SOON CHOY
Member

DATUK SUM KOWN CHEEK
Member

5 BOARD RISK MANAGEMENT COMMITTEE

SYAHRIZA BINTI SENAN
Chairman

VINCENT WONG SOON CHOY
Member

SUM LIH KANG
Member

6 SECRETARIES

LEONG SIEW FOONG
ZARINA BINTI AHMAD
HUAN CHUAN SEN @ AH LOY

7 AUDITORS

GRANT THORNTON MALAYSIA
(Member Firm of Grant Thornton International Ltd)
Chartered Accountants
LEVEL 11, SHERATON IMPERIAL COURT,
JALAN SULTAN ISMAIL,
50250 KUALA LUMPUR

8 REGISTERED OFFICE

SUITE 6.1A, LEVEL 6, MENARA PELANGI
JALAN KUNING, TAMAN PELANGI
80400 JOHOR BAHRU, JOHOR
TEL: 07-332 3536
FAX: 07-332 4536

9 SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN. BHD.
(COMPANY NO: 378993-D)
LEVEL 6, SYMPHONY HOUSE
PUSAT DAGANGAN DANA
1, JALAN PJU 1A/46
47301 PETALING JAYA, SELANGOR
TEL: 03-7481 8000
FAX: 03-7481 8008

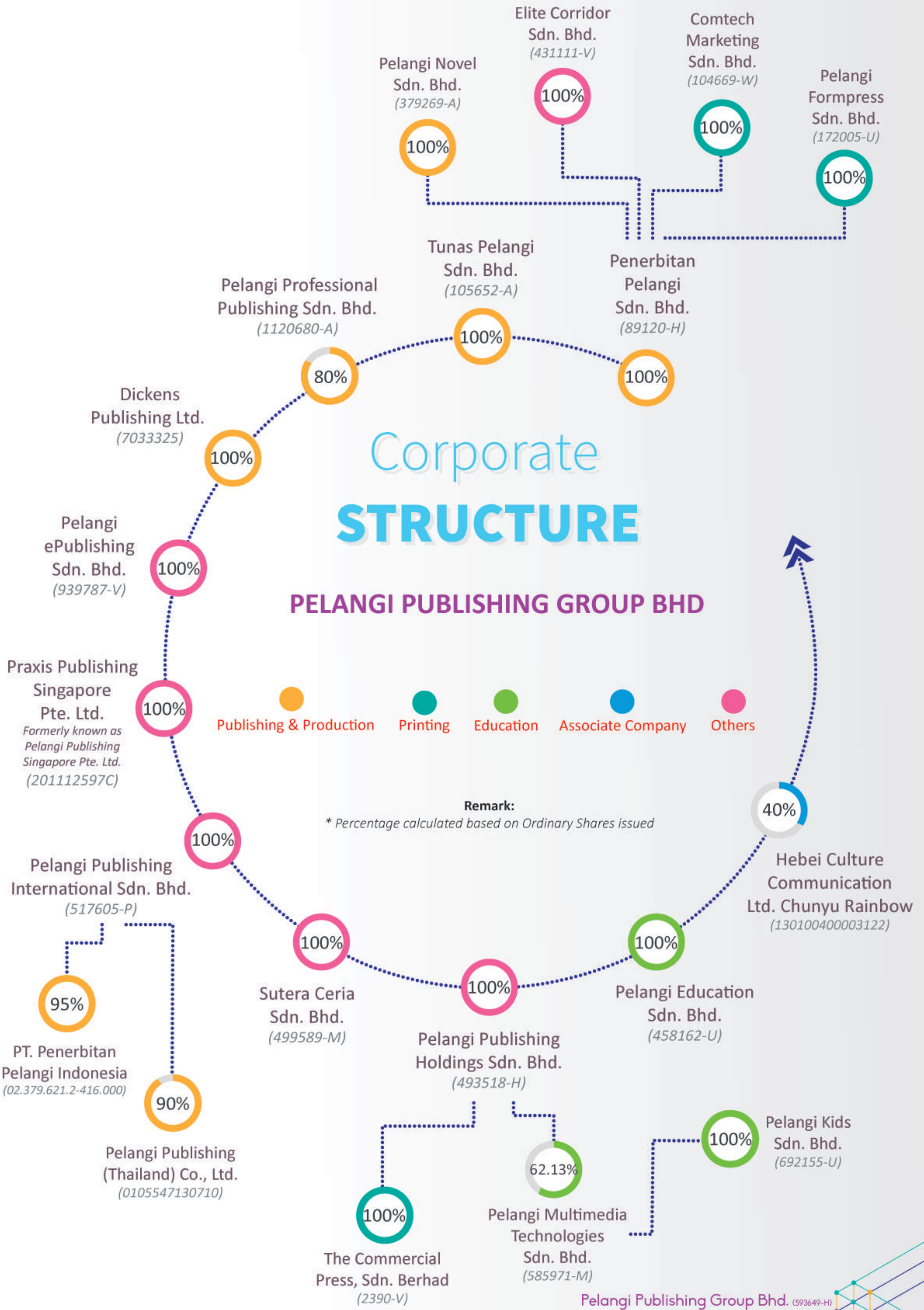
10 PRINCIPAL BANKERS

ALLIANCE BANK MALAYSIA BERHAD
PUBLIC BANK BERHAD
MALAYAN BANKING BERHAD
RHB INVESTMENT BANK BERHAD

11 STOCK EXCHANGE

MAIN MARKET OF THE
BURSA MALAYSIA SECURITIES BERHAD
Bursa Stock Code: 7190
WEBSITE: www.pelangipublishing.com

Corporate STRUCTURE



Corporate PROFILE

Established in
1979

Pelangi Publishing Group Bhd. ("PPG") or ("The Group") is one of the leading educational publisher headquarters in Malaysia, with its subsidiaries in Thailand, Indonesia, Singapore, UK and associate company in China.

Dedicated to the betterment of quality education, Pelangi Publishing Group Bhd has an excellent track record in the design, publication, warehousing and distribution of books, magazines, multimedia and digital products for over 38 years.

Awarded
ISO 9001
Certification
since
2002

Public Listed on
Bursa Malaysia in
2004

Corporate
FACT SHEET

429 employees

Published

Over **700** titles/year

Overall **20,000** titles in print

Supplied to schools of

13 states in Malaysia

76 states in Thailand

34 provinces in Indonesia

Distribute to

2000 bookstores in Malaysia

638 bookstores in Thailand

200 bookstores in Indonesia

Export to

20 countries worldwide

Fully - integrated Publishing House

- Editing
- Designing / Illustrating
- Production
- Printing
- Warehousing

Corporate MILESTONES

PELANGI, derived from its place of origin - Taman Pelangi, Johor Bahru, Malaysia in 1979....

Formation of Pelangi Educational Enterprise (PEE)

Pelangi's First Publications – "Analysis" Series, the translated past year exam papers in Bahasa Malaysia

1982

Incorporation of Penerbitan Pelangi Sdn. Bhd. – Begin publication in academic titles.

1983

Incorporation of Tunas Pelangi Sdn. Bhd. – Penetrated into Chinese Primary School market

1983

Incorporation of Comtech Marketing Sdn. Bhd. – Diversified into Printing Business

2016

Pelangi Interactive eBook Launching – First interactive eReference book in Malaysia

2017

Collaboration with Frogasia of YTL Communication – Provide digital contents to 5 million students in 10,000 schools nationwide from 2017

2014

Incorporation of Pelangi Professional Sdn. Bhd. – Published higher education publications

2014

Pelangi Movie – Produced 1st cinema movie - MOKISSU which create public awareness of AEDES

2015

Collaboration with Xentral Methods Sdn. Bhd. - Pelangi's technology partner in enhancing digital products

2015

Collaboration with Claz'Room Academy – Provide training of 2D Illustration, 3D Animation & Game Development

1987

Awarded government textbook tender – Published Pelangi's first Additional Mathematics Textbooks

1987

Frankfurter Buchmesse - Attended first international book fair

1988

Incorporation of Formpress Sdn. Bhd. – 2nd printing company

1993

Overseas Rights Collaborations – Purchased rights and translated in Chinese or Bahasa Malaysia

1998

E-commerce Website – First publisher initiated online business in Malaysia

2002

ISO Award – First book publisher awarded ISO9001 Quality Management System in Malaysia

2002

Incorporation of The Commercial Press Sdn. Bhd. – 3rd Printing company

2004

Public Listed on Bursa Malaysia as PELANGI PUBLISHING GROUP BHD. (PPG) – First academic book publisher publicly listed in Malaysia

2004/05

International Expansion – Thailand, Indonesia, China, Singapore , UK

2008-2014

Expansion in Digital Products – Multimedia CD-ROM, eBooks, eLearning, eLibrary, etc.

Our **BRAND** since 1979...

Quality Books for Quality Education

Our **Presence** & **Operations**

We are a leading regional educational publisher of

- Early Learning
- Kindergarten
- Primary School
- Secondary School
- Higher Education

Our BUSINESS SEGMENTS

PUBLISHING & PRODUCTION

PRINTING

EDUCATION & OTHERS

- Since 1979
- > 200 staffs
- Major revenue contributor
- Editing, Illustrating & Designing, Typesetting Children Books, Academic Books, Higher Education, Digital Educational products, Comics, Magazines
- Certified ISO 9001:2015
- Team in Malaysia, Thailand and Indonesia

> RM60m

> RM7m

- Since 1983
- > 100 staffs
- Second revenue contributor
- Forms, envelopes, calendar, diaries, books, magazines, posters and etc.
- Team in Malaysia

- Minor revenue contributor
- Education services and properties investments
- Primary and secondary school tuition and hosting service
- Courses of 2D illustration, 3D animation and game development
- Team in Malaysia

> RM2m

KEY EVENTS in FY 2017

1 October 2016

Majlis Pelancaran Kerjasama Antara Kolej Antarabangsa Inovatif & PPG.

2 November 2016

Collaboration with Frogasia Sdn. Bhd., YTL Communication Sdn. Bhd. – Provide digital contents to schools nationwide.

3 November 2016

Sponsorship: Lion Club of Kuching City, Sarawak.

4 November 2016

Pelangi new book launching - 18th World of Chinese Book Fair, at The Mines, Selangor.

5 April 2017

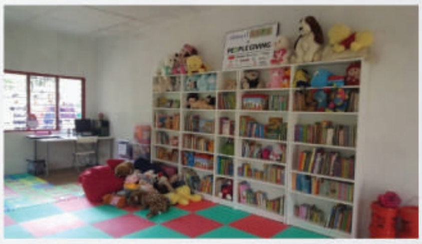
Launching ceremony on Library Books Sponsorship between Mamee and Pelangi at SK (P) Methodist (1), Brickfields, KL.

6 April 2017

46 Teachers from Thailand visited Pelangi Bangi office.

7 May 2017

Books sponsorship to People Giving Organization on 9th Library of Hope at Sungkai, Perak.



8 May 2017

Collaboration with Yayasan Literasi Anak Indonesia (YLIA) - Launching of Bahasa Indonesia Graded Reading Programme.

9 May 2017

Collaboration with Habook, Vietnam – To produce and market educational products in Vietnam.

10 June 2017

Books Sponsorship: Launching of 10 cents Community Library at PPR, Bukit Jalil.

11 August 2017

Sponsorship for The International Conference and Competition on Teaching and Learning 2017 (i-TeLearn).

12 September 2017

PPD Kuantan & PPD Pekan collaborated with Penerbitan Pelangi Sdn. Bhd. – "Seminar Pemantapan Kemampuan Mengajar Subjek Sains Sekolah Menengah" at Grand Continental Hotel, Kuantan.

2017 at a GLANCE

Total REVENUE
RM 74,177 Million

PROFIT for the Financial Year
RM 2,904 Million

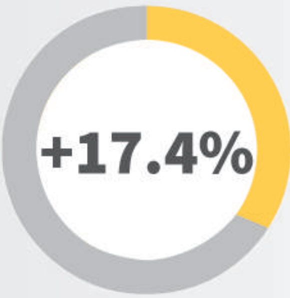
Total EBITDA
RM 8,042 Million

Total SHAREHOLDERS' EQUITY
RM 96,423 Million

EARNINGS per share
3.12 Sen

NET ASSETS per share
1.00 Sen

Revenue
(RM'000)

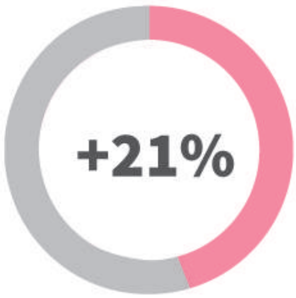


74,177

EBITDA
(RM'000)

8,042

Profit for the financial year
(RM'000)

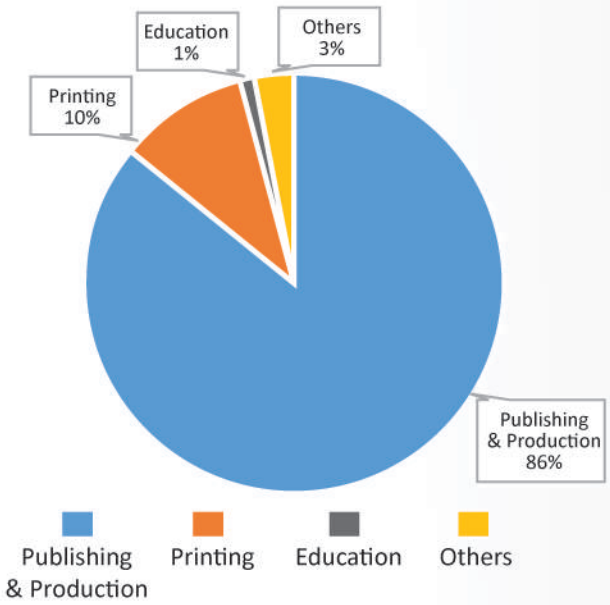


2,904

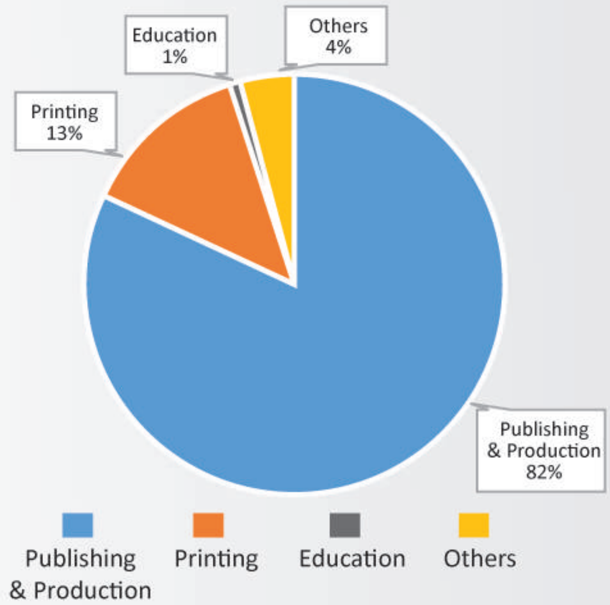
GROUP SEGMENTAL Performance

Core Revenue contribution by segment

Revenue in 2017



Revenue in 2016



**The pie charts above include the elimination of inter-segment sales.*

Segment Revenue	Financial Year Ended 30.09.2017 RM'000	Financial Year Ended 30.09.2016 RM'000
Publishing & Production	63,766	51,875
Printing	7,677	8,491
Education	543	435
Others	2,191	2,251
Total Revenue (Includes elimination of inter-segment sales)	74,177	63,052

Our 2018 PROSPECTS

1 ASEAN MARKET

More investment and product development will be placed in growing footprint in ASEAN markets.

2 INNOVATIVE

To enhance and develop digital educational contents including Augmented Reality (AR), Virtual Reality (VR), integrated assesment tools, mobile-based learning, and other multimedia learning tools.

3 COST EFFICIENCY

Focus on improving operational efficiency and tightening cost control in Publishing & Production and Printing segments.

4 EXPAND AND EVOLVE

Explore other opportunities and expand its businesses into potential industries.

CHAIRMAN'S Statement

Dear Shareholders,

"On behalf of the Board of Directors of PPG / the Group, I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 September 2017."

This year we leveraged our core businesses' strengths and have seen another year of improved revenue growth and earnings from 2016 to 2017. The Group has overcome significant economic headwinds as this is a challenging time for businesses in global education, with rapid changes taking place in the sector. Consumers moving to e-books and online purchases also impacted the outlook for book retailing. These changes offer big opportunities for PPG, but also present risks and transitions that we will need to manage in some of our traditionally strong businesses.

We see ourselves as an education solutions provider and are committed to improve the education standards in the region. We are also on a mission to further strengthen our expertise and reach into all sectors of the market thereby diversifying our income streams which will add value for our shareholders.

Corporate and Business Development

In the past year, PPG has responded to the needs of learning and teaching in the 21st century by joining up with FrogAsia Sdn Bhd to deliver free revision digital quizzes via 1BestariNet to students in Malaysia. This helps the Group to remain relevant by embracing technological innovation and diversifying beyond publishing, to offer e-learning and technology-driven information solutions.

We also pride ourselves for not merely being a publisher, but rather a content creator. In creating new contents of the best quality, our team of regional office in Thailand worked with Macmillan Publisher and Suan Dusit University in producing the best educational content for Thailand market. PPG values the importance of content and continually explores the best authors in the ASEAN region.

It does not stop there. Education, to Pelangi, is a lifelong process. Thus, to cultivate healthy reading habits, we have begun partnering with Yayasan Literasi Anak Indonesia (YLAI) and launching Indonesian Graded Reading Programme in Bahasa Indonesia. We are also constantly innovating and developing new ways to engage our readers, to accompany them on their exploration of education by working with popular educational cartoon characters such as Smurfs, Boing, Origanimals, and Regal Academy. The Group has also been working with talented authors and expanding Pelangi's publications to Korean educational comics that helped widening the Group's range and variety of products.

Business Outlook

PPG is well-prepared for continued penetration into the digital learning sector which has the potential to revolutionise education and is the key area for future growth. We see digitisation as an opportunity rather than a threat. It holds the potential to expand distribution of our content, to monetise that content in new ways and to radically change our cost structure. To harness this potential, PPG will continue to develop and explore new, innovative digital products to benefit the young generation.

The Group is ambitious in transforming conventional education delivery to digital education for the new generation, in line with the worldwide trend in the education industry and the Malaysian Education Blueprint 2013-2025. The Group has also intensified its efforts in expanding into the higher education market, through Technical and Vocational Education and Training (TVET), where funds have been allocated by the Malaysian government in the 2018 Budget.

Young people will play a vital role in ASEAN's future where youth under the age of 30 make up one of the largest segments of the community. We are confident that education remains an attractive investment opportunity with the growth potential to enable us to serve more students around the world and deliver good, sustainable returns to our shareholders. Thus, ASEAN markets outside Malaysia through our team in regional offices - Thailand and Indonesia, will be the development focus for PPG in coming years. It is our passion to improve the education standards to neighbouring ASEAN countries.

Appreciation

I would like to express my utmost and sincere appreciation to the employees, business associates, financiers, government bodies and authorities, shareholders and fellow Board members. May we continue to work together to achieve greater growth and success for the betterment of the PPG.

Datuk Sum Kown Cheek
Executive Chairman and Group Managing Director

Management DISCUSSION and ANALYSIS

OVERVIEW OF GROUP'S HISTORY AND BUSINESS

PPG is a regional educational publishing and printing company established in 1979 which was publicly listed in 2004. Its headquarters is located in Malaysia and it has subsidiaries in Thailand, Indonesia, Singapore, United Kingdom and associate company in China with over 400 employees.

With over 38 years of experience in the publishing industry, PPG has grown from strength to strength with its wide range of publications which includes academic books, children books, higher education books, digital or multimedia educational products, novels, comics, magazines and many more. These publications have been distributed to over 2,000 bookshops throughout Malaysia and over 20 countries around the world.

Today, PPG is a full-fledged educational publisher specialised in editing, typesetting, illustrating/designing, printing and distributing.

OVERVIEW OF GROUP'S FINANCIAL RESULTS

Group's Revenue and Other Incomes

The Group's revenue for financial year 2017 was RM74.1 million, an increase of RM11.0 million or 17.4% compared with RM63.1 million last year. 88.0% of the total revenue was from the local market and 12.0% from the overseas market such as Indonesia, Thailand and Singapore. The Group's main revenue driver is its Publishing Segment, contributes 86.0% of the total revenue. The Printing Segment contributes 10.0%, Others 3.0% and Education 1.0%.

The Group has also secured a contract value of RM8.5 million from the Ministry of Education Malaysia on 18 May 2016 to publish and print textbook of 2 subjects (Mathematics & English Form 1) for all the national schools throughout. On 11 November 2016 via Letter of Acceptance, Penerbitan Pelangi Sdn. Bhd. ("PPSB")has successfully secured textbook projects from the Malaysia Ministry of Education, to supply and deliver Digital English Language Secondary School (Form 1) based on the Common European Framework of Reference for Languages (CEFR). This contract value is worth RM0.5 million. The contract period is from 11 November 2016 to 10 November 2017. The Group revenue is expected to have a positive earnings for FY2017 and FY2018.

Other income has increased by 5.0%, from RM1.9 million to RM2.0 million. The increment of other income was mainly from the interest income gained from the fixed deposit investment market.

Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") & Profit after Tax ("PAT")

EBITDA for the Group has increased from RM7.9 million to RM8.0 million for 2017. Profit after tax of the Group was RM2.9 million for 2017, which shows an increase of 21% equivalent to RM0.5 million compared to last year's RM2.4 million.

PAT increase was in parallel with the growth in the total Group's revenue despite high selling expenses and high obsolete stocks impairment.

KEY BUSINESS SEGMENTS

PPG has four key business segments – Publishing and Production, Printing, Education and Others, mainly operate in 3 countries - Malaysia, Thailand and Indonesia.

Publishing and Production Segment

Publishing & Production Segment contributed 86.0% of the total Group's revenue, which is equivalent to RM3.99 million operating profit in year 2017. Despite the slow retail sales in the local market, half a million growth in the operating profit was encouraging compared to last year as one of the PPG's subsidiary, PPSB has secured textbook contracts from the ministry of Education Malaysia.

Overseas market such as Indonesia, Thailand and Singapore which contributed 12% of the total Group's revenue are also encouraging. Recently, Thailand government has opened the market to Asia Economic Community (AEC) which spreads awareness of the importance of children education and created the great opportunity for PPG to expand the business in the Thailand market.

Printing Segment

The Printing Segment contributed 10.0% of the total Group's revenue, equivalent to RM322K operating profit in year 2017. Compared to last year, this segment dropped by RM356K in operating profit due to the increase of raw material price, intense competition and lower sales performance of Comtech Marketing Sdn. Bhd. ("CMSB").

Education and Others Segment

The Education Segment and Others Segment contributed 4.0% of the total Group's revenue. While Education Segment has recorded an operating loss of RM258K, the Others Segment contributed RM1.2 million in the operating profit.

The Education Segment remains as a minor segment within the Group, a component that still yields no profit since its inception. Pelangi Education Sdn. Bhd. ("PESB") has seen improved review in year 2017, contributed by increased number of student enrolment, while Pelangi Multimedia Technologies Sdn. Bhd. ("PMTSB") has written off obsolescent inventories worth RM243K. This led to the Education Segment registering operating loss of RM42K, compared to year 2016.

However, Education Segment still play a role to complement the Group in promoting a greater brand name for public awareness.

Others Segment revenue was mainly from the rental income of the factory land and building in Pasir Gudang, Johor.

GROUP'S OPERATING ACTIVITIES

Liquidity and Financial Resources

PPG generally has been financing its operations through internally generated funds. As at 30 September 2017, the Group retained adequate cash and cash equivalents of RM20 million for working capital despite cash outlay for dividend payment for financial year 2016 of RM1.3 million.

Opportunities and Challenges

One major challenge for the Group is the high sales return due to the slow retail market condition in Malaysia. With the impact of GST and high inflation, residents are struggling to maintain their living standards. This has affected the Group's sales performance and it will continue if the economy for the local market does not improve within the next few months.

Secondly, the volatility in prices of paper over the last 18 months had also adversely affected the Group's margin. The weakening of Malaysian Ringgit has caused the increase of the cost of goods sold for raw material price which was traded in US Dollar and the fluctuation of foreign currency will continuously impact the sales revenue from the overseas subsidiaries.

Thirdly, to be in line with the changes of school syllabus by the Ministries of Education in ASEAN to educate 21st century children today, PPG needs to produce new publications every year. Hence, the Group expects to have more obsolete stocks and publishing staff training in order to meet the Governments' and consumers' needs after the changes.

Despite all the challenges above, the growth of digital market has created the opportunity for the Group to tag on with the technology. With the introduction of e-books and several collaborations with the technology partners, the Group took the chance to contribute to the platform as a way to increase the Group's brand awareness and related sales.

GROUP PROSPECTS

To be in line with the Malaysian Education Blueprint 2013-2025 that aims to transform the medium of teaching and learning in Malaysia from printed textbooks to digital textbooks, PPG will put more focus on creating both e-books and digital learning tools.

For the next few years, the Group intends to venture more into the higher education segment especially for production of technical and vocational curriculums.

Markets outside Malaysia will be PPG's key growth drivers in the upcoming years. More investment and product development will be placed in growing PPG's footprint in ASEAN markets, particularly through its regional offices in Thailand and Indonesia. Since its inception in 2004, PPG's associate company Hebei Culture Communication Ltd. Chunyu Rainbow ("HCCLCR") has started contributing positive share of results for financial year 2016 and 2017. With its stronger management team in place, the Group expects further growth in financial year 2018.

Another key element in the Group's plan for financial year 2018 is the operating cost control. The Group will focus on cost efficiency by improving operational efficiency in the Publishing and Production Segment and tighter cost control in the Printing Segment.

Given its strength and stability, the Group is optimistic, barring unforeseen circumstances, that the prospects of the Group for the forthcoming years would remain profitable.

DIVIDEND PAYOUT

	2017	2016
Dividend Per Share (sen)	2.00	1.38
Dividend Payout Ratio (%)	67.20	55.72
Dividend Yield (%)	4.00	2.75

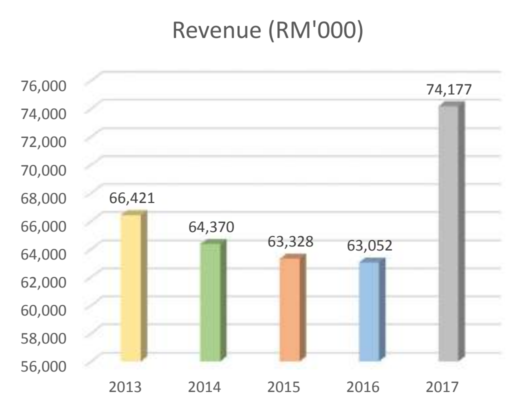
The Group declared a dividend of 2.00 sen per share this year (FY2016 – 1.38 sen per share) or RM1,931,950.00. This translates into dividend yield of 4% which is comparable with our dividend yields over the last few years.

Over the past 5 years, the Group paid between 29% to 56% of its earnings as dividends to shareholders.

Five Years Group Financial Highlights

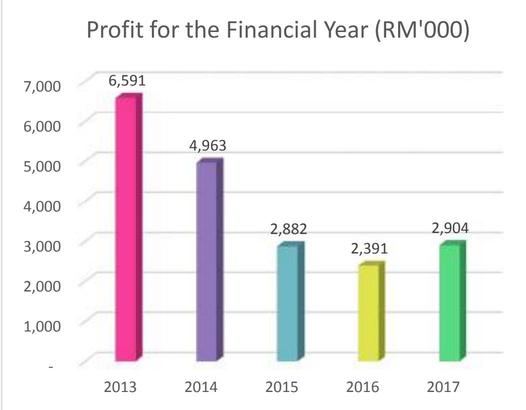
Total Revenue [N1]

RM 74,177 million



Profit for the Financial Year [N2]

RM2,904 million

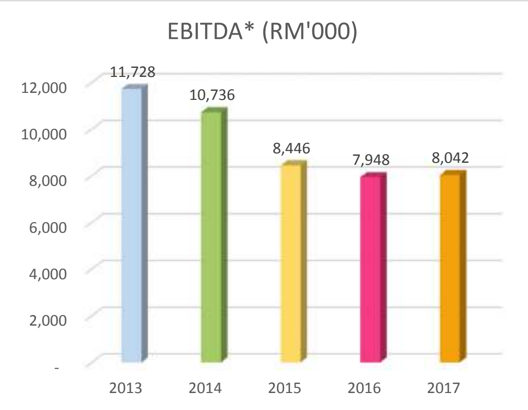


(N1) Group revenue are from different segmentation such as Publishing and Production RM63.76 million, Printing RM7.68 million, Education RM0.54 million and Others RM2.19 million. *(All in rounding figures)*

(N2) Profit for Year 2017 is RM2.9 million versus 2016 RM2.4 million, shows a 21% increase in net profit.

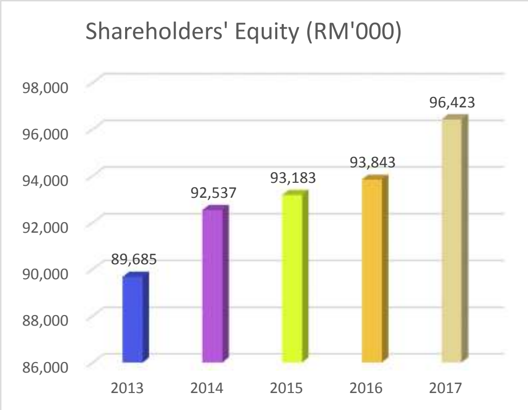
Total EBITDA [N3]

RM 8,042 million



Total Shareholders' Equity [N4]

RM96,423 million



(N3) "EBITDA" Earnings before interest, tax, depreciation and amortization. Group EBITDA RM8.0 million compared to last year RM7.9 million.

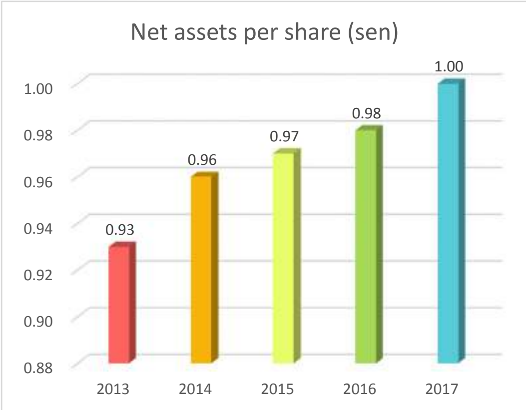
(N4) Shareholders' equity increased from RM93.8 million to RM96.4 million in year 2017.

Earnings per share (sen) [N5]

3.12 Sen

Net assets per share (sen) [N6]

1.00 Sen



(N5) Earnings per share increased from 2.48 sen to 3.12 sen.

(N6) Net assets per share increased from 0.98 sen to 1.00 sen.

DIRECTORS' Profiles

AGE 65 M

DATUK SUM KOWN CHEEK

Executive Chairman and Group Managing Director

Datuk Sum Kown Cheek, was appointed as the Executive Chairman and Group Managing Director of the Company on 19 December 2003. He is a member of the Remuneration Committee. He was conferred the Darjah Pangkuan Seri Melaka ("DPSM") which carries the title of Datuk in conjunction with the 77th Birthday of Malacca Yang di-Pertua Negeri Tun Khalil Bin Yaakob on 14 November 2015.

Datuk Sum graduated from Universiti Sains Malaysia in 1978 and entered the teaching profession in the same year. In 1993, he left the teaching profession to join PPSB as the Managing Director. Under his guidance, he spearheaded the Company to achieve rapid growth by securing local school textbook projects, expanding its product range by entering into children's books via securing Walt Disney licensee, which subsequently placed PPSB into the international publishing map. The Company has been awarded with strings of prestigious Awards including Enterprise 50 Award 2000-2002 (ranking 12th, 16th and 8th), SMI Recognition Award, Superbrands Award, Hall Of Fame – Golden Bull Award 2008, The BrandLaureate – Brand Personality Awards 2012-2013, Anugerah Buku Negara (National Book Award), The BrandLaureate: Corporate Awards 2012-2013, Best Brand Signature Award – Publishing Educational Product 2013-2014 and Best Brand Award – Most Sustainable Brand leadership in Publishing & Education Solutions 2015/2016. His regular participation in overseas book fairs and conferences equipped him with fresh ideas that were constantly being injected into publication of quality books. An entrepreneur with more than twenty (20) years of publishing experience, he has brought the Group to its present success and overseen all aspects of the Group's operation. He was also an Exco Member of the Malaysian Book Publishers Association (MABOPA) from 2011 to 2014. In 2014, he was invited by the Philippine Educational Publishers Association to present a paper entitled "Publishing in a Unified ASEAN Market Place" in the Philippine Educational Publishing Conference (PEPCON) during the Manila International Book Fair.

He has no directorship in other public listed companies. His spouse Datin Lai Swee Chiung, is a substantial shareholder of the Company. His elder brother, Datuk Sam Yuen @ Sam Chin Yan, is a director and substantial shareholder of PPG. Please refer to page 176 of this Annual Report for his securities holding.

AGE 32 M

SUM LIH KANG

Executive Director

Sum Lih Kang, was appointed as an Executive Director on 21 March 2017 and as a Deputy Managing Director of PPSB, a subsidiary of PPG in August 2015. He holds a Bachelor of Business Administration, majoring in Finance and Marketing from the University of Wisconsin Madison, USA.

He began his professional career with Maxis Communications Berhad in Finance, involving in budgeting and cost management. He subsequently joined Singapore Telecommunications Limited (SingTel) in the IPTV division (mioTV), involving in customer lifecycle management. He joined PPSB as Business Development Director in 2013.

He is the son of Datuk Sum Kown Cheek, the Executive Chairman and Group Managing Director of the Company and nephew of Datuk Sam Yuen @ Sam Chin Yan, the Non-Independent Non-Executive Director of the Company.

AGE 39

KOH SIEW SHERN

Executive Director

Koh Siew Shern, was appointed as an Executive Director on 31 March 2017 and as a Country Sales & Operation Manager of Pelangi Publishing (Thailand) Co., Ltd. ("PPT"), a subsidiary of PPG on 1st April 2009. He was then appointed as Sales and Operation Director on 1 January 2018. He holds a Bachelor Degree in Management majoring in Accounting from Universiti Teknologi Malaysia (UTM).

He joined PPSB as Marketing Representative in 2004 and was promoted to Assistant Sales Manager in 2007 and subsequently Area Sales Manager in 2008.

AGE 67

DATUK SAM YUEN @ SAM CHIN YAN

Non-Independent Non-Executive Director

Datuk Sam Yuen @ Sam Chin Yan, was appointed as Non-Independent Non-Executive Director of the Company on 14 January 2008. He is a member of the Audit Committee. He was conferred the Darjah Pangkuan Seri Melaka ("DPSM") which carries the title of Datuk in conjunction with the 77th Birthday of Malacca Yang di-Pertua Negeri Tun Khalil Bin Yaakob on 14 November 2015.

Datuk Sam Yuen graduated with a Diploma in Commerce from Tunku Abdul Rahman College and also graduated from Institute of Chartered Secretaries & Administrators, UK.

He has been operating a logistic company since 1983. His established international network logistic business is now one of the well-known, home-grown logistic companies. He is a director and shareholder of United Logistics Sdn. Bhd.

He is the elder brother of Datuk Sum Kown Cheek, the Executive Chairman and Group Managing Director of the Company. Please refer to page 176 of this Annual Report for his securities holding.

AGE 49

VINCENT WONG SOON CHOY

Independent Non-Executive Director

Vincent Wong Soon Choy, was appointed as an Alternate Director to Winston Paul Wong Chi-Huang of the Company on 10 February 2009. Subsequently, he became Independent Non-Executive Director on 1 January 2011. He is the Chairman of the Audit Committee and Nomination Committee.

He obtained a Bachelor of Commerce Degree majoring in Accountancy and minor in Internal Audit from Flinders University of South Australia, Adelaide, Australia. He is also a Member of Malaysian Institute of Accountants (MIA) and a member of Certified Practising Accountants ("CPA") Australia. He was the Head of Operations in Hwang-DBS Securities Bhd, Group Accountant for a public listed company Kia Lim Berhad, Accountant for Peninsula Securities Sdn Bhd and auditor with Ernst & Young. He has 16 years of working experience with exposures to corporate finance, auditing, compliance, tax planning, group reporting, corporate governance, corporate planning and restructuring. He is currently an Independent Non-Executive Director of Plastrade Technology Berhad, a company listed on the ACE Market of Bursa Securities. Please refer to page 176 of this Annual Report for his securities holding.

AGE 40 F

SYAHRIZA BINTI SENAN
Independent Non-Executive Director

Syahriza Binti Senan, was appointed as an Independent Non-Executive Director of the Company on 19 December 2003. She is the Chairman of the Remuneration Committee and Board Risk Management Committee.

Ms. Syahriza graduated from Monash University, in Melbourne, Australia. She holds a CPA-MBA and a Bachelor of Business (Accounting). She is also a member of Certified Practising Accountants ("CPA") Australia.

She has more than 15 years of working experience with exposures to internal audit, risk management, finance, compliance as well as corporate planning and restructuring. She has no directorship in other public listed companies. Please refer to page 176 of this Annual Report for her securities holding.

ADDITIONAL INFORMATION ON DIRECTORS:

Other information
Except as disclosed above, none of the Directors has any family relationship with and Directors and/or substantial shareholders of the Company.

Conflict of Interest
None of the Directors has any conflict of interest with the Company.

Conviction for offences
None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences.

SENIOR MANAGEMENT Profiles

AGE 65 M

DATUK SUM KOWN CHEEK

Executive Chairman and Group Managing Director

Please refer Directors' Profile.

AGE 32 M

SUM LIH KANG

Deputy Managing Director of Penerbitan Pelangi Sdn. Bhd.

Please refer Directors' Profile.

AGE 39 M

KOH SIEW SHERN

Sales & Operation Director of Pelangi Publishing (Thailand) Co., Ltd.

Please refer Directors' Profile.

AGE 59 M

POH SWEE HIANG

Senior Publishing Manager of Penerbitan Pelangi Sdn. Bhd.

Mr. Poh Swee Hiang, was appointed as Senior Publishing Manager. He graduated from Universiti Sains Malaysia with Bachelor of Science with Education and an MBA from Edinburgh Business School, Heriot-Watt University, Scotland, UK. He is presently doing a postgraduate research on the business model of eBooks in Universiti Malaya.

He has held the position of publishing manager for 20 years. He was working for the Malaysian Government for 15 years before joining the publishing industry. He was a secondary school teacher in Sarawak & Penang, as well as a teacher trainer in Maktab Perguruan Tuanku Bainun, Penang. He has written eight books in Bahasa Malaysia, English and Chinese languages.

AGE 52

KHOO BOO HWA

Country General Manager of PT. Penerbitan Pelangi Indonesia

Mr. Khoo Boo Hwa, was appointed as Country General Manager, PT. Penerbitan Pelangi Indonesia ("PTPPI") in June 2017. He graduated with Diploma in Management and possesses more than 10 years sales and marketing experience in education and publishing industry.

He was appointed as Business Development Manager in Linton University College in 2007 and joined Malaysian Current Law Journal, CLJ Legal Network as Group Business Development Director in 2011. In 2015, he was appointed as Country Manager in McGraw Hill Education Malaysia before he joined PPG.

ADDITIONAL INFORMATION ON SENIOR MANAGEMENT:

(i) Family Relationships with any Directors and/or Major Shareholders
Except as disclosed above, none of the Senior Management related to any Directors and/or Major Shareholders.

(ii) Directorship in Public Companies and Listed Issuers
None of the Senior Management holds directorship in any public companies and listed issuers.

(iii) Conflict of Interest
None of the Senior Management has any conflict of interest with the Company.

(iv) Non-Conviction of Offences
None of the Senior Management has been convicted for offences within the past ten (10) years other than traffic offences.

STATEMENT ON CORPORATE GOVERNANCE

POLICY ON CORPORATE GOVERNANCE OF PELANGI PUBLISHING GROUP BHD

The Board of Directors ("the Board") of PPG remains committed to ensure that the highest standards of corporate governance are practised throughout PPG and its subsidiary companies. It continues to be fully accountable to the shareholders and stakeholders, and will be bound to continually enhance the level of corporate governance in the management of the Group's business, its financial performance for the achievement of business profitability, preservation of long term shareholder value and the protection of shareholders' interests, without failing to take into account the interests of other stakeholders.

Notwithstanding the Group's structure, policies, procedures and practices that are set, PPG is still open to be reviewed for enhancement and improvement. The ultimate aim of the Board is to secure all principles and objectives to ensure transparency of management to parties who have interest in the Group.

The Board also maintains a strong leadership in the organisation to ensure efficiency, integrity, honesty and responsibility for the ethical management of the Group and the maintenance of good corporate values.

PRINCIPLE STATEMENT

The Board is pleased to report to the shareholders that the Group has applied the Principles of Corporate Governance and Best Practices contained in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). The manner and extent of compliance are stated as follows:

SECTION 1 The BOARD of DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board consists of six (6) members comprising one (1) Executive Chairman, two (2) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

PPG is in compliance with the Main Market Listing Requirements of Bursa Securities which require that at least two (2) Directors or one-third (1/3) of the total number of Directors, whichever is higher, to be Independent Directors. Board Diversity Policy was established on 15 July 2016, is set out on the Company's corporate website www.pelangipublishing.com under Board Charter.

The Company recognises the contribution of Non-Executive Directors as equal Board members to the development of the Group's strategy as well as their role in representing the interests of public shareholders and providing a balanced and independent view to the Board. No individual or group of individuals dominates the Board's decision making and the number of Directors reflects fairly the interest of the shareholders. The profile of the Board members is set out on pages 23 to 25 of the Annual Report.

Changes in Board Composition

In FY 2017, the changes in the Company's Board as follows:-

New Appointments

1) Mr. Sum Lih Kang as an Executive Director, appointed on 21 March 2017.
2) Mr. Koh Siew Shern as an Executive Director, appointed on 31 March 2017.

Resignations

1) Mr. Lee Kheng Hon resigned and relinquished his directorship in the Company on 17 March 2017. Mr. Lee was appointed as an Executive Director of PPG on 19 December 2003.
2) Mr. Teh Hui Guan resigned and relinquished his directorship in the Company on 31 March 2017. Mr. Teh was appointed as an Executive Director of PPG on 1 February 2012.

Roles and Responsibilities of the Board

The Board assumes, amongst others, the following roles and responsibilities:

1. Reviewing and adopting a strategic plan for the Group, with objectivity and has taken into account all appropriate considerations;
2. Ensuring the Group's long term strategic plans promote sustainability, with attention to the aspects of environmental, social and governance ("ESG"), please refer to the Statement of Sustainability in page 45 and also on the Company's corporate website;
3. Overseeing the conduct of the Group's business to determine whether the business is being properly managed. The Board also ensures measurements are in place against which management's performance can be assessed;
4. Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
5. Establishing a corporate culture which engenders ethical conduct that is being practiced across the Group (Summary of the Code of Conduct is set out on the corporate website);
6. Succession planning, by ensuring appointed senior management positions are of sufficient calibre and programmes are in place for orderly succession of senior management;
7. Developing and implementing effective shareholder communications policy for the Group. This includes ensuring feedback from all stakeholders are being considered when making business decisions;
8. Reviewing the adequacy and the integrity of the management information and internal controls system of the Group;
9. Reviewing, adopting and implementing appropriate corporate disclosure policies and procedures (Corporate Disclosure Policy was established in 15 July 2016 is set out on the Company's corporate website www.pelangipublishing.com under Board Charter);
10. All duties outlined in Schedule of Matters Reserved to the Board (Schedule of Matters Reserved to the Board set out on the Company's corporate website www.pelangipublishing.com under Board Charter)

Many of the responsibilities of the Board are delegated to the management. Independence from the management of the Group is a key principle to the effective functioning of the Board. The Executive Chairman of the Board is responsible for overall management of Board activities and ensuring that the Board discharges its defined responsibilities.

Roles and Responsibilities of the Executive Chairman/Group Managing Director ("GMD")

The Executive Chairman/GMD will chair all Board meetings and general meetings for the Company. The Executive Chairman/GMD is responsible for formulating the Board's strategic direction and planning process. Assisted by the Executive Directors and Senior Management team, he also holds primary executive responsibilities for the Group's business performance and strategic plans, in accordance with the strategies and policies approved by the Board. He brings material and other relevant matters to the Board, for discussion or constructive debates and decision makings.

The roles of Executive Chairman and GMD are currently held by Datuk Sum Kown Cheek. The Board considers this to be in the best interest for the Group considering Datuk Sum's vast experience managing and leading the organization. The presence of the Independent Directors, though not forming a majority of the Board members, is sufficient to provide the necessary checks and balances on the decision making process of the Board. The participation of the Independent Directors in the Board shows their significant contribution in major decision making matters. Examples of decision made with constructive independent opinions are the acquisition of property, plant, equipment and investment decisions.

Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the Main Market Listing Requirement ("MMLR"), Companies Act, 2016; and other relevant laws and regulations. In performing this duty, the Company Secretary carries out, among others, the following tasks:

1. Carrying out statutory duties as specified under the Companies Act, 2016 and MMLR;
2. Attending Board and Board Committee meetings and ensuring that the Board meetings are properly convened and proceedings are properly recorded;
3. Ensuring timely communication of Board level decisions to Management;
4. Ensuring that all appointments to the Board and Committees are properly made;
5. Maintaining records for the purposes of meeting statutory obligations;
6. Facilitating the provision of information as may be requested by the Directors from time to time; and
7. Supporting the Board in ensuring adherence to Board policies and procedures.

Nomination Committee has assessed the performance of the Company Secretary and satisfied with her professionalism.

Code of Conduct

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

The Board also aims to establish a corporate culture, which engenders ethical conduct that permeates throughout the Company, through a set of Code of Conduct, to be adhered by all individuals employed by the Group.

The Code of Conduct is a guide to assist the Group's Directors and all levels of employees in living up to the Group's high ethical business standards, and provides guidance on the way employees should conduct themselves when dealing with other parties doing business with the Group. It also sets out and identifies the appropriate communication and feedback channels, which facilitate whistle-blowing.

A summary of the Code of Conduct is available on the Company's corporate website www.pelangipublishing.com.

Board Balance and Board Effectiveness

All Board members are individuals of calibre and credibility. The composition of the Board not only reflects the broad range of experience, skills and knowledge required to successfully direct and supervise the Group's business activities, but also the importance of independence in decision-making at the Board level. Expertise of our Board members includes publishing, information technology, paper manufacturing, supply chain, accounting and risk management.

There is also a balance in the Board because of the presence of Independent Non-Executive Directors. These Independent Non-Executive Directors are independent of the management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. They have the capability to ensure that the strategies proposed by the Management are fully deliberated and examined in the long-term interest of the Group, as well as the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its businesses.

The Nomination Committee constantly reviews the core competencies and experience of all Directors in order to enhance the Directors' participation in the Board to suit the ever-changing standards of corporate governance. Nomination Committee also provides feedback of the assessment during Board Meetings and recommends any improvement area to all Board members.

Board Membership

The Board considers the appointment of new Director upon recommendation from the Nomination Committee. In making these recommendations, the Nomination Committee will consider the skills, knowledge, expertise and experience, professionalism, integrity and their ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. Any new Director so appointed shall be subjected to re-election at the next annual general meeting ("AGM") to be held immediately following the appointment.

The PPG's Articles of Association require all Directors to retire from office at least once in three (3) years and the retiring Directors are eligible for re-election at the AGM. Directors who are appointed by the Board during the year are subject to re-election at the next AGM following their appointments. All PPG Directors devote sufficient time to carry out their responsibilities, and would notify the Executive Chairman before accepting any other new directorship. This notification would also include indication of time that will be spent on the new appointment. Board Assessment Policy has been established in 15 July 2016 is set out on the Company's corporate website www.pelangipublishing.com under Board Charter.

MCCG 2017 recommends the tenure of an Independent Director not to exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the board subject to the Director's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine years. Syahriza Binti Senan has served the Board for more than nine years. Resolution to extend her tenure as an Independent Director of the Company was approved by shareholders in the last Annual General Meeting. The only other Independent Director, Vincent Wong Soon Choy has yet to complete his ninth year serving the Board.

Syahriza Binti Senan, the Independent Director has served the Board for more than nine years. Throughout the years, she exercised her judgment in an independent and unfettered manner, discharging her duties with reasonable care, skill and diligent; bringing independent thoughts and experience to board deliberations and decision making process all these while which is valuable to the Company. To that, the approval of the extension of her tenure as an Independent Director of the Company was approved by shareholders in the last AGM. In compliance with the MCCG 2017, the Board will seek for two-tier voting in the next AGM to extend her tenure.

Supply of Information

The Directors are provided with an agenda and a compilation of Board papers seven (7) days prior to each Board Meeting.

At every Board Meeting and at any time at all, members of the senior management make themselves available to brief the Board on any specific matter essentially to assist the Directors in undertaking their duties for the Group. For instance, the Board requested for the Group's staff remuneration policies, Human Resource Manager presented the policies to the Board and follow up further through email.

All Directors have full and unrestricted access to all information of the Group, and to the advice and services of the Company Secretary who is responsible for ensuring that Board Meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board assumes full responsibility in ensuring that the appointed Company Secretary is capable in discharging its duties.

The Board has the liberty to seek external independent professional advice if so required. For instance, the Board would seek independent professional advice for the Group's special corporate exercises including Employees Share Options Scheme ("ESOS") and Share-Buy-Back. External advisors including merchant bankers, legal firms, company secretaries and auditors will be consulted and invited for presentations.

Board Meetings

The Board met six (6) times during the financial year 2017 during where it reviewed and approved various issues including the quarterly financial results of the Group for announcement to Bursa Securities, corporate announcements of the Group's business plan and strategy, and also the performance of the Group. The Board also reviewed the adequacy of the Group's internal control system.

Additional Board Meetings are held as and when required. In financial year 2017, there were no additional meeting have been held. When it is not possible to hold any meeting, a circular resolution will be passed by the Board. As at to date, all Directors have complied with the requirements in respect of Board Meeting attendance in accordance with the provision of PPG's Articles of Association. Details of the attendance of each Director at the Board Meetings held during the financial year 2017 are set out below:

Name of Directors	Directorship	Attendance
Datuk Sum Kown Cheek	Executive Chairman and Group Managing Director	6/6
Lee Kheng Hon	Executive Director (Resigned on 17 March 2017)	3/3
Teh Hui Guan	Executive Director (Resigned on 31 March 2017)	3/3
Vincent Wong Soon Choy	Independent Non-Executive Director	6/6
Datuk Sam Yuen @ Sam Chin Yan	Non- Independent Non-Executive Director	6/6
Syahriza Binti Senan	Independent Non-Executive Director	6/6
Sum Lih Kang	Executive Director (Appointed on 21 March 2017)	3/3
Koh Siew Shern	Executive Director (Appointed on 31 March 2017)	3/3

Appointments of the Board and Re-election

Nomination Committee

The Board has established a Nomination Committee which is responsible for recommending and nominating new Directors for appointment by the Board.

The Nomination Committee comprises two (2) Independent Non-Executive Directors. For 2017, the members of Committee are as follows:

Members of the Nomination Committee as at Year 2017

	Name of Member	Directorship
Chairman	Vincent Wong Soon Choy	Independent Non-Executive Director
Member	Syahriza Binti Senan	Independent Non-Executive Director

There was four (4) meeting held during the financial year, which was attended by all the committee members.

The Committee has carried out assessment in respect of its board, committees and individual directors with criteria used in accordance with the Code. Outcome of the Nomination Committee meeting held this financial year was satisfactory. In this year's assessment, Nomination Committee recommends some actions to be taken by the Board inter alia:

- Regular updates on the Company's values, mission, strategic and business plans to ensure work in line on the direction of the group.
- Regular updates on the capital budgets and strategic plans and monitor progress throughout the year. Capital budget should be prepared and present to the Board.

The Committee has undertaken the following activities for year 2017:

a) Assessed annually the performance and effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director as well as the Independent Directors based on the process implemented by the Board pursuant with MCCG 2017;
b) Identified the Directors who are due for re-election by rotation or re-appointment pursuant to the Company's Articles of Association or other prevailing law.

To assist shareholders in their decision, details of the Directors seeking for re-election at the forthcoming AGM are disclosed in page 177 of this Annual Report and the Directors' profiles are disclosed separately on pages 23 to 25 of this Annual Report. The detailed Terms of Reference of the Nomination Committee are available for reference at the Company's corporate website www.pelangipublishing.com and it will be reviewed from time to time. The last review of the Terms of Reference was held in 2015.

Board Risk Management Committee

The Board has established a Board Risk Management Committee on 18 September 2017 which is responsible for oversight of the operation of the Group's risk management framework.

The Board Risk Management Committee comprises two (2) Independent Non-Executive Directors and one (1) Executive Director. For 2017, the members of Committee are as follows:

	Name of Member	Directorship
Chairman	Syahriza Binti Senan	Independent Non-Executive Director
Member	Vincent Wong Soon Choy	Independent Non-Executive Director
Member	Sum Lih Kang	Executive Director

There was one (1) meeting held during the financial year, which was attended by all the committee members.

Directors' Training

The Group acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of economy, technological advances in our core business, latest regulatory developments and management strategies.

All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities including the newly appointed Executive Directors, Mr. Sum Lih Kang and Mr. Koh Siew Shern. All Directors are mindful that they should receive appropriate continuous training and to attend seminars and briefings in order to broaden their perspective and to keep abreast with new developments.

All Directors are also provided with updates from time to time in areas such as corporate governance practices, risk management, relevant legislation and regulations. The Company Secretary has periodically informed the Directors of the availability of appropriate courses, conferences, seminars and briefings.

Directors are encouraged to evaluate their own training needs on a continuous process and to determine the relevant programmes, seminars and briefings that would enhance their knowledge to enable the Directors to discharge their responsibilities more effectively.

As at the date of this Annual Report, the training programmes and seminars attended by the Directors are as follows:

Directors	Training Programme
Datuk Sum Kown Cheek	Company Act and Procedure Training
Datuk Sam Yuen @ Sam Chin Yan	-
Vincent Wong Soon Choy	2018 Budget Seminar
Syahriza Binti Senan	Enhanced Understanding of Risk Management and Internal Control
Sum Lih Kang	Mandatory Accreditation Programme
Koh Siew Shern	Mandatory Accreditation Programme

SECTION 2 Directors' REMUNERATION

Remuneration Policy and Procedure

The Remuneration Committee comprises two (2) Independent Non-Executive Directors and one (1) Executive Chairman and Group Managing Director. The members are as follow:

	Name of Member	Directorship
Chairman	Syahriza Binti Senan	Independent Non-Executive Director
Member	Vincent Wong Soon Choy	Independent Non-Executive Director
Member	Datuk Sum Kown Cheek	Executive Chairman and Group Managing Director

There was three (3) meeting held during the financial year, which were attended by all the members.

In determining remuneration for all Board members, the Remuneration Committee reviews the overall performance of the Company and contribution level of the Board members. Remuneration package may also vary subject to seniority. Board Remuneration Policy was established in 15 July 2016, and is set out on the Company's corporate website www.pelangipublishing.com under Board Charter.

The detailed Terms of Reference of the Remuneration Committee are available for reference at the Company's corporate website www.pelangipublishing.com and it will be reviewed from time to time. The last review of the Terms of Reference was held in 2015.

The Remuneration Committee assesses the Directors annually and recommends the yearly Directors' remunerations to the Board for approval. Individual Directors will abstain from participating in the discussion and decision of their own remuneration package.

Directors' Remuneration

The objective of the Company's policy on Directors' Remuneration is to provide a remuneration package needed to attract, retain and motivate Directors of the quality required to manage the business of the Company.

The component parts of remuneration are structured so as to link reward to corporate and individual performance. For Independent Non-Executive Director, the level of remuneration should reflect the experience and level of responsibilities undertaken by the respective directors.

The remuneration strategy for Executive Director of the Company is to pay competitively and through the use of an integrated pay and benefits structure, to reward corporate and individual performance in order to contribute to the Company.

Non-Executive Director will be paid Director fee and additional allowance will be paid based on the responsibilities in the Board and on the Committee and/or for any other special skills and expertise that are brought to the Board.

Meeting allowances will be given to Director attend and present for the Board Meeting.

The details of the total remuneration accrued for the Directors of the Company during the financial year 2017 are as disclosed in Note 9 to the financial statements. The Summary of the remuneration of the Directors in respect of the financial year ended 30 September 2017 is as follows:

Category of Remuneration	Group (RM)	Company (RM)
Executive Director		
Salaries and other emoluments	582,930	9,500
Bonus	88,383	-
Define Contribution Plan	52,395	-
Social Security Contribution	1,124	-
Fees	181,413	60,083
Non-Executive Director		
Fees	80,500	80,500
Other emoluments	9,900	9,900

The number of Directors whose total remuneration fell within the following bands during the financial year is as follows:

Range of Remuneration (RM)	Number of Directors	
	Executive	Non-Executive
50,000 & below	-	3
50,001 – 200,000	3	-
200,001 – 250,000	-	-
250,001 – 300,000	1	-
500,001 – 550,000	1	-

The above remuneration for FY2017 included:
a) Lee Kheng Hon – Executive Director (Resigned on 17 March 2017)
b) Teh Hui Guan – Executive Director (Resigned on 31 March 2017)
c) Sum Lih Kang – Executive Director (Appointed on 21 March 2017)
d) Koh Siew Shern – Executive Director (Appointed on 31 March 2017)

SECTION 3 SHAREHOLDERS

Annual General Meeting

The AGM is the principal forum for dialogue with shareholders. The shareholders are encouraged to participate in the question and answer session. Notice of the AGM and Annual Reports are sent out to shareholders at least 28 days before the date of the meeting as complied with MCCG 2017.

Besides the usual agenda for the AGM, the Board provided opportunities for the shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to provide response to the questions raised by shareholders during the meeting, and carry out poll voting and appoint scrutineer at the Company's AGM.

For re-election of Directors, the Board ensures that all relevant information regarding Directors who are retiring and who are willing to serve if re-elected is disclosed through the notice of meetings.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate a full understanding and evaluation of the issues involved.

SECTION 4 ACCOUNTABILITY and AUDIT

Financial Reporting

The Board is responsible to ensure that the financial statements are prepared in accordance with the Companies Act, 2016 and the applicable approved accounting standards in Malaysia.

In preparing the annual financial statements and quarterly announcements to shareholders, the Board has:

- Ensured that all applicable accounting standards and the Listing Requirements of Bursa Securities have been applied and followed consistently;
- Made reasonable and prudent judgements and estimates; and
- Prepared financial statements on the going concern basis, having made adequate resources to continue its operations for the foreseeable future.

The Audit Committee assists the Board in scrutinising the financial reports to ensure accuracy, completeness and adequacy of information before recommending to the Board for adoption.

The Statement by Directors pursuant to Section 251(1) of the Companies Act, 2016 is set out on page 60 of this Annual Report.

Internal Control

The Board maintains a sound internal control framework to safeguard the shareholders' investment in the Group. The Statement on Internal Control furnished on page 40 to 44 of this Annual Report provides an overview of the state of internal control within the Group.

RELATIONSHIP WITH AUDITORS

With the Internal Audit

The Group has outsourced the internal audit function to an independent service provider. The Group's Internal Audit performs its functions with impartiality, proficiency and due professional care. It undertakes regular monitoring of the Group's key controls and procedures, which is an integral part of the Group's system of internal control.

Draft audit reports prepared by the Internal Audit are first circulated to the management i.e. the heads of departments for deliberation before necessary corrective actions are adopted by the management.

In 2017, Internal Auditing on the following areas of PTPPI have been carried out and the Audit Committee is briefed on the findings raised by the Internal Audit.

a. Sales and Marketing Management
b. Inventory Management
c. Treasury Management

With the External Auditors

The Group through the Audit Committee has established a transparent and good working relationship with its External Auditors. The External Auditor, Messrs Grant Thornton Malaysia, has continued to highlight to the Group their key findings and matters that require the Audit Committee's attention with respect to each year's audit on the statutory financial statement. The role of the Audit Committee in relation to the External Auditors is outlined in the Audit Committee Report set out on pages 50 to 51 of this Annual Report.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

(a) Utilisation of Proceeds

No proceeds was raised by the Company from any corporate exercise during the financial year.

(b) Material Contracts

To the best of the Board's knowledge, there were no material contracts involving the Group with any of the substantial shareholders nor Directors in office as at 30 September 2017 except those disclosed under Recurrent Related Party Transactions and as mentioned below:

On 11 November 2016, PPG wholly owned subsidiary, PPSB has signed and accepted a Letter of Acceptance from the Ministry of Education ("MoE") to supply and deliver digital English Language secondary school (Form 1) based on the Common European Framework for Language (CEFR). The Contract is for the period from 11 November 2016 to 10 November 2017 at a total contract value of RM500,000.

(c) Material Contracts Relating to Loans

There were no material contracts relating to loans entered into by the Group and its subsidiaries involving Directors' and major shareholders' interest.

(d) Non-Audit Fees

The non-audit fees for services provided by the external auditors to the Group for the financial year 2017 amounted to RM19,000. The services include work pursuant to the requirement of International Standard on Auditing 600 Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors) and review of Statement on Risk Management and Internal Control.

(e) Recurrent Related-Party Transactions

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 30 to the Financial Statements and Circular dated 26 January 2018.

Datuk Sum Kown Cheek
Executive Chairman and Group Managing Director

STATEMENT of DIRECTORS' RESPONSIBILITIES in relation to FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs, including the cash flows and results of the Group as at the end of the financial year. The Statement by the Directors pursuant to Section 251(1) of the Companies Act, 2016 is stated in page 60 of this Annual Report.

The Directors are of the view that, in preparing the financial statements of the Group for the year ended 30 September 2017, PPG has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable Financial Reporting Standards have been followed during the preparation of audited financial statements.

The Directors are responsible for ensuring that the Company keeps adequate accounting records that disclose with reasonable accuracy in the financial position of the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2016.

The Directors have ensured timely release of quarterly and annual financial results of the Group to Bursa Securities so that public and investors are informed of the Group's performance.

The Directors also have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to detect and prevent fraud and other irregularities.

STATEMENT on RISK MANAGEMENT and INTERNAL CONTROL

INTRODUCTION

The Board of PPG acknowledges the importance of maintaining a good risk management and internal control system in the Group and committed to maintain and ensure that a system of internal control exists and operating effectively across the Group. The Board is pleased to provide this statement outlining the nature and scope of risk management and internal control of the Group for the financial year ended 30 September 2017 and up to the date of approval of this statement pursuant to paragraph 15.26(b) and Practice Note 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITIES

The Board affirms its overall responsibility for establishing and maintaining a risk management framework and a sound system of internal control as well as reviewing the adequacy and effectiveness of the internal control system. The Board has delegated these aforementioned duties to the Audit Committee. Through the Audit Committee, the Board is kept informed of all significant risk and control issues brought to the attention of the Audit Committee by the Management, the internal audit function and the external auditors.

The Board does not review the internal control system of its associated companies, as the Board does not have direct control over their operations. Notwithstanding that, the Group's interests are served through representation on the boards of the respective associated companies and receipts and review of the management accounts and inquiries thereon. These representations also provide the Board with information for timely decision-making on the continuity of the Group's investments based on the performance of the associated companies.

As there are inherent limitations in any system of internal control, the system of internal controls is designed to manage rather than to eliminate all risks that may impede the achievement of the Group's corporate objectives. Therefore, the system of internal control can only provide reasonable assurance rather than absolute assurance against material misstatement of losses and fraud.

THE RISK MANAGEMENT

The Board recognises risk management as an integral part of system of internal control and good management practice in pursuit of its strategic objectives. The Board maintains an ongoing commitment for identifying, evaluating and managing significant risks faced by the Group in its achievement of objectives and strategies during the financial year under review. The Board had put in place a structured Risk Management Framework, as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all level of the Group and to manage key business risks faced by the Group effectively as second line of defense.

The Risk Management Framework established lays down the risk management's objectives and processes established by the Board with formalised governance structure of the risk management activities of the Group established, subject to changes to governance structure approved by the Board in September 2017, as follows:

Clear roles and responsibilities of the Board, Board Risk Management Committee (or the Audit Committee prior to 18 September 2017), Risk Management Committee, Key Risk Officer, risk owners and internal audit function are defined in the Risk Management Framework with the terms of reference of Risk Management Committee and composition of the Risk Management Committee established by the Board. The Risk Management Committee is chaired by the Executive Chairman and Group Managing Director with the Deputy Managing Director is assigned as Key Risk Officer, supported by members made up of heads of department and business division.

The primary roles of the Risk Management Committee are as follows:

- establish a risk committee of the management which is used as a forum for the following:
  - to formulate business rules, processes and structures to meet the Group standard policy and implementation needs;
  - to implement the processes and structures;
  - to ensure that processes and structures comply with risk parameters and controls; and
  - to initiate and conduct business within agreed risk parameters and business rules.
- recommend Risk Management Policy to the Board;
- constant monitoring to ensure Risk Management Policy is implemented accordingly;
- ensuring that periodical risk report is submitted accurately and in a timely manner to the Board.

In addition, the operational management team, i.e. the heads of departments/divisions, is designated as risk owners within their area of expertise and operational responsibilities with the following roles and responsibilities:

- manage the risks of the business processes under his/her control;
- identify risks and evaluate existing controls. If controls deemed ineffective, inadequate or non-existent, to report to the Risk Management Committee and assist with the development of the management action plans and implement these action plans; and
- assist the Risk Management Committee with the continuous monitoring, update of the management action plans and the status of these plans.

Systematic risk management process is stipulated in the Framework, whereby each step of the risk identification, risk assessment, control identification, risk treatment and control activities are laid down for application by the Risk Management Committee and the Management. Risk assessment, at gross and residual level, are guided by the likelihood rating and impact rating as well as control effectiveness rating established by the Board as stipulated in the Framework. Based on the risk management process, key risk registers were compiled by the Risk Management Committee with relevant key risks identified rated based on the agreed upon risk rating for identification of high residual risks above the risk appetite that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring. As an important risk monitoring mechanism, the Risk Management Committee is scheduled to review the key risk registers and assessment of emerging risks identified at strategic and operational level on annual basis or at more frequent interval(s) if circumstances required and to report to the Board Risk Management Committee (or the Audit Committee prior to 18 September 2017) on the results of the review and assessment. During the financial year under review, the Risk Management Committee convened a review and assessment meeting whereby existing strategic, governance and key operational risks were reviewed with emerging risks identified assessed and incorporated into the key risk registers for on-going risk monitoring and assessment, after taken into consideration of the internal audit findings. Key risk profile, consists of strategic risks and key operational risks, was compiled and tabled to the Audit Committee (prior to 18 September 2017) for review and deliberation and for its reporting to the Board, which assumes the primary responsibility of the risk management of the Group.

At strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Senior Management and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite. In addition, specific strategic and key operational risks are highlighted and deliberated by the Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As first line of defense, respective risk owners are responsible for managing the risks under their responsibilities. Risk owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in the key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system supplemented by external data and information collected. Respective risk owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage the risks. Critical and material risks are highlighted to the Key Risk Officer and/or the Senior Management for the final decision on the formulation and implementation of effective internal controls.

The risk monitoring and management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal plan approved by the Audit Committee.

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:

• Board of Directors/Board Committees

The role, functions, composition, operation and processes of the Board are guided by formal board charter. Board Committees (i.e. Audit Committee, Remuneration Committee, Nomination Committee and Board Risk Management Committee) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference. Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective.

• Integrity and Ethical Value

The tone from the top on integrity and ethical value are enshrined in formal Code of Conduct established and approved by the Board. This formal code forms the foundation of integrity and ethical value for the Group.

Integrity and ethical value expected from the employees as incorporated in the formal Code of Conduct and Employee Handbook whereby the ethical behaviours expected in respect of business practices, conflict of interest, confidentiality, intellectual property, anti-trust and company resources are stated.

• Organisation Structure and Authorisation

The Group has a well-defined organisation structure in place. The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated accordingly to competent staffs to ensure operational efficiency. Furthermore, there is close involvement in daily operations of the Group by the Executive Directors and Senior Management.

The authorization requirement of the key internal control points of key business processes are guided by the Limit of Authority Manual established by the Management and approved by the Group Managing Director and the Board.

• Policies and Procedures
The Group has documented policies and procedures to regulate key operations in compliance with International Organisation for Standardisation ("ISO") certification and such policies and procedures are periodically reviewed and updated to ensure its relevance.

• Human Resource Policy
Comprehensive guidelines on the human resource management in Employee Handbook are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

• Information and Communication
At operational level, clear reporting lines established across the Group and operation reports are prepared for dissemination to relevant personnel for effective communication of critical information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and the Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerised enterprise resource planning system, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. Apart from that, relevant financial and management reports are generated for different level of the organisation structure for review and decision making and management and board meetings are held for effective two-way communication of information at different level of management and the Board.

• Monitoring and Review
At operational level, management meetings are held at regular interval whereby the Senior Management reviews and discusses financial and operational performance of key divisions/departments and other significant operational issues arising.

Apart from the internal audit, significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by internal ISO auditors as well as surveillance audit by independent consultants engaged by the Group serve as the fourth line of defense.

Apart from the above, the quarterly financial performance review containing key financial results and previous corresponding financial results are presented to the Board for their review.

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent service provider, who, through the Audit Committee provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's systems of the risk management and internal control.

Risk-based internal audit plan in respect of financial year ended 30 September 2017 was drafted, after taking into consideration existing and emergent key business risks identified in the key risk profile of the Group, the Senior Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycles within the internal audit plan are specific with regards to audit objective, key risks to be assessed and scopes of the internal control review.

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

As third line of defense, the internal controls review procedures performed by the internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls through the review of the samples selected based on sample sizes for the respective audit areas calculated in accordance with our predetermined formulation, subject to the nature of testing and verification of the samples.

During financial year ended 30 September 2017, the independent service provider conducted two (2) cycles of internal control reviews on procurement, sales & marketing, inventory and treasury management of one (1) of its key operating subsidiaries in accordance to the internal Audit Plan.

Upon the completion of the internal audit field work during the financial year, the internal audit reports were presented to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans are presented and deliberated with the members of the Audit Committee participating actively in the deliberation. Update on the status of action plans as identified in the previous internal audit report are presented at subsequent Audit Committee meeting for review and deliberation.

ASSURANCE PROVIDED BY THE GROUP MANAGING DIRECTOR

In line with the Guidelines, the Group Managing Director, being the highest ranking executive in the Group, being the person primarily responsible for the management of the financial affairs of the Group have provided assurance to the Board that the Group's risk management and internal control system have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 (revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies to be set out, nor is factually incorrect.

CONCLUSION

Based on the review of the risk management process and internal control system and the monitoring and review mechanism stipulated above coupled with the assurance provided by the GMD, the Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

The Board is committed towards maintaining an effective risk management framework and a sound system of internal control throughout the Group and where necessary put in place appropriate plans to further enhance the Group's system of the internal control. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

STATEMENT of SUSTAINABILITY

INTRODUCTION

As one of the leading educational book publishers in Malaysia, sustainability initiatives run deep into our core values, our day-to-day operations and business plans. Our sustainability leadership is led by our Board of Directors, who oversees and ensures that PPG pursues its regulatory and commercial objectives, and remains as a responsible and sustainable organisation.

We focus strongly on delivering value to our shareholders, practicing good governance, maximising contributions to stakeholders and minimising our environmental footprint. PPG focuses on the initiatives of sustainability in accordance with Environmental, Economic and Social ("EES") risks and opportunities of the business. Our Sustainability Strategy is closely aligned with the global sustainability guidelines as well as those outlined by Bursa Malaysia Sustainability Reporting Guide for companies listed on the Main Market.

MARKET PLACE

- **Trends in Education**

  Book Publishing initially starts with author's manuscripts and ends with book printing. With the explosion of technological advancement, the digital environment had increased the number and scope of delivery platforms.

  At PPG, not only do we focus strategically on the long-term sustainability of the Group, but we also strive to play a vital role in the development of Malaysia and ASEAN education systems, in the interest of economic prosperity, social upliftment and care for our environment.

  PPG aims to be the leading book publisher in ASEAN and is reputable for its quality educational publications. By working with top educators, authors and editors, we develop and improve learning methodologies to help in improving the education standards in the region, which in turn will help improve the national benchmark ratings such as the Programme for International Student Assessment (PISA) and Trends in the International Mathematics and Science Study (TIMSS) rankings.

  By continually addressing issues related to the trends in education, the Group would stay relevant and grow in coming years, in line with the goals for different education systems and delivery forms.

- **Digital Educational Contents & Products**

  PPG creates digital educational products to keep abreast with technological changes over the years. Our investment in Xentral Method Sdn. Bhd. has facilitated the Group in creating new digital related products, combining our quality contents and the latest technology available. The digital educational products include the interactive revision books series ("Interactive eBooks"), the electronic library ("eLibrary"), e-books, Augmented Reality (AR), Virtual Reality (VR), mobile based learning, customized assessment tools and other multimedia learning tools.

  Moving forward to the regional markets, we tend to bring our digital products to enter into ASEAN market. By sharing the concept of developing existing digital products developed by local team, our team of regional offices in Thailand and Indonesia are exploring the markets for digital products locally.

  In 2017, PPG as a content provider collaborated with Frogasia Sdn. Bhd. of YTL Communication Sdn. Bhd. to deliver free digital quizzes and tests to 5 million students, 500,000 teachers from 10,000 government schools nationwide via Frog Virtual Learning Environment ("Frog VLE") platform. In addition, PPG also collaborated with Home Tutor, to incorporate our content in their programme and offer the tutoring service through their online learning platform.

In the digital era, PPG will remain relevant by embracing technological innovation and diversifying beyond publishing, to offer e-learning and technology-driven information solutions. This is also in line with the Malaysian Education Blueprint 2013-2025, that aims to transform the medium of teaching and learning in Malaysia from printed textbooks to digital textbooks. PPG continues to develop and explore new, innovative digital products to benefit the young generation.

- **Regional Expansion**

  PPG sees the potential markets in the ASEAN countries, concerning the youth under age of 30 to make up one of the largest segments of the ASEAN Community.

  Through our regional offices, more investment and product development will be placed in growing PPG's footprint in ASEAN markets. With our stronger management team in place, the Group expects further growth in the coming years.

  PPG will continue to explore new forms of collaborations and develop new business models across the publishing or digital education boundaries in ASEAN countries.

- **Digital Marketing & Channels**

  The advancement of the Internet, mobile technology and social networking is fundamentally reshaping the way we interact with our core customers. Our focus continues to be on our core customers and finding ways to provide value and convenience. We expand our sales channels in e-commerce in recent years, such as our online bookstores Pelangibooks.com, Lazada, Google Play Books, e-Sentral, KakiBuku and so on. In addition, we have expanded our sales channels including the TV channel like Astro-Go-Shop, participation in baby products platforms, digital fairs and so on.

  Digital marketing and its associated channels are important like any other form of marketing. It is all about promoting products, building brands, developing leads, and engaging customers via online. PPG promotes its products or brands via one or more forms of electronic media. As part of the digital marketing strategy, the advertising mediums include promotional efforts made via the website, social media, mobile, direct mail, point of sale and many more.

  PPG's consolidated view of customer preferences and expectations across all channels are utilised by our marketing and publishing teams to create and anticipate consistent, coordinated customer experiences that will move customers along in the buying cycle and improvement on our products.

- **Content Copyright Development and Protection**

  PPG's success today very much relies on the talent pool of writers we have here in Malaysia, and PPG certainly sees Malaysia as an excellent country to develop its own pool of writers. Malaysian government has been supportive of copyright-based industry activities, through agencies like Majlis Buku Kebangsaan Malaysia (MBKM), Perbadanan Kota Buku, Institut Terjemahan & Buku Malaysia and even Perpustakaan Negara Malaysia. Copyright protection is also well managed in Malaysia through government agencies such as MyIPO.

  Since 2013, PPG has been collaborating with MBKM in Program Pengkarya Guru in training teachers to write and publish original novels. PPG has published 25 novels under this programme. Besides this, PPG also collaborated with Malaysian Board of Books for Young People (MBBY), to launch Malay novels and organise National Young Adults Novels Writing Competition since 2009. One of the novels has being adopted as the official Malay literature textbook in the national schools.

  PPG also participates in international book fairs and publishing related conferences, not only to export PPG copyrights, but also to be exposed to new publication ideas from other countries. Such activities are important to grow the publishing portfolio over the years. With such opportunities, PPG has been able to collaborate with foreign partners in developing publications tailor-made for their markets. PPG has exported copyrights to several countries which include Vietnam, Philippines, China, Hong Kong, and Sri Lanka.

  Through its regional offices in Thailand and Indonesia, PPG produces local publications for their markets and other ASEAN markets. The regional offices have helped PPG tap into the talent pools in different countries, sharing creative ideas and producing suitable publications for all markets.

PPG is desirous of being the leading publishing house in ASEAN. All the various publishing initiatives will only bring us closer in achieving the aim.

Copyright is important in all forms of media because it provides legal ownership over the works produced. In this digital age, copyright is equally important for online contents too. In line with the protection of our copyrights, PPG initiates legal action against any copyright infringement in order to protect the copyright ownership of our products.

ENVIRONMENT

- **Responsible Paper Procurement**

  PPG produces high volume of print-based products every year. We understand the importance of minimising the environmental impact of paper use across its production processes – from acquisition of raw material to printing, distribution, use and disposal.

  Being responsible and environmental friendly, PPG continuously strives for improvements in its paper procurement process by taking the following actions:

  - Comply with all relevant environmental legislations, regulations and other relevant requirements and adopt a dedicated approach for more stringent requirements in the future;
  - Promote eco-conscious products, services and solutions and minimise consumption of natural resources;
  - Promote recycling through integrated recycling system of our used products;
  - Minimise emissions of pollutants to air, water and land;
  - Create environmental, safety and health awareness among all employees, distributors and suppliers;
  - Provide a clean and conducive working environment;
  - Promote individual practices towards preserving the environment;
  - Promote purchase of eco-conscious green products.

- **Operational Excellence**

  PPG is committed in minimising the impact of our operations on the environment. We actively monitor our operational carbon footprint, promote recycling and the responsible use of resources within our employees and stakeholders.

  Over the years, PPG has been putting efforts made to reduce the consumption of energy usage. We gradually changed to energy saving light bulbs in all our office buildings and make purchases of the auto saving mode machines such as printers and photocopy machines. In addition, the translucent roofing panels have been installed in part of warehouse area to improve the transmission of natural lights into the interior of the building. With these approaches, we are reducing the usage of electricity and energy wastage.

  While aiming for greater cost efficiency in our operations, PPG also pays close attention to the waste management and paper usage practices in our own offices and branches. Usage of paper is one of the most concrete ways to limit the amount of waste originating from our office operations. PPG implemented paperless initiatives by upgrading its manual process to computerised system in its warehouse, publishing and operation departments. In terms of packing, PPG is also minimising the usage of cartons by palletising the books.

  With the initiatives to save the environment, the management tracks monthly energy usage, water consumption, waste generated and recycling initiatives.

WORKPLACE

- **Career Development**

  Performance appraisals offer valuable opportunities to focus on quality of work and common objectives, to identify and correct problems, and to encourage improved performance. In fiscal year 2017, 100% of our permanent employees went through performance appraisals. We responded to the outcomes of the appraisals, by providing training in areas such as sales, technical skills, compliance with ISO criteria and hazardous waste management.

Since 2016, PPG introduced ESOS for all its eligible employees. Under the scheme, PPG employees have the option to exercise their entitled share options from 2017 onwards. The scheme is a way to reward good-performing loyal employees, while motivating employees to help PPG in reaching greater heights in future years.

- **Conducive Workplace**

PPG recognises that employees are important assets to the company. In line with this belief, PPG has provided a safe and healthy working environment to its employees with comprehensive occupational health and safety resources. PPG also plans to conduct Health and Safety Awareness training to train and develop its employees to anticipate changing requirements of today's working needs and latest technology in the industry.

Providing our employees an interactive and conducive working environment remains a priority for us. We believe in employing outstanding individuals and providing them with opportunities to grow, as this is the key to any successful businesses.

- **Ethical and Responsible Business**

PPG is committed to the highest standards of ethical business conduct and we take zero-tolerance approach to bribery and corruption. The Code of Business Practice also applies to vendors, contractors and temporary employees.

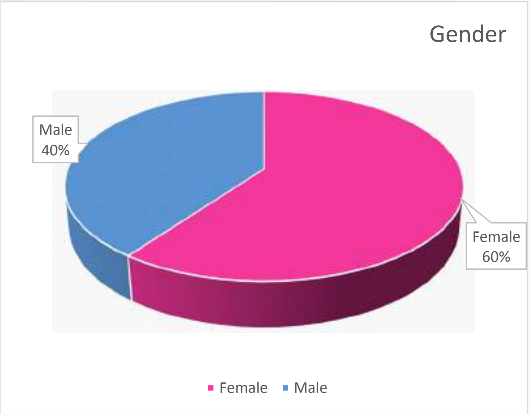
Compliance in the workplace starts with respect for basic human rights and dignity. PPG Code of Conduct gives us clear guidance on ethics at workplace. Modules on human rights, sexual harassment, power harassment and mental health are part of the training programme for new employees and managers.

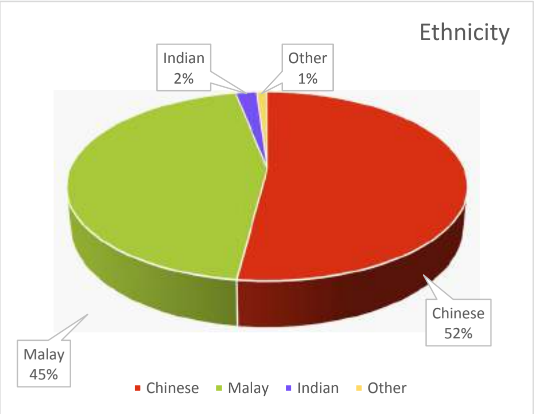
- **Diversity and Equal Opportunities**

PPG is committed to provide equality of opportunity to all existing and prospective employees without unlawful discrimination on the basis of religion, gender, race, marital status, nationality, colour, ethnic or national origin, age or disability.

Women comprise of more than 50% of our workforce. We believe that it is important to remove any barriers to women's progress in the workplace so that every individual has the opportunities to reach his/her full potential. All of our employees, regardless of gender, are given equal opportunities.

As at the end of the financial year, the gender and ethnicity of the Group's employees (excluding foreign workers and part time workers) are as follows:





COMMUNITY

- **Community Investment**

PPG invests in communities in our operational markets, in hope to not only inculcate reading habits, but also to develop future bestseller writers. PPG directs its community support towards local education, using the skills and resources from our core business, by collaborating with different local organisations and organising knowledge sharing sessions. Such initiatives enable us to reach out to communities and help us obtain valuable product feedback at the same time.

Recent community reach out programmes include:

- Science and Mathematics teachers' training seminars, in collaboration with Malaysian Ministry of Education departments;
- Seminar on Teaching Science, in collaboration with Ministry of Education Thailand;
- Kindergarten projects seminars, in collaboration with Suan Dusit University, Thailand;
- Training of undergraduates from local universities/colleges under our training and internship programmes in several departments like Publishing, Finance, Advertising and Promotion, exposing them to working life and make them a member of our publishing house;
- Pelangi "Publishing and Printing House Visit", for teachers and children to learn about the process of publishing and printing;
- Talent development through our variety A&P activities, offering reward to encourage the young minds to explore creativity in writing, eg. short story, novel, etc;
- Inculcate reading and writing culture by organising the annual competitions eg. Children Poetry Writing Competition and Fable Writing Competition that have been held for 20 years and 13 years respectively.

- **Corporate Social Responsibility ("CSR") Activities**

PPG is committed in giving back to communities and being a responsible corporate citizen. PPG has been active in the community and supported a range of activities including donations to orphanage and old folks' house. Employee's participation is the key to success of these initiatives. Such initiatives help to increase employee's interaction outside working hours, build camaraderie and support inter-departmental bonds. Whilst communities benefit, our employees benefit too.

Throughout the financial year 2017, some of PPG's key CSR initiatives include:

- Sponsorship: Library Pos Legap Asli, Perkampungan Pos Legap Asli, Perak
- Sponsorship: Tadika Pelangi Muar, Johor
- Majlis Pelancaran Kerjasama Antara Kolej Antarabangsa Inovatif & PPG
- Sponsorship: Lion Club of Kuching City, Sarawak
- Sponsorship: Pulai Springs Resort's Charity Visit to Children's Ward at Hospital Sultanah Aminah
- Books sponsorship on Program Cintai Buku & Program Amal Bersama OKU Sempena Sambutan Ulang Tahun Pemasyhuran Ke- 15 Majlis Perbandaran Kemaman
- Goodies Sponsorship on Astar Caring Day Program organized by University of Malaya
- Launching ceremony on Library Books Sponsorship between Mamee and Pelangi at SK (P) Methodist (1), Brickfields, KL
- Books Sponsorship to Starbucks on Community Library Campaign
- Books and goodies sponsorship on Program Pendidikan Prasekolah KPM at Sabah
- Books sponsorship to People Giving Organization on 9th Library of Hope at Sungkai, Perak
- Books Sponsorship to Sekolah Rendah Indahpura 1, Kulaijaya, Johor
- Books Sponsorship: Launching of 10 cents Community Library at PPR, Bukit Jalil
- Books Sponsorship to Charity Carnival for SMJK Chan Wa, Seremban
- Books Sponsorship to SJKC Ming Chih, Johor
- I – Quiz 2017 sponsorship organized by Rotary Club of Butterworth
- Sponsorship for The International Conference and Competition on Teaching and Learning 2017 (i-TeLearn)
- Books Prize sponsorship for outstanding students in SMK Batu Lapan, Kedah
- Books sponsorship for Polytechnic Responsibility Programme "My Hobby is Reading!"
- Books Sponsorship for Pulai Spring Resort's Merdeka & Malaysia Day Programme
- Books Sponsorship for Fun Corner at Ambassador Row Hotel Suites by Lanson Place
- Books Sponsorship for Hari Keluarga Taska Kemas Bunga Tanjung, Johor
- Books Sponsorship for SJK (C) Sengkang's Library, Kulai, Johor

CONCLUSION

PPG strives to create long-term value for our shareholders. It is imperative that the Group continues to create value not only for the communities it serves, but also for the future growth of the Group. The Group stands by its promise of being transparent, upholding integrity and embracing the best governance practices.

Audit Committee REPORT

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee consists of three [3] Directors as indicated below:

Vincent Wong Soon Choy	Chairman	Independent Non-Executive Director
Syahriza Binti Senan	Member	Independent Non-Executive Director
Datuk Sam Yuen @ Sam Chin Yan	Member	Non-Independent Non-Executive Director

AUDIT COMMITTEE DIARY

During the year 2017, the Audit Committee convened Six (6) meetings, which the attendance is stated below:

Chairman	Attendance
Vincent Wong Soon Choy	6/6
Members	**Attendance**
Syahriza Binti Senan	6/6
Datuk Sam Yuen @ Sam Chin Yan	6/6

For year 2017, the Audit Committee has carried out its duties in accordance with its Terms of Reference in the following:

(a) Reviewed the quarterly Unaudited Financial Results before submission to the Board for approval, and ensuring its timely announcements to the Bursa Malaysia Securities Berhad ("Bursa Securities");

(b) Reviewed the Year End Audited Financial Statements before submission to the Board for approval, and ensuring its timely announcements to the Bursa Securities;

(c) Reviewed the Annual Report prepared by the management before submission to the Board for approval, and ensuring its timely announcements to the Bursa Securities;

(d) Ensured the preparation of the Audited Financial Statements was in compliance with the applicable Malaysian Financial Reporting Standards ["MFRS"] and provisions of the Companies Act, 2016 before submission for approval by the Board;

(e) Monitored the compliance requirements in line with the new updates of Bursa Securities, Securities Commission, MFRS, legal and regulatory bodies;

(f) Reviewed the related party transactions by scrutinizing the business dealings between the Group, and its subsidiaries companies to ensure arm's length and always on commercial basis, including monitoring of the inter-company funds. Monitored the compliance of such transactions in line with the required Listing Requirements of Bursa Securities such as announcements;

(g) Reviewed and approved all internal audit activities in accordance with the approved yearly plan. Discussed with the management on the audit issues, recommendations and management's response to improve the system of internal control;

(h) Reviewed the External Auditor's plan, and fees for year end audit 2017 and make recommendations to the Board for approval;

(i) Reviewed the audit results and management letter of the External Auditors and ensuring management's response to reply;

(j) Reviewed the internal audit reports, ensuring management's response to reply and communicate to the Board on the issues raised and make recommendations to the Board for approval.

EXTERNAL AUDIT

The external auditors attend all meetings of the Audit Committee. On yearly basis, the external auditors attend meetings with the Audit Committee without the presence of the management team to raise concerns, if any. The Audit Committee reports to the Board after each of its meetings. Minutes are taken at all meetings and are made available to all Board members and to the auditors.

INTERNAL AUDIT FUNCTIONS

PPG internal audit team is guided by its Terms of Reference and reports functionally to the Audit Committee. This function is outsourced to Needsbridge Advisory Sdn. Bhd. The arrangement is independent of the activities of other operating and marketing units. It provides the Board through the Audit Committee with an independent opinion on the processes, risk exposures and systems of internal control of the Group. The detailed Terms of Reference of the Audit Committee can be viewed at the Company's website www.pelangipublishing.com and it will be reviewed from time to time.

The outsourced internal auditors had met with the Audit Committee to present their reports and to discuss their findings and the adequacy of the internal control system of the Group. i.e. procurement, sales & marketing, inventory and treasury management of its subsidiary in Indonesia.

The annual audit plan will be presented and deliberated by the Audit Committee. The cost incurred in maintaining the internal audit function for the financial year ended 30 September 2017 was RM26,000.

The internal audit activities are summarised under The Statement on Risk Management and Internal Control.

The Nomination Committee has assessed the performance of Internal Auditor and is satisfied with their performance to consult on the reporting system enhancement. The performance of External Auditor has been assessed by the Nomination Committee and is satisfied with their professionalism in financial year 2017.

PELANGI PUBLISHING GROUP BHD.

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

30 SEPTEMBER 2017

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PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of the Group's activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	2,904,026	1,626,450
Attributable to:-		
Owners of the Company	3,009,905	1,626,450
Non-controlling interest	(105,879)	-
	2,904,026	1,626,450

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the notes to the financial statements.

DIVIDENDS

The amount of dividend paid since the end of the last financial year is as follows:-

	RM
Final single tier dividend of 1.38% on 96,554,500 ordinary shares in respect of the financial year ended 30 September 2016 declared on 7 April 2017 and paid on 27 April 2017	1,332,452

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting ("AGM"), a final single tier dividend in respect of the financial year ended 30 September 2017, of 4% on 96,597,500 ordinary shares, amounting to a dividend payable of RM1,931,950 (2.00 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2018.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follow:-

Datuk Sum Kown Cheek
Vincent Wong Soon Choy
Datuk Sam Yuen @ Sam Chin Yan
Syahriza Binti Senan
Sum Lih Kang (appointed on 21.3.2017)
Koh Siew Shern (appointed on 31.3.2017)
Lee Kheng Hon (resigned on 17.3.2017)
Teh Hui Guan (resigned on 31.3.2017)

The list of Directors of subsidiaries are disclosed in www.pelangipublishing.com.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests in the shares and options over shares of the Company or its subsidiaries of those who were Directors at the financial year end are as follows:-

	Number of ordinary shares			
	At 01.10.2016	**Acquired**	**Sold**	**At 30.09.2017**
The Company				
Direct interest:-				
Datuk Sum Kown Cheek	24,429,093	1,997,162	-	26,426,255
Datuk Sam Yuen @ Sam Chin Yan	1,589,672	-	1,589,672	-
Syahriza Binti Senan	13,750	-	-	13,750
Deemed interest:-				
Datuk Sum Kown Cheek [1]	3,437,465	-	-	3,437,465
Datuk Sam Yuen @ Sam Chin Yan [2]	6,182,500	-	-	6,182,500

DIRECTORS' INTERESTS (CONT'D)

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests in the shares and options over shares of the Company or its subsidiaries of those who were Directors at the financial year end are as follows (cont'd):-

	Number of ordinary shares			
	At 01.10.2016	**Acquired**	**Sold**	**At 30.09.2017**
Subsidiary				
- PT. Penerbitan Pelangi Indonesia				
Direct interest:-				
Datuk Sum Kown Cheek	5	-	-	5

[1] Deemed interested by virtue of his spouse's interest in the Company.
[2] Deemed interested by virtue of his interest in United Logistics Sdn. Bhd. and his spouse's interest in the Company.

By virtue of his interests in the shares of the Company, Datuk Sum Kown Cheek is also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act, 2016.

	Number of options over ordinary shares				
	At 01.10.2016	**Granted**	**Exercised**	**Lapsed**	**At 30.09.2017**
Interests in the Company					
Datuk Sum Kown Cheek	-	750,000	-	-	750,000
Vincent Wong Soon Choy	-	375,000	-	-	375,000
Datuk Sam Yuen @ Sam Chin Yan	-	375,000	-	-	375,000
Syahriza Bt Senan	-	375,000	-	-	375,000
Sum Lih Kang	-	250,000	-	-	250,000
Koh Siew Shern	-	70,000	-	-	70,000

The other Directors in office did not have any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' FEES AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the Directors of the Company are as follows:-

	Incurred by the Company RM	Incurred by the Subsidiaries RM	Group RM
Directors' fees	140,583	137,595	278,178
Directors' remuneration	19,400	1,155,243	1,174,643
Indemnity given or insurance effected for Directors	2,000,000	-	2,000,000

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the share options granted pursuant to the employee share option scheme.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than disclosed in Note 9 and Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company or related corporation in which the Director has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 43,000 new ordinary shares for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.50 per ordinary share.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

There were no debentures issued during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased 89,900 ordinary shares of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.61 per share. The total consideration paid for the repurchase including transaction costs amounting to RM55,513. The shares repurchased were held as treasury shares and treated in accordance with the requirements of Section 127 of the Companies Act, 2016.

As at end of financial year 2017, the Company held 3,445,500 treasury shares out of the total 100,043,000 ordinary shares. Such treasury shares are held at a carrying amount of RM1,508,413. Further relevant details are disclosed in Note 27 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees Share Options Scheme ("ESOS").

At an extraordinary general meeting held on 18 March 2016, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued share capital of the Company or 7,500,000 new ordinary shares, whichever is higher, to eligible Directors and employees of the Group.

The salient features and other terms of the ESOS are disclosed in the Note 26 to the financial statements.

As at 30 September 2017, the options offered to take up unissued ordinary shares and the exercise prices are as follows:-

		Number of options over ordinary shares				
Date of offer	**Exercise price**	**At 01.10.2016**	**Granted**	**Exercised**	**Forfeited**	**At 30.09.2017**
09.12.2016	RM0.50	-	5,493,000	-	-	5,493,000
08.08.2017	RM0.50	-	-	(43,000)	-	(43,000)
30.09.2017	RM0.50	-	-	-	(475,000)	(475,000)
		-	5,493,000	(43,000)	(475,000)	4,975,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of option holders, other than Directors, who have been granted for options during the financial year and details of their holdings as required by Section 5 of Schedules 5 (Part 1) of the Companies Act, 2016. This information has been separately filed with the Companies Commission of Malaysia.

Details of options granted to Directors are disclosed in the section of Directors' Interests in this report.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances:-

(a) which would render the amounts written off for bad debts or the amounts of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

The indemnity given to or insurance effected to the officers of the Group and of the Company amounted to RM2,000,000.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 37 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 30 September 2017 amounted to RM36,000 and RM104,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

....	)	
DATUK SUM KOWN CHEEK	)	
	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
	)	
....	)	
SUM LIH KANG	)	

Kuala Lumpur
5 January 2018

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 67 to 173 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

....	....
DATUK SUM KOWN CHEEK	SUM LIH KANG

Kuala Lumpur
5 January 2018

STATUTORY DECLARATION

I, Datuk Sum Kown Cheek, being the Director primarily responsible for the financial management of Pelangi Publishing Group Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 67 to 173 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur)
in the Federal Territory this day of)
5 January 2018)...
DATUK SUM KOWN CHEEK

Before me,

Arulsamy A/L Savarimuthu
No. W.490

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PELANGI PUBLISHING GROUP BHD.

(Incorporated in Malaysia)

Company No: 593649-H

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pelangi Publishing Group Bhd., which comprise the statements of financial position of the Group and of the Company as at 30 September 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 173.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 September 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories valuation

The risk
The Group holds significant amounts of inventories amounting to RM37,726,548 as disclosed in Note 20 to the financial statements which are subject to a risk that the inventories might become slow-moving or obsolete and rendering them not saleable or can only be sold for selling prices that are less than the carrying value. Judgement is required to access the appropriate level of provision for items which may be ultimately sold below cost.

Our responses
We have tested the methodology for calculating the allowance, challenged the appropriateness and consistency of judgements and assumptions, considered the nature and suitability of historical data used in estimating the underlying allowance. We have compared the allowance with actual historical results by the ageing profile and expiry date of inventories, the process for identifying specific problems inventories and historical loss rates. We have attended physical inventories count in warehouse and consignment areas and tested samples that the quantities and value have been correctly calculated and reflected in the accounting records. We have also enquired the management the judgement taken and the basis of allowance provided regarding obsolete inventories which have been adjusted in the accounting records.

Impairment loss on trade receivables

The risk
The Group has a material amount of trade receivables amounting to RM12,130,730 as disclosed in Note 34 (a)(i) to the financial statements whereby the amount is past due but not impaired. The key associate risk is recoverability of billed trade receivables as management judgement is required in assessing the adequacy of impairment losses by considering the expected recoverability of the outstanding trade receivables.

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Impairment loss on trade receivables (cont'd)

Our responses

We have challenged management's assumptions in providing impairment losses of trade receivables. Our procedures include reviewing the ageing of trade receivables, testing the integrity of ageing, reviewing by recalculating the due date for a number of invoices and assessed the recoverability of outstanding receivables through examination of subsequent cash receipts. We have also tested the operating effectiveness of the relevant control procedures that management has in place.

Revenue recognition net of sales discounts and sales returns

The risk

Revenue recognition has been identified as a risk primarily relating to the completeness and accuracy of the revenue recognition and the timing of revenue recognition for commodity sales with deliveries occurring on or around year end and judgement is required to determine when risks and rewards have transferred under contractual arrangements with third parties.

The Group has provides a right of return and discounts to its customers for certain categories of books. These arrangements result in deductions to gross sales in arriving at turnover and give rise to obligations for the Group to provide customers with discounts and the right of return for which unsettled amounts are recognised as provision for sales return as disclosed in Note 25 to the financial statements.

Significant management judgement and estimations are required in determining the appropriate accruals relating to discounts and returns. When making those judgements and estimations, management has to consider various factors, particularly those related to the markets that the Group operates in, where competitive pricing pressure and product discounting are growing trends.

Our response

We evaluated and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We also verified based on a sampling basis, the completeness of revenue captured by vouching to the customer's purchase orders, sales invoices, delivery orders and bank and/or cash receipts. We understood and reviewed the appropriateness of revenue recognition policies.

We obtained management's calculations for accruals under applicable policy and validated the assumptions used by the reference to the Group's stated commercial policies and historical levels of products returns. We compared the assumptions to discounts and returns levels and to current payment trends. We also considered the historical accuracy of the Group's estimation in previous years.

Report on the Audit of the Financial Statements (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

LIAN TIAN KWEE
(NO: 02943/05/2019 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
5 January 2018

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	4	74,176,808	63,051,605	2,324,930	10,160,000
Cost of sales		(45,971,394)	(37,216,055)	-	-
Gross profit		28,205,414	25,835,550	2,324,930	10,160,000
Other item of income					
Other income	5	2,039,787	1,908,853	14,213	7,677
Other items of expenses					
Administrative expenses		(14,081,187)	(13,873,441)	(694,859)	(440,867)
Selling expenses		(8,467,418)	(6,449,179)	-	-
Other expenses		(2,392,670)	(2,414,642)	(16,116)	(1,503,402)
Finance costs	6	(662,634)	(764,553)	-	-
Share of profit of equity-accounted associate	16(c)	53,152	197,032	-	-
Profit before tax	7	4,694,444	4,439,620	1,628,168	8,223,408
Tax (expense)/income	10	(1,790,418)	(2,048,472)	(1,718)	17,210
Profit for the financial year		2,904,026	2,391,148	1,626,450	8,240,618
Other comprehensive income:-					
Items that will be reclassified subsequently to profit or loss					
Gain on fair value changes of other investment		120	156	-	-
Foreign currency translation		640,847	(603,810)	-	-
		640,967	(603,654)	-	-
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of post-employment benefit obligation	26	9,930	58,337	-	-
		9,930	58,337	-	-
Other comprehensive income for the financial year, net of tax		650,897	(545,317)	-	-
Total comprehensive income for the financial year		3,554,923	1,845,831	1,626,450	8,240,618
Profit for the financial year attributable to:-					
Owners of the Company		3,009,905	2,403,101	1,626,450	8,240,618
Non-controlling interests	15	(105,879)	(11,953)	-	-
		2,904,026	2,391,148	1,626,450	8,240,618

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017 (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Total comprehensive income attributable to:-					
Owners of the Company		3,601,114	1,909,197	1,626,450	8,240,618
Non-controlling interests	15	(46,191)	(63,366)	-	-
		3,554,923	1,845,831	1,626,450	8,240,618
Earnings per share attributable to owners of the Company (sen per share)					
Basic	11	3.12	2.48		
Diluted	11	3.11	-		

The accompanying notes form an integral part of the financial statements.

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	55,270,727	60,171,331	-	-
Investment properties	14	4,761,834	1,952,980	-	-
Investment in subsidiaries	15	-	-	54,592,776	54,592,776
Investment in associate	16	267,467	208,912	369,907	369,907
Other investments	17	1,026,935	1,026,815	1,000,000	1,000,000
Intangible assets	18	174,167	252,167	-	-
Deferred tax assets	19	5,733,697	3,980,473	-	-
Total non-current assets		67,234,827	67,592,678	55,962,683	55,962,683
Current assets					
Inventories	20	37,726,548	35,060,706	-	-
Trade and other receivables	21	15,513,462	14,948,635	858,583	684,983
Prepayments		1,553,100	757,428	350	-
Tax recoverable		850,175	410,179	2,136	1,800
Fixed deposits with licensed banks	22	708,988	4,043,711	-	-
Cash and bank balances	23	19,858,342	14,854,464	687,808	231,846
Total current assets		76,210,615	70,075,123	1,548,877	918,629
Total assets		143,445,442	137,667,801	57,511,560	56,881,312
EQUITY AND LIABILITIES					
LIABILITIES					
Current liabilities					
Loans and borrowings	24	1,109,783	1,210,953	-	-
Trade and other payables	25	29,454,126	25,040,000	234,906	215,903
Tax payable		358,766	644,304	-	-
Total current liabilities		30,922,675	26,895,257	234,906	215,903
Net current assets		45,287,940	43,179,866	1,313,971	702,726

PELANGI PUBLISHING GROUP BHD.
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STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current liabilities					
Loans and borrowings	24	12,603,903	13,704,259	-	-
Employees' benefits	26	368,141	73,554	-	-
Deferred tax liabilities	19	2,484,221	2,462,053	-	-
Total non-current liabilities		15,456,265	16,239,866	-	-
Total liabilities		46,378,940	43,135,123	234,906	215,903
Net assets		97,066,502	94,532,678	57,276,654	56,665,409
EQUITY					
Equity attributable to owners of the parent					
Share capital	27	50,024,510	50,000,000	50,024,510	50,000,000
Treasury shares	27	(1,508,413)	(1,452,900)	(1,508,413)	(1,452,900)
Fair value reserve	28	445	325	-	-
Foreign exchange reserve	28	580,727	(929)	-	-
ESOS reserve	28	348,250	-	348,250	-
Retained earnings	29	46,977,733	45,290,847	8,412,307	8,118,309
		96,423,252	93,837,343	57,276,654	56,665,409
Non-controlling interests	15	643,250	695,335	-	-
Total equity		97,066,502	94,532,678	57,276,654	56,665,409
Total equity and liabilities		143,445,442	137,667,801	57,511,560	56,881,312

The accompanying notes form an integral part of the financial statements.

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

		Attributable to owners of the Parent								
		Non-Distributable				Distributable				
Group	**Note**	**Share capital RM**	**Treasury shares RM**	**Fair value reserve RM**	**Foreign exchange reserve RM**	**Employees share options reserve RM**	**Retained earnings RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
Balance at 1 October 2015		50,000,000	(1,407,602)	169	548,551	-	44,041,441	93,182,559	758,701	93,941,260
Total comprehensive income for the financial year		-	-	156	(549,480)	-	2,458,521	1,909,197	(63,366)	1,845,831
Transactions with owners:-										
Own shares acquired		-	(45,298)	-	-	-	-	(45,298)	-	(45,298)
Dividends on ordinary shares	12	-	-	-	-	-	(1,209,115)	(1,209,115)	-	(1,209,115)
Total transactions with owners		-	(45,298)	-	-	-	(1,209,115)	(1,254,413)	-	(1,254,413)
Balance at 30 September 2016		50,000,000	(1,452,900)	325	(929)	-	45,290,847	93,837,343	695,335	94,532,678
Total comprehensive income for the financial year		-	-	120	581,656	-	3,019,338	3,601,114	(46,191)	3,554,923
Transactions with owners:-										
Own shares acquired	27	-	(55,513)	-	-	-	-	(55,513)	-	(55,513)
Struck off of a subsidiary	15	-	-	-	-	-	-	-	(5,894)	(5,894)
Issuance of ordinary shares pursuant to ESOS	27	24,510	-	-	-	(3,010)	-	21,500	-	21,500
Employees share options		-	-	-	-	384,510	-	384,510	-	384,510
Employees share options forfeited		-	-	-	-	(33,250)	-	(33,250)	-	(33,250)
Dividends on ordinary shares	12	-	-	-	-	-	(1,332,452)	(1,332,452)	-	(1,332,452)
Total transactions with owners		24,510	(55,513)	-	-	348,250	(1,332,452)	(1,015,205)	(5,894)	(1,021,099)
Balance at 30 September 2017		50,024,510	(1,508,413)	445	580,727	348,250	46,977,733	96,423,252	643,250	97,066,502

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017 (CONT'D)

		← Non-Distributable		→	Distributable	
Company	**Note**	**Share capital RM**	**Treasury shares RM**	**Employees share options reserve RM**	**Retained earnings RM**	**Total equity RM**
Balance at 1 October 2015		50,000,000	(1,407,602)	-	1,086,806	49,679,204
Total comprehensive income for the financial year		-	-	-	8,240,618	8,240,618
Transactions with owners:-						
Own shares acquired		-	(45,298)	-	-	(45,298)
Dividends on ordinary shares	12	-	-	-	(1,209,115)	(1,209,115)
Total transactions with owners		-	(45,298)	-	(1,209,115)	(1,254,413)
Balance at 30 September 2016		50,000,000	(1,452,900)	-	8,118,309	56,665,409
Total comprehensive income for the financial year		-	-	-	1,626,450	1,626,450
Transactions with owners:-						
Own shares acquired		-	(55,513)	-	-	(55,513)
Dividends on ordinary shares	12	-	-	-	(1,332,452)	(1,332,452)
Issuance of ordinary shares pursuant to ESOS	27	24,510	-	(3,010)	-	21,500
Employees share options		-	-	384,510	-	384,510
Employees share options forfeited		-	-	(33,250)	-	(33,250)
Total transactions with owners		24,510	(55,513)	348,250	(1,332,452)	(1,015,205)
Balance at 30 September 2017		50,024,510	(1,508,413)	348,250	8,412,307	57,276,654

The accompanying notes form an integral part of the financial statements.

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from operating activities				
Profit before tax	4,694,444	4,439,620	1,628,168	8,223,408
Adjustments for:-				
Amortisation of intangible assets	78,000	78,000	-	-
Employees share options expenses	384,510	-	384,510	-
Employees share options forfeited	(33,250)	-	(33,250)	-
Employees share options exercised	(3,010)	-	(3,010)	-
Depreciation of property, plant and equipment	2,606,955	2,665,879	-	-
Dividend income	(54)	(27)	(2,324,930)	(10,160,000)
Finance costs	662,634	764,553	-	-
(Gain)/loss on disposal of property, plant and equipment	(48,305)	23,354	-	-
Allowance for impairment for:-				
- Investment in subsidiaries	-	-	-	818,866
- Amount due from subsidiaries	-	-	-	659,206
- Trade receivables	1,203,420	1,257,432	-	-
Reversal of impairment loss on:-				
- Trade receivables	(908,726)	(872,448)	-	-
- Sundry debtors	-	(47,722)	-	-
Interest income	(471,599)	(293,623)	(14,092)	(7,306)
Property, plant and equipment written off	47,987	5,681	-	-
Share of profit of equity-accounted associate company	(53,152)	(197,032)	-	-
Bad debts written off	18,231	57,831	-	-
Inventories written off	242,603	52,341	-	-
Inventories written down	4,833,910	5,418,936	-	-
Reversal of inventories written down	(2,805,718)	(5,458,022)	-	-
Unrealised gain on foreign exchange	(50,406)	(226,715)	-	-
Gain on struck off of a subsidiary	(44)	-	-	-
Operating profit/(loss) before working capital changes	10,398,430	7,668,038	(362,604)	(465,826)
Changes in working capital:-				
Inventories	(4,936,637)	(1,599,048)	-	-
Trade and other receivables	(826,977)	981,800	(173,600)	12,322,904
Prepayments	(795,672)	119,089	(350)	-
Trade and other payables	4,718,274	2,551,505	19,003	10,609
Cash generated from/(used in) operations	8,557,418	9,721,384	(517,551)	11,867,687
Tax paid	(4,424,176)	(2,723,614)	(2,054)	-
Tax refunded	166,865	1,881,871	-	44,171
Net cash from/(used in) operating activities	4,300,107	8,879,641	(519,605)	11,911,858

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017 (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cash flows from investing activities					
Acquisition of shares in subsidiaries		-	-	-	(21,613,134)
Dividend received		54	27	2,324,930	10,160,000
Interest received		471,599	293,623	14,092	7,306
Purchase of property, plant and equipment	13	(370,644)	(2,855,614)	-	-
Proceeds from disposal of property, plant and equipment		49,235	38,457	-	-
Net cash outflow from struck off of a subsidiary		(5,850)	-	-	-
Employees share options exercised		3,010	-	3,010	-
Proceeds from employees share options exercised		21,500	-	21,500	-
Net cash from/(used in) investing activities		168,904	(2,523,507)	2,363,532	(11,445,828)
Cash flows from financing activities					
Dividend paid on ordinary shares		(1,332,452)	(1,209,115)	(1,332,452)	(1,209,115)
Interest paid		(662,634)	(764,553)	-	-
Repayment of obligation under finance leases		(411,192)	(503,787)	-	-
Repayment of term loans		(840,334)	(1,309,672)	-	-
Purchase of treasury shares		(55,513)	(45,298)	(55,513)	(45,298)
Placement of fixed deposits with licensed banks		(100,000)	(200,000)	-	-
Net cash used in financing activities		(3,402,125)	(4,032,425)	(1,387,965)	(1,254,413)
CASH AND CASH EQUIVALENTS					
Net changes		1,066,886	2,323,709	455,962	(788,383)
Effect of exchange rate changes		502,269	(660,694)	-	-
At beginning of the financial year		18,498,175	16,835,160	231,846	1,020,229
At end of the financial year	A	20,067,330	18,498,175	687,808	231,846

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017 (CONT'D)

NOTE TO STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following:-

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cash and bank balances (Note 23)	19,858,342	14,854,464	687,808	231,846
Fixed deposits with licensed banks (Note 22)	708,988	4,043,711	-	-
	20,567,330	18,898,175	687,808	231,846
Less: Fixed deposits pledged with licensed banks (Note 22)	(500,000)	(400,000)	-	-
Cash and cash equivalents	20,067,330	18,498,175	687,808	231,846

The accompanying notes form an integral part of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 2017

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The principal places of business of the Company are located at No. 66, Jalan Pingai, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim and Lot 8, Jalan P10/10, Kawasan Perusahaan Bangi, Bandar Baru Bangi, 43650 Bangi, Selangor Darul Ehsan. The registered office of the Company is located at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in nature of the Group's activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 5 January 2018.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of Measurement (cont'd)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group has established control framework in respect to the measurement of fair values of financial instruments. The Executive Committee has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The Executive Committee regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2. **BASIS OF PREPARATION (CONT'D)**

2.4 **Adoption of Amendments/Improvements to MFRSs**

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 October 2016.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements.

2.5 **Standards Issued But Not Yet Effective**

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:-

Amendments to MFRS effective 1 January 2017

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 12 Disclosure of Interests in Other Entities (under Annual Improvements to MFRS Standards 2014-2016 Cycle)

MFRS, Amendments to MFRS and IC Interpretation effective 1 January 2018

Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

MFRS effective 1 January 2019

MFRS 16 Leases
Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

MFRS effective 1 January 2021

MFRS 17 Insurance Contracts

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company (cont'd):-

Amendments to MFRSs - effective date deferred indefinitely

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 initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for:-

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standards on the required effective date. During 2017, the Group has performed a high-level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its statement of financial position and equity except of applying the impairment requirements of MFRS 9.

i. Classification and measurement of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Under MFRS 9, derivative embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instruments as a whole is assessed for classification.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):-

MFRS 9 Financial Instruments (cont'd)

i. Classification and measurement of financial assets (cont'd)

Based on the preliminary assessment, the Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. Listed securities, debentures and equity instruments currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently presented as accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under MFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of MFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under MFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under MFRS 9.

ii. Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instrument and contract assets.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Standards Issued But Not Yet Effective (cont'd)**

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):-

MFRS 9 Financial Instruments (cont'd)

ii. Impairment of financial assets (cont'd)

Under MFRS 9, loss allowances will be measured on either of the following bases:-

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

iii. Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:-

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Standards Issued But Not Yet Effective (cont'd)**

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):-

MFRS 9 Financial Instruments (cont'd)

iii. Classification of financial liabilities (cont'd)

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if MFRS 9's requirements regarding the classification of financial liabilities is applied.

iv. Disclosures

MFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

v. Transition

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except as described below:-

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS, including MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transaction Involving Advertising Services.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):-

MFRS 15 Revenue from Contracts with Customers (cont'd)

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

The Group has completed an initial assessment of the potential impact of the adoption of MFRS 15 on its consolidated financial statements, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by MASB on 16 June 2016 and will monitor any further developments.

i. Sale of goods

Contracts with customers in which the sale of books and other education materials and sale of publishing right are generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to MFRS 15, the Group considers variable consideration of the sales transaction. Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception.

MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than is under current MFRS.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Standards Issued But Not Yet Effective (cont'd)**

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):-

MFRS 15 Revenue from Contracts with Customers (cont'd)

ii. Rendering of services

The Group involves in printing services and property letting and property management services. These services are sold either on their own in contracts with the customers or bundled to a customer. Currently, the Group accounts for the distributions of books and service as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Group recognises service revenue by reference to the stage of completion. Under MFRS 15, allocation will be made based on relative stand-alone selling prices. As a result, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales may be impacted. The Group has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Group. Consequently, the Group would continue to recognise revenue for these service contracts/service components of bundled contracts over time rather than at a point in time.

iii. Presentation and disclosure requirements

MFRS 15 provides presentation and disclosure requirements, which are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in MFRS 15 are completely new. The Group is in the progress of developing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the financial statements, except for (cont'd):-

MFRS 16 Leases (cont'd)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of MFRS 16 on its consolidated financial statements.

2.6 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.1 Estimation Uncertainty

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 99 years and reviews the useful lives of depreciable assets at the end each of the reporting period. At 30 September 2017, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 13 to the financial statements.

Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factor such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and the timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 21 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.1 Estimation Uncertainty (cont'd)

Deferred tax assets (cont'd)

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unused tax losses and unabsorbed capital allowances.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 20 to the financial statements.

Provision for sales returns

The Group records estimated reductions in revenue for potential returns of products by customers. As a result, the Group make estimates of potential future product returns related to current period product revenue. In making such estimates, management analyses historical returns, current economic trends and changes in customer demand and acceptance of its products.

Post-employment benefit obligation

The determination of the Group post-employment benefit obligation and employee benefits expense is dependent on its selection of certain assumptions used by independent actuary in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate.

Actual results that differ from the Group assumptions are treated in accordance with the accounting policies as mentioned in the Notes to the consolidated financial statements. While the Group actual experience or significant changes in the Group's assumptions may materially affect its estimated liability for employee benefits and employee benefits expense. The carrying amount of the Group post-employment benefit obligation is disclosed in Note 26 to the consolidated financial statements.

2. **BASIS OF PREPARATION (CONT'D)**

2.6 **Significant Accounting Estimates and Judgements (cont'd)**

2.6.1 **Estimation Uncertainty (cont'd)**

Income taxes

Judgement is involved in determining the Group's provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matter is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Employees share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The assumptions and model used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 26 to the financial statements.

2.6.2 **Significant Management Judgement**

The following are significant management judgement in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Leases

In applying the classification of leases in MFRS 117, management considers some of its leases of leasehold land as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies as summarised below, consistently throughout all periods presented in the financial statements.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.2 Basis of Consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.18 of the financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Consolidation (cont'd)**

3.1.3 **Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill in initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Consolidation (cont'd)**

3.1.4 **Loss of Control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.5 **Non-controlling Interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

3.1.6 **Associates**

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in its associates is accounted for using the equity method. Under the equity method, investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the results of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 **Consolidation (cont'd)**

3.1.6 **Associates (cont'd)**

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

The financial statements of the associates is prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associates is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.2 Foreign Currency Translation

The Group's consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the parent company's functional currency.

3.2.1 Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3.2.2 Foreign Operations

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combination before 1 January 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.2 **Foreign Currency Translation (cont'd)**

3.2.2 **Foreign Operations (cont'd)**

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

3.3 **Property, Plant and Equipment**

All property, plant and equipment, are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Leasehold land	99 years
Buildings	50 years
Plant, machinery and motor vehicles	5 to 10 years
Renovation	5 to 10 years
Other assets	3 to 10 years

Capital work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, Plant and Equipment (cont'd)

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

3.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

3.4.1 Finance Leases

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Leases (cont'd)**

3.4.2 **Operating Leases**

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3.5 **Investment Properties**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the period in which it incurred.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3.6.1 Research and Development Costs

Research costs are expensed as incurred.

Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Deferred development costs have a finite useful life and are amortised over the period of 5 years on a straight line basis.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.6 **Intangible Assets (cont'd)**

3.6.2 **Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.2.

Goodwill and fair value adjustments which arose on acquisition of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

3.7 **Financial Instruments**

3.7.1 **Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Financial Instruments (cont'd)**

3.7.1 **Initial Recognition and Measurement (cont'd)**

Embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3.7.2 **Financial Assets - Categorisation and Subsequent Measurement**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

(a) financial assets at fair value through profit or loss;
(b) held-to-maturity investments;
(c) loans and receivables; and
(d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

As of reporting period, the Group and the Company carry only loans and receivables and available-for-sale financial assets on their statements of financial position.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Financial Instruments (cont'd)**

3.7.2 **Financial Assets - Categorisation and Subsequent Measurement (cont'd)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include listed securities, debentures and the equity instruments.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 **Financial Instruments (cont'd)**

3.7.3 **Financial Liabilities - Categorisation and Subsequent Measurement**

After the initial recognition, financial liabilities are classified as:-

(a) financial liabilities at fair value through profit or loss;
(b) other financial liabilities measured at amortised cost using effective interest method; and
(c) financial guarantee contracts.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

As at the reporting period, the Group and the Company carry only other financial liabilities measured at amortised cost on their statements of financial position.

Other financial liabilities measured at amortised cost

The Group's other financial liabilities include borrowings, trade and other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.7.4 **Fair Value of Financial Instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market process or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as how they are measured are provided in Note 35 to the financial statements.

3.7.5 **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 **Inventories**

Inventories comprise raw materials, work-in-progress and finished goods which are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:-

- Raw materials:- purchase costs on a weighted average basis.

- Work-in-progress/Finished goods:- costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

3.9 **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting period are classified as non-current assets.

3.10 **Impairment of Assets**

3.10.1 **Non-Financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (cont'd)

3.10.1 Non-Financial Assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.10 **Impairment of Assets (cont'd)**

3.10.2 **Financial Assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.10 **Impairment of Assets (cont'd)**

3.10.2 **Financial Assets (cont'd)**

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting period whether there is objective evidence that an investment or a group of investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss.

3.11 **Equity, Reserves and Distributions to Owners**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the foreign exchange reserve. Gains and losses on certain financial instruments are included in reserves for available-for-sale financial assets and cash-flow hedges respectively.

Retained earnings include all current and prior period's retained profits.

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained earnings.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.11 Equity, Reserves and Distributions to Owners (cont'd)

All transactions with owners of the Company are recorded separately within equity.

3.12 Treasury Shares

When issued share of the Company are repurchased, the consideration paid, including directly attributable costs is presented as a change in equity. Repurchased shares that have not been cancelled are classify as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, reissuance or cancellation of treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the distributable reserves.

When treasury shares are reissued by resale, the difference between the sale consideration net of directly attributable costs and the carrying amount of the treasury shares is shown as a movement in equity.

3.13 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision is discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.14 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.14 **Borrowing Costs (cont'd)**

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.15 **Employees Benefits**

3.15.1 **Short-Term Employees Benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

3.15.2 **Defined Contribution Plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employees benefits relating to employees services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

3.15.3 **Defined Benefits Plans**

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:-

a) If the contributions are not linked to services (e.g.,contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability asset).

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.15 **Employees Benefits (cont'd)**

3.15.3 **Defined Benefits Plans (cont'd)**

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows (cont'd):-

b) If contributions are linked to services, they reduce service cost. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by MFRS 119 Employee Benefits paragraph 70. For the amount of contributions that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered or reduces service cost by attributing to the employees' periods of service in accordance with MFRS 119 Employee Benefits paragraph 70.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when settlement occurs.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.16 **Share-based Payment Transactions**

3.16.1 **Equity-settled Share-based Payment Transaction**

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or income reflected in profit or loss represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employees benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognise is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it is vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share, as detailed in Note 11 to the financial statements.

3.16.2 **Cash-settled Share-based Payment Transaction**

The cost of cash-settled transaction is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employees benefits expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

3.17.1 Sale of Goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.17.2 Dividend Income

Dividend income is recognised when the Company's right to receive payment is established.

3.17.3 Rental Income

Rental income is accounted for on a straight line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight line basis.

3.17.4 Revenue from Services

Revenue from services rendered is recognised net of discounts as and when the services are performed.

3.17.5 Interest Income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3.18 Tax Expenses

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.18.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Tax Expense (cont'd)

3.18.2 Deferred Tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowances and investment tax allowances, being tax incentives that are not tax bases of an asset, are recognised as deferred tax assets to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

3.18.3 Goods and Services Tax ("GST")

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Company paid on purchases of business inputs can be deducted from output GST.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.18 **Tax Expense (cont'd)**

3.18.3 **Goods and Services Tax ("GST") (cont'd)**

Revenues, expenses and assets are recognised net of the amount of GST except:-

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.19 **Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.20 **Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity;
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly-controlled by a person identified in (a) above;
- (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity; or
- (viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

4. REVENUE

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Sales of goods	72,331,259	61,096,808	-	-
Rental income	1,845,549	1,954,797	-	-
Dividend income from subsidiaries	-	-	2,324,930	10,160,000
	74,176,808	63,051,605	2,324,930	10,160,000

5. OTHER INCOME

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Dividend income	54	27	-	-
Gain on disposal of property, plant and equipment	48,305	-	-	-
Gain on foreign exchange				
- realised	24,152	39,535	-	-
- unrealised	50,406	226,715	-	-
Interest income	471,599	293,623	14,092	7,306
Rental income of premises	109,976	109,948	-	-
Royalty income	700	-	-	-
Gain on struck off of a subsidiary	44	-	-	-
Income on disposal of scrap papers	59,237	10,227	-	-
Sundry income	366,588	356,330	121	371
Reversal of impairment loss on trade receivables	908,726	872,448	-	-
	2,039,787	1,908,853	14,213	7,677

6. FINANCE COSTS

	Group 2017 RM	Group 2016 RM
Term loan interest	612,189	690,341
Finance lease interest	50,445	74,212
	662,634	764,553

7. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:-

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Auditors' remuneration				
Other auditors				
- Statutory audit	75,901	70,916	-	-
- Underprovision in prior year	1,985	2,700	-	-
Rental				
- Land and building	414,712	253,523	-	-
- Plant and equipment	41,733	61,942	-	-
- Booth	-	1,112	-	-

8. EMPLOYEES BENEFITS EXPENSE

The employees benefits expense are as follows:-

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Salaries, wages and other emoluments	17,944,072	16,041,318	159,983	135,300
Contributions to defined contribution plan	1,783,685	1,707,796	-	-
Social security contributions	224,694	193,775	-	-
Other staff benefits	847,263	812,303	-	-
	20,799,714	18,755,192	159,983	135,300

Included in employees benefits expense of the Group and of the Company is executive directors' remuneration amounting to RM724,832 and RM9,500 (2016: RM585,694 and RM 8,750).

9. **DIRECTORS' REMUNERATION**

The details of remuneration receivable by Directors of the Company and of the subsidiaries during the year are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors of the Company				
Executive:-				
Salaries and other emoluments	582,930	486,110	9,500	8,750
Bonus	88,383	66,340	-	-
Defined contribution plan	52,395	32,751	-	-
Social security contribution	1,124	493	-	-
	724,832	585,694	9,500	8,750
Fees				
- current year	181,413	190,595	60,083	39,500
	181,413	190,595	60,083	39,500
	906,245	776,289	69,583	48,250
Non-Executive:-				
Other emoluments	9,900	11,550	9,900	11,550
Fees				
- current year	80,500	75,500	80,500	75,500
	90,400	87,050	90,400	87,050
	996,645	863,339	159,983	135,300
Directors of subsidiaries				
Executive:-				
Salaries and other emoluments				
- current year	360,653	452,441	-	-
Fees				
- current year	16,265	29,909	-	-
Bonus				
- current year	42,027	63,000	-	-
- overprovision in prior year	(27,149)	(12,148)	-	-
Defined contribution plan	61,894	134,322	-	-
Social security contribution	2,486	2,829	-	-
	456,176	670,353	-	-
Total directors' remuneration	1,452,821	1,533,692	159,983	135,300

9. **DIRECTORS' REMUNERATION (CONT'D)**

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:-

	Number of Directors	
	a2017	**2016**
Executive Directors:-		
RM200,000 and below	3	1
RM200,001 – RM250,000	-	1
RM250,001 – RM300,000	1	-
RM500,001 – RM550,000	1	1
Non-Executive Directors:-		
RM50,000 and below	3	3

10. **TAX EXPENSE/(INCOME)**

The major components of income tax expense/(income) for the years ended 30 September 2017 and 2016 are:-

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Statements of comprehensive income:-				
Current income tax				
- Malaysia income tax	3,579,615	2,983,304	-	-
- (Over)/under provision in respect of previous year	(47,838)	(118,710)	1,718	(17,210)
	3,531,777	2,864,594	1,718	(17,210)
Deferred income tax (Note 19)				
- Origination and reversal of temporary differences	(1,452,959)	(1,016,599)	-	-
- (Over)/under provision in respect of previous year	(288,400)	200,477	-	-
	(1,741,359)	(816,122)	-	-
Tax expense/(income) recognised in profit and loss	1,790,418	2,048,472	1,718	(17,210)

10. **TAX EXPENSE/(INCOME) (CONT'D)**

Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated assessable profits for the current financial year. Taxation for other jurisdictions is calculated at the tax rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Profit before tax	4,694,444	4,439,620	1,628,168	8,223,408
Taxation at Malaysia statutory tax rate of 24%	1,126,667	1,065,509	390,760	1,973,618
Different tax rates in other countries	(61,630)	(58,246)	-	-
Adjustments:-				
Non-deductible expenses	1,976,846	2,187,890	167,223	464,782
Income not subject to taxation	(1,106,874)	(1,207,149)	(557,983)	(2,438,400)
Utilisation of current year's reinvestment allowances	(47,734)	(92,832)	-	-
Utilisation of deferred tax assets not previously recognised	(2,050)	-	-	-
Deferred tax assets not recognised	148,800	(12,480)	-	-
Deferred tax liability in respect of potential dividend declared by overseas subsidiary subject to withholding tax	92,631	84,013	-	-
(Over)/under provision of income tax in respect of previous year	(47,838)	(118,710)	1,718	(17,210)
(Over)/under provision of deferred tax in respect of previous year	(288,400)	200,477	-	-
Tax expense/(income) recognised in profit or loss	1,790,418	2,048,472	1,718	(17,210)

10. **TAX EXPENSE/(INCOME) (CONT'D)**

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Tax savings during the financial year arising from:-

	Group 2017 RM	Group 2016 RM
Utilisation of reinvestment allowances	47,734	92,832

11. **EARNINGS PER SHARE**

Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 30 September:-

	Group 2017	Group 2016
Profit net of tax attributable to owners of the Company (RM)	3,009,905	2,403,101
Weighted average number of ordinary shares in issue	96,594,106	96,714,291
Basic earnings per share (sen)	3.12	2.48

Dilute earnings per share

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e., share options granted to employees.

	Group 2017	Group 2016
Profit net of tax attributable to owners of the Company (RM)	3,009,905	-

11. EARNINGS PER SHARE (CONT'D)

Dilute earnings per share (cont'd)

	Group	
	2017	2016
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue (basis)	96,594,106	-
Effect of ESOS	149,066	-
Weighted average number of ordinary shares in issue (diluted)	96,743,172	-
Diluted earnings per share (sen)	3.11	-

12. DIVIDENDS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Recognised during the financial year:-				
Dividends on ordinary shares				
-Final dividend for 2016:- 1.38 sen (2015: 1.25 sen) per share of RM0.50 each	1,332,452	1,209,115	1,332,452	1,209,115
Proposed but not recognised as a liability as at 30 September:-				
Dividends on ordinary shares, subject to shareholders' approval at the AGM:-				
-Final dividend for 2017:- 2.00 sen (2016: 1.38 sen) per share of RM0.50 each	1,931,950	1,328,861	1,931,950	1,328,861

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 30 September 2017, of 4% on 96,597,500 ordinary shares, amounting to a dividend payable of RM1,931,950 (2.00 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflects this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2018.

13. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Leasehold land RM	Freehold land RM	Buildings RM	Renovation RM	Plant and machinery RM	Motor vehicles RM	Capital work in progress RM	Others RM	Total RM
At 1 October 2015	17,747,840	13,832,129	25,759,656	1,551,489	15,624,911	3,726,312	142,522	9,302,328	87,687,187
Additions	-	1,618,189	798,692	30,737	156,887	-	-	251,109	2,855,614
Disposals	-	-	-	-	(1,700)	(1,115,127)	-	(17,395)	(1,134,222)
Written off	-	-	-	(2,200)	(400,500)	-	-	(438,124)	(840,824)
Exchange differences	20,615	-	44,665	(782)	-	4,211	-	(5,680)	63,029
At 30 September 2016	17,768,455	15,450,318	26,603,013	1,579,244	15,379,598	2,615,396	142,522	9,092,238	88,630,784
Additions	-	-	-	47,352	61,655	75,844	-	235,793	420,644
Disposals	-	-	-	-	(350,000)	(96,105)	-	(10,316)	(456,421)
Written off	-	-	-	-	(159,500)	-	-	(188,307)	(347,807)
Transfer to investment properties (Note 14)	-	(2,808,854)	-	-	-	-	-	-	(2,808,854)
Exchange differences	(5,364)	98,437	36,965	8,878	-	15,710	-	18,611	173,237
At 30 September 2017	17,763,091	12,739,901	26,639,978	1,635,474	14,931,753	2,610,845	142,522	9,148,019	85,611,583

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd) Accumulated depreciation	Leasehold land	Freehold land	Buildings	Renovation	Plant and machinery	Motor vehicles	Capital work in progress	Others	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 October 2015	1,702,323	-	4,337,643	935,858	10,563,230	3,084,975	-	7,076,676	27,700,705
Charge for the financial year	321,109	-	604,681	165,238	676,876	223,302	-	674,673	2,665,879
Disposals	-	-	-	-	(1,700)	(1,056,018)	-	(14,693)	(1,072,411)
Written off	-	-	-	(2,200)	(399,197)	-	-	(433,746)	(835,143)
Exchange differences	-	-	4,835	(961)	-	740	-	(4,191)	423
At 30 September 2016	2,023,432	-	4,947,159	1,097,935	10,839,209	2,252,999	-	7,298,719	28,459,453
Charge for the financial year	321,109	-	642,843	177,982	677,721	168,925	-	618,375	2,606,955
Disposals	-	-	-	-	(350,000)	(96,105)	-	(9,386)	(455,491)
Written off	-	-	-	-	(113,558)	-	-	(186,262)	(299,820)
Exchange differences	-	-	(2,970)	5,049	-	11,800	-	15,880	29,759
At 30 September 2017	2,344,541	-	5,587,032	1,280,966	11,053,372	2,337,619	-	7,737,326	30,340,856
Net carrying amount									
At 30 September 2017	15,418,550	12,739,901	21,052,946	354,508	3,878,381	273,226	142,522	1,410,693	55,270,727
At 30 September 2016	15,745,023	15,450,318	21,655,854	481,309	4,540,389	362,397	142,522	1,793,519	60,171,331

13. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Included in other assets are photographic equipment, heavy equipment, electrical installation, office equipment, security protection equipment, tools and equipment, telecommunication equipment, furniture and fittings, staff amenities and computers.

Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM420,644 (2016: RM2,855,614) of which RM50,000 (2016: RM Nil) were by means of finance leases. Cash payment of RM370,644 (2016: RM2,855,614) were made to purchase property, plant and equipment.

The carrying amounts of property, plant and equipment held under finance leases at the reporting date are as follows:-

	Group	
	2017 RM	**2016 RM**
Motor vehicles	110,108	273,217
Plant and machinery	1,416,472	1,527,841
	1,526,580	1,801,058

Leased assets are pledged as securities for the related finance lease liabilities (Note 24).

Assets pledged as securities

Save for the assets held under finance leases, the net carrying amount of property, plant and equipment pledged for borrowings as referred to in Note 24 to the financial statements, are as follows:-

	Group	
	2017 RM	**2016 RM**
Freehold land	1,370,680	1,370,680
Leasehold land	7,486,269	7,715,426
Buildings	17,285,022	17,767,367
	26,141,971	26,853,473

14. INVESTMENT PROPERTIES

	Group	
	2017	**2016**
	RM	**RM**
Cost		
At 1 October	1,952,980	1,952,980
Transfer from property, plant and equipment (Note 13)	2,808,854	-
At 30 September	4,761,834	1,952,980
Fair value of investment properties	14,512,836	6,743,000

During the financial year, a property has been transferred from property, plant and equipment to investment properties, since the freehold land was no longer used by the Group and would be leased to a third party.

Income and expenses recognised in profit or loss

	Group	
	2017	**2016**
	RM	**RM**
Rental income	208,030	126,450
Direct operating expenses:-		
- quit rent and assessment	18,749	10,921

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM	**RM**
Unquoted shares, at cost		
In Malaysia	56,110,037	56,110,037
Outside Malaysia	7,931	7,931
	56,117,968	56,117,968
Less: Impairment losses	(1,525,192)	(1,525,192)
	54,592,776	54,592,776

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:-

Name of companies	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %
Penerbitan Pelangi Sdn. Bhd.	Malaysia	Publishing and distribution of books and other educational materials and sale of publishing rights.	100	100
Tunas Pelangi Sdn. Bhd.	Malaysia	Publishing and distribution of books and other educational materials and sale of publishing rights.	100	100
Pelangi Publishing Holdings Sdn. Bhd.	Malaysia	Investment holding.	100	100
Pelangi Publishing International Sdn. Bhd.	Malaysia	Investment holding.	100	100
Sutera Ceria Sdn. Bhd.	Malaysia	Property letting and property management.	100	100
Pelangi Education Sdn. Bhd.	Malaysia	Education services.	100	100
Dickens Publishing Ltd.*	England	Publishing and distribution of books and other educational materials.	100	100
Praxis Publishing Singapore Pte. Ltd. (formerly known as Pelangi Publishing Singapore Pte. Ltd.)*	Singapore	Publishing and distribution of books and other educational materials.	100	100
Pelangi ePublishing Sdn. Bhd.	Malaysia	Distribution and provider of e-learning materials, equipment and multimedia related products.	100	100
Pelangi Professional Publishing Sdn. Bhd.	Malaysia	Publishing and distribution of novels and books.	80	80

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows (cont'd):-

Name of companies	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %
Held through Penerbitan Pelangi Sdn. Bhd.:-				
Comtech Marketing Sdn. Bhd.	Malaysia	Provision of typesetting and printing services.	100	100
Pelangi Formpress Sdn. Bhd.	Malaysia	Printing of computer forms and other types of printing services.	100	100
Pelangi Comics Sdn. Bhd.#	Malaysia	Publishing of educational comics books.	-	63
Pelangi Novel Sdn. Bhd.	Malaysia	Publishing and distribution of novel books.	100	100
Elite Corridor Sdn. Bhd.	Malaysia	Investment holding, property letting and property management.	100	100
Held through Pelangi Publishing Holdings Sdn. Bhd.:-				
The Commercial Press, Sdn. Berhad	Malaysia	Provision of printing services.	100	100
Pelangi Multimedia Technologies Sdn. Bhd.	Malaysia	Multimedia and graphic designing and the production of educational CD-ROMS and related IT products.	62	62
Held through Pelangi Multimedia Technologies Sdn. Bhd.:-				
Pelangi Kids Sdn. Bhd.	Malaysia	Educational services.	100	100

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):-

Name of companies	Country of incorporation	Principal activities	Effective equity interest 2017 %	Effective equity interest 2016 %
Held through Pelangi Publishing International Sdn. Bhd.:-				
PT. Penerbitan Pelangi Indonesia*	Indonesia	Production and distribution of books, educational materials, multimedia and web related products.	95	95
Pelangi Publishing (Thailand) Co., Ltd.*@	Thailand	Production and distribution of books, educational materials, multimedia and web related products and serve as agencies and licensing to publish, print and distribute books and educational materials.	90	90

* Not audited by Grant Thornton Malaysia
@ Effective interest computed based on ordinary shares
\# The subsidiary has been struck off on 18 September 2017.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries of the Group that have material non-controlling interests are as follows:-

2017	**PT. Penerbitan Pelangi Indonesia**	**Pelangi Publishing (Thailand) Co., Ltd.**	**Pelangi Multimedia Technologies Sdn. Bhd.**	**Pelangi Professional Publishing Sdn. Bhd.**	**Total**
Percentage of ownership interest and voting interest (%)	5	10	38	20	
Carrying amount of non-controlling interests (RM)	(333,110)	1,529,946	(444,913)	(108,673)	643,250
(Loss)/Profit allocated to non-controlling interests (RM)	(72,879)	87,685	(72,883)	(47,802)	(105,879)
Total comprehensive (loss)/income allocated to non-controlling interests (RM)	(66,004)	140,498	(72,883)	(47,802)	(46,191)

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

The subsidiaries of the Group that have material non-controlling interests are as follows (cont'd):-

2016	**PT. Penerbitan Pelangi Indonesia**	**Pelangi Publishing (Thailand) Co., Ltd.**	**Pelangi Multimedia Technologies Sdn. Bhd.**	**Pelangi Comics Sdn. Bhd.**	**Pelangi Professional Publishing Sdn. Bhd.**	**Total**
Percentage of ownership interest and voting interest (%)	5	10	38	37	20	
Carrying amount of non-controlling interests (RM)	(267,106)	1,389,448	(372,030)	5,894	(60,871)	695,335
(Loss)/Profit allocated to non-controlling interests (RM)	(59,396)	107,357	10,845	-	(70,759)	(11,953)
Total comprehensive (loss)/income allocated to non-controlling interests (RM)	(70,250)	66,798	10,845	-	(70,759)	(63,366)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information of their subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statements of financial position

2017	PT. Penerbitan Pelangi Indonesia RM	Pelangi Publishing (Thailand) Co., Ltd. RM	Pelangi Multimedia Technologies Sdn. Bhd. RM	Pelangi Professional Publishing Sdn. Bhd. RM	Total RM
Non-current assets	1,776,156	2,644,067	8	139,500	4,559,731
Current assets	3,241,574	8,351,743	8,868	108,543	11,710,728
Total assets	5,017,730	10,995,810	8,876	248,043	16,270,459
Non-current liabilities	187,509	180,632	-	-	368,141
Current liabilities	12,772,270	2,924,993	1,448,602	331,401	17,477,266
Total liabilities	12,959,779	3,105,625	1,448,602	331,401	17,845,407
Total net (liabilities)/assets	(7,942,049)	7,890,185	(1,439,726)	(83,358)	(1,574,948)

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

Summarised financial information of their subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

(i) Summarised statements of financial position (cont'd)

2016	**PT. Penerbitan Pelangi Indonesia RM**	**Pelangi Publishing (Thailand) Co., Ltd. RM**	**Pelangi Multimedia Technologies Sdn. Bhd. RM**	**Pelangi Comics Sdn. Bhd. RM**	**Pelangi Professional Publishing Sdn. Bhd. RM**	**Total RM**
Non-current assets	1,767,089	2,596,832	90	-	201,500	4,565,511
Current assets	3,823,297	5,656,649	255,364	21,059	116,263	9,872,632
Total assets	5,590,386	8,253,481	255,454	21,059	317,763	14,438,143
Non-current liabilities	73,554	-	-	-	-	73,554
Current liabilities	12,138,795	1,604,030	1,444,602	5,129	162,113	15,354,669
	12,212,349	1,604,030	1,444,602	5,129	162,113	15,428,223
Total net (liabilities)/assets	(6,621,963)	6,649,451	(1,189,148)	15,930	155,650	(990,080)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information of their subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

(ii) Summarised statements of comprehensive income

2017	PT. Penerbitan Pelangi Indonesia RM	Pelangi Publishing (Thailand) Co., Ltd. RM	Pelangi Multimedia Technologies Sdn. Bhd. RM	Pelangi Professional Publishing Sdn. Bhd. RM	Total RM
Included in statements of comprehensive (loss)/income					
Revenue	1,028,693	8,083,504	-	78,283	9,190,480
(Loss)/Profit for the financial year	(1,457,577)	876,846	(256,067)	(239,008)	(1,075,806)
Other comprehensive income	137,491	528,132	-	-	665,623
Total comprehensive (loss)/income	(1,320,086)	1,404,978	(256,067)	(239,008)	(410,183)
2016					
Included in statements of comprehensive (loss)/income					
Revenue	1,118,389	5,933,183	19,168	32,399	7,103,139
(Loss)/Profit for the financial year	(1,187,917)	1,073,569	(82,717)	(385,386)	(582,451)
Other comprehensive loss	(217,089)	(405,594)	-	-	(622,683)
Total comprehensive (loss)/income	(1,405,006)	667,975	(82,717)	(385,386)	(1,205,134)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information of their subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

(iii) Summarised cash flows

2017	**PT. Penerbitan Pelangi Indonesia RM**	**Pelangi Publishing (Thailand) Co., Ltd. RM**	**Pelangi Multimedia Technologies Sdn. Bhd. RM**	**Pelangi Professional Publishing Sdn. Bhd. RM**	**Total RM**
Net cash (used in)/from operating activities	(502,112)	317,708	(6,797)	(126,818)	(318,019)
Net cash used in investing activities	(19,956)	(23,098)	-	-	(43,054)
Net cash from/(used in) financing activities	542,705	(253,149)	1,366	141,457	432,379
Net cash increase/(decrease) in cash and cash equivalents	20,637	41,461	(5,431)	14,639	71,306
Exchange differences	(61,641)	48,334	-	-	(13,307)
Cash and cash equivalents at beginning of the financial year	159,454	794,541	7,532	26,941	988,468
Cash and cash equivalents at the end of the financial year	118,450	884,336	2,101	41,580	1,046,467

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

Summarised financial information of their subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

(iii) Summarised cash flows (cont'd)

2016	**PT. Penerbitan Pelangi Indonesia RM**	**Pelangi Publishing (Thailand) Co., Ltd. RM**	**Pelangi Multimedia Technologies Sdn. Bhd. RM**	**Pelangi Comics Sdn. Bhd. RM**	**Pelangi Professional Publishing Sdn. Bhd. RM**	**Total RM**
Net cash (used in)/from operating activities	(418,110)	343,555	7,332	-	(185,942)	(253,165)
Net cash used in investing activities	(17,404)	(2,454,080)	-	-	-	(2,471,484)
Net cash from/(used in) financing activities	312,583	(238,632)	(23,612)	-	185,149	235,488
Net cash decrease in cash and cash equivalents	(122,931)	(2,349,157)	(16,280)	-	(793)	(2,489,161)
Exchange differences	12,245	(76,774)	-	-	-	(64,529)
Cash and cash equivalents at beginning of the financial year	270,140	3,220,472	23,812	21,059	27,734	3,563,217
Cash and cash equivalents at the end of the financial year	159,454	794,541	7,532	21,059	26,941	1,009,527

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

Struck off of a subsidiary

On 18 September 2017, the Group struck off its 63% equity interest in Pelangi Comics Sdn. Bhd. ("PCSB") for a cash consideration of RM10,080.

The struck off of PCSB gave rise to a gain of RM44 in the Company's financial statements.

The effect of the struck off of PCSB on the financial position of the Group as at the date of disposal is as follows:-

	Group 2017 RM
Cash and bank balances	21,059
Accruals	(5,129)
Non-controlling interest	(5,894)
	10,036
Gain on struck off	44
Proceeds from struck off	10,080
Proceeds from struck off	10,080
Less: net assets on struck off	(15,930)
	(5,850)

16. **INVESTMENT IN ASSOCIATE**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted shares, at cost				
Outside Malaysia	369,907	369,907	369,907	369,907
Share of post-acquisition reserve	(84,558)	(137,710)	-	-
Exchange differences	(17,882)	(23,285)	-	-
	267,467	208,912	369,907	369,907

16. INVESTMENT IN ASSOCIATE (CONT'D)

Details of the associate is as follows:-

Name of company	Country of incorporation	Principal activities	Effective equity interest 2017 %	2016 %
Hebei Culture Communication Ltd. Chunyu Rainbow*	China	Production of academic, children and general titles and multimedia related products for the China market.	40	40

* Not audited by Grant Thornton Malaysia.

The summarised financial information of the associate is as follows:-

(a) Summarised statements of financial position

	2017 RM	2016 RM
Non-current assets	63,975	62,436
Current assets	1,083,894	1,633,841
Total assets	1,147,869	1,696,277
Current liabilities	432,257	1,127,053
Net assets	715,612	569,224

(b) Summarised statements of comprehensive income

	2017 RM	2016 RM
Revenue	469,872	892,654
Profit before tax	144,000	495,087
Profit net of tax, representing total comprehensive income for the year	132,881	492,580

16. **INVESTMENT IN ASSOCIATE (CONT'D)**

The summarised financial information of the associate is as follows (cont'd):-

(c) Group's share of results for the financial year ended 30 September

	2017 RM	**2016 RM**
Group's share of profit	53,152	197,032
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	53,152	197,032

(d) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	2017 RM	**2016 RM**
Net assets as at 1 October	569,224	86,459
Currency translation reserve	13,507	(9,815)
Profit for the financial year	132,881	492,580
Net assets as at 30 September	715,612	569,224
Interest in associate	40%	40%
Net tangible assets	286,245	227,690
Non-recognition of associate profit as its share of losses exceed the Group's interest in the associate	(18,778)	(18,778)
Carrying value of Group's interest in associate	267,467	208,912

17. OTHER INVESTMENTS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Club memberships	26,200	26,200	-	-
Available-for-sale financial asset:-				
Equity instruments				
- Unquoted in Malaysia	1,000,000	1,000,000	1,000,000	1,000,000
- Quoted in Malaysia	735	615	-	-
	1,026,935	1,026,815	1,000,000	1,000,000
Market value of quoted shares	735	615		

18. INTANGIBLE ASSETS

Group Cost	Goodwill RM	Development cost RM	Franchise license fee RM	Total RM
At 1 October 2016/ At 30 September 2017	1,266,752	869,847	80,000	2,216,599
Accumulated amortisation and impairment				
At 1 October 2015	1,266,752	606,347	13,333	1,886,432
Charge for the financial year	-	62,000	16,000	78,000
At 30 September 2016	1,266,752	668,347	29,333	1,964,432
Charge for the financial year	-	62,000	16,000	78,000
At 30 September 2017	1,266,752	730,347	45,333	2,042,432
Net carrying amount				
At 30 September 2017	-	139,500	34,667	174,167
At 30 September 2016	-	201,500	50,667	252,167

19. DEFERRED TAXATION

Deferred income tax as at 30 September relates to the following:-

Group	As at 1 October 2015 RM	Recognised in profit or loss (Note 10) RM	Exchange differences RM	As at 30 September 2016 RM	Recognised in profit or loss (Note 10) RM	Exchange differences RM	As at 30 September 2017 RM
Deferred tax liability							
Property, plant and equipment	1,674,233	192,977	141	1,867,351	(70,425)	(38)	1,796,888
Witholding tax	510,689	84,013	-	594,702	92,631	-	687,333
	2,184,922	276,990	141	2,462,053	22,206	(38)	2,484,221
Deferred tax assets							
Trade receivables	(185,617)	(42,166)	(7,469)	(235,252)	(9,529)	5,737	(239,044)
Other payables	(2,703,398)	(1,050,946)	9,123	(3,745,221)	(1,754,036)	4,604	(5,494,653)
	(2,889,015)	(1,093,112)	1,654	(3,980,473)	(1,763,565)	10,341	(5,733,697)
	(704,093)	(816,122)	1,795	(1,518,420)	(1,741,359)	10,303	(3,249,476)

19. **DEFERRED TAXATION (CONT'D)**

Deferred tax assets have not been recognised in respect of the following items:-

	Group	
	2017	**2016**
	RM	**RM**
Unutilised tax losses	6,951,000	6,191,000
Unabsorbed capital allowances	319,000	351,000
Unabsorbed reinvestment allowances	5,186,000	5,294,000
	12,456,000	11,836,000

The unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowance are available indefinitely for offset against future taxable profits of the Group in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of the subsidiaries in the Group and they have arisen in the subsidiaries that have a recent history of losses.

20. **INVENTORIES**

	Group	
	2017	**2016**
	RM	**RM**
Raw materials	11,511,082	8,288,802
Work in progress	2,641	-
Finished goods	26,212,825	26,771,904
	37,726,548	35,060,706
Cost of inventories recognised as an expense during the year	38,938,507	35,029,432
Inventories written down	4,833,910	5,418,936
Inventories written off	242,603	52,341
Reversal of inventories written down	(2,805,718)	(5,458,022)

21. **TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Trade receivables				
Third parties	17,294,290	16,617,950	-	-
Less: Allowance for impairment	(3,072,005)	(2,772,186)	-	-
	14,222,285	13,845,764	-	-

21. **TRADE AND OTHER RECEIVABLES (CONT'D)**

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Other receivables				
Amount due from subsidiaries	-	-	1,513,789	1,343,189
Refundable deposits	569,539	558,858	4,000	1,000
GST receivable	356,846	330,853	-	-
Sundry debtors	364,792	213,160	-	-
	1,291,177	1,102,871	1,517,789	1,344,189
Less: Allowance for impairment - Amount due from subsidiaries	-	-	(659,206)	(659,206)
	1,291,177	1,102,871	858,583	684,983
Total trade and other receivables	15,513,462	14,948,635	858,583	684,983

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2016: 30 to 90 day) terms, although in practice, this may extend to 120 days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original certified or invoiced amounts which represent their fair values on initial recognition.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

	Individually impaired 2017 RM	Individually impaired 2016 RM
Trade receivables – nominal amounts	17,294,290	16,617,950
Less: Allowance for impairment	(3,072,005)	(2,772,186)
	14,222,285	13,845,764

21. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables (cont'd)

Movement in allowance for impairment accounts:-	2017 RM	2016 RM
At 1 October	2,772,186	2,478,708
Charge for the financial year	1,203,420	1,257,432
Reversal of impairment loss on trade receivables	(908,726)	(872,448)
Written off of impairment loss on trade receivables	-	(120,743)
Exchange differences	5,125	29,237
At 30 September	3,072,005	2,772,186

The impairment loss on trade receivables was reversed during the financial year as a result of subsequent receipt of the amount.

Sundry debtors

Sundry debtors consist of RM125,000 which is an advance receipt from a third party pursuant to 1BestariNet Project.

	Individually impaired	
	2017 RM	2016 RM
Sundry debtors	364,792	213,160
Less: Allowance for impairment	-	-
	364,792	213,160

Movement in allowance for impairment accounts:-	2017 RM	2016 RM
At 1 October	-	47,722
Reversal of impairment loss on sundry debtors	-	(47,722)
At 30 September	-	-

21. TRADE AND OTHER RECEIVABLES (CONT'D)

Amount due from subsidiaries

	Individually impaired 2017 RM	2016 RM
Amount due from subsidiaries–nominal amounts	1,513,789	1,343,189
Less: Allowance for impairment	(659,206)	(659,206)
	854,583	683,983

Movement in allowance for impairment accounts:-	2017 RM	2016 RM
At 1 October	659,206	-
Charge for the financial year	-	659,206
At 30 September	659,206	659,206

Related party balances

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

Further details on related party transactions are disclosed in Note 30 to the financial statements.

Other information on financial risks of trade and other receivables is disclosed in Note 34 to the financial statements.

22. FIXED DEPOSITS WITH LICENSED BANKS

The interest rates of fixed deposits with licensed banks at the reporting date of the Group were between 2.95% to 3.70% per annum (2016: 2.95% to 3.70%).

Fixed deposits with licensed banks of the Group amounting to RM500,000 (2016: RM400,000) are pledged to licensed bank for credit facilities granted to the subsidiary.

The average maturity of fixed deposits with licensed banks as at the end of the financial year of the Group ranged from 1 to 91 days (2016: 1 to 93 days).

23. CASH AND BANK BALANCES

Included in cash at banks is an amount of RM5,239,532 (2016: RM2,816,945) held under the Investment Cash Management Trust for the investment of the Group's funds as a short term investment. There are no restrictions on the Group's funds.

24. LOANS AND BORROWINGS

	Group 2017 RM	Group 2016 RM
Current		
Secured:-		
Term loan 1	746,345	712,500
Term loan 2	36,043	34,264
Term loan 3	60,682	56,865
Obligations under finance leases (Note 31 (c))	266,713	407,324
	1,109,783	1,210,953
Non-current		
Secured:-		
Term loan 1	11,307,369	12,089,160
Term loan 2	241,575	279,642
Term loan 3	714,791	774,708
Obligations under finance leases (Note 31 (c))	340,168	560,749
	12,603,903	13,704,259
Total loans and borrowings		
Secured:-		
Term loans	13,106,805	13,947,139
Obligations under finance leases (Note 31 (c))	606,881	968,073
	13,713,686	14,915,212

The remaining maturities of the loans and borrowings as at 30 September are as follows:-

	Group 2017 RM	Group 2016 RM
On demand or within one year	1,109,783	1,210,953
More than 1 year and less than 2 years	1,131,728	1,094,884
More than 2 years and less than 5 years	3,017,226	3,097,066
5 years or more	8,454,949	9,512,309
	13,713,686	14,915,212

24. **LOANS AND BORROWINGS (CONT'D)**

Obligations under finance leases

These obligations are secured by a pledge over the leased assets (Note 13). The discount rates implicit in the leases are between 2.63% to 3.48% per annum (2016: 3.20% to 6.56% per annum).

Term loans

Term loan 1 is repayable by 180 monthly installments of RM107,790 with interest charged at rate of 4.65% per annum.

Term loan 2 is repayable by 120 monthly installments of RM4,088 with interest charged at rate of 4.20% per annum.

Term loan 3 is repayable by 180 monthly installments of RM9,170 with interest charged at rate of 6.60% per annum.

The term loans are secured by the following:-

(a) First legal charge over certain freehold and leasehold land and buildings as disclosed in Note 13 to the financial statement;

(b) Corporate guarantee by the Company.

25. **TRADE AND OTHER PAYABLES**

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Current				
Trade payables				
Third parties	9,392,909	7,207,095	-	-
Other payables				
Amount due to directors	96,000	96,000	-	-
Accrued operating expenses	7,427,453	5,698,734	221,583	194,000
Provision for sales return	10,584,483	10,408,298	-	-
GST payable	107,202	98,846	-	-
Other payables	1,846,079	1,531,027	13,323	21,903
	20,061,217	17,832,905	234,906	215,903
Total trade and other payables	29,454,126	25,040,000	234,906	215,903

25. **TRADE AND OTHER PAYABLES (CONT'D)**

(a) Trade payables

This amount is non-interest bearing. Trade payables are normally settled on 30 to 90 days (2016: 30 to 90 days) terms.

(b) Other payables

This amount is non-interest bearing.

(c) Amount due to directors

This amount is unsecured, non-interest bearing and repayable on demand.

26. **EMPLOYEES' BENEFITS**

Group

Post – Employment benefit obligation

As of 30 September 2017, the balance of post-employment benefit obligation is based on the actuarial report of PT Binaputera Jaga Hikmah, an independent actuary and Kanravee Inter Auditing Limited Partnerships, an independent auditor. Assumption used in the calculation of liabilities for post-employment benefits are as follow:-

	Group	
	2017	**2016**
Pension age	58 years	55 years
Discount rate	5.26% per annum	9.22% per annum
Annual salary increase	7.1%	8.0%

Movements in the present value of the post-employment benefit obligation are as follows:-

	Group	
	2017	**2016**
	RM	**RM**
At 1 October	73,554	-
Current service cost	223,848	11,590
Interest cost	5,563	7,938
Translation differences	55,246	(4,311)
Remeasurement of post-employment benefit obligation charged to other comprehensive income	9,930	58,337
At 30 September	368,141	73,554

26. EMPLOYEES' BENEFITS (CONT'D)

Group (cont'd)

Post – Employment benefit obligation (cont'd)

The amounts recognised in consolidated statement of profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:-

	Group	
	2017 **RM**	**2016** **RM**
Current service cost	223,848	11,590
Interest cost	5,563	7,938
Expense recognised in profit or loss	229,411	19,528
Remeasurement:		
Actuarial loss arising from changes in financial assumptions	9,930	58,337
Remeasurements of post-employment benefit obligation recognised in other comprehensive income	9,930	58,337

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:-

	Group 2017 Defined benefit obligation	
	Increase **RM**	**Decrease** **RM**
Discount rate (1% movement)	280,225	268,444
Future salary growth (1% movement)	253,211	245,209

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provides approximation of the sensitivity of the assumptions shown.

Employees Share Options Scheme ("Scheme")

At an extraordinary general meeting held on 18 March 2016, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued share capital of the Company or 7,500,000 new ordinary shares, whichever is higher, to eligible Directors and employees of the Group.

26. **EMPLOYEES' BENEFITS (CONT'D)**

Employees Share Options Scheme ("Scheme") (cont'd)

The salient features of the ESOS scheme are, inter alia, as follows:-

(a) Must have attained eighteen (18) years of age and is not an undischarged bankrupt.

(b) Is in employment in the eligible companies which are not dormant, who has been confirmed in service and has not served a notice to resign or received a notice of termination.

(c) Not under any disciplinary process and placed in the Performance Improvement Plan (PIP) at the time of allocation, determined as at 9 December 2016.

(d) Only officer level and above categories are eligible, employment on contract basis will not be eligible.

(e) About 50% of the maximum allowable allotment has been offered to the selected employees under the Scheme. The allotment for selected employees were based on the employment grade, seniority and length of service in the eligible companies.

(f) In the event of any cessation of employment of the option holder with the eligible companies for whatever reason including dismissal/termination due to misconduct, validity of the Scheme ceased immediately upon the date of the cessation or termination of employment.

(g) Employee may exercise his unexercised options within the relevant option period subject to any conditions imposed by the Option Committee.

A summary of the movement in the number of ESOS and the weighted average exercise prices ("WAEP") is as follow:-

	Group and Company 2017	
	Number of share option	**Weighted average exercise price RM**
At 1 October	-	-
Granted during the financial year	5,493,000	2,746,500
Forfeited during the financial year	(475,000)	(237,500)
Exercised during the financial year	(43,000)	(21,500)
At 30 September	4,975,000	2,487,500
Options exercisable at 30 September	4,975,000	

26. **EMPLOYEES' BENEFITS (CONT'D)**

Employees Share Options Scheme ("Scheme") (cont'd)

During the financial year, 43,000 share options were exercised. The weighted average exercise price during the financial year was RM0.50.

The options outstanding at 30 September 2017 have an exercise price in the range of RM0.50 and a weighted average contractual live of 3 years.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes Model, with the following inputs:

	Group and Company 2017 RM
Fair value at grant date	0.07
Weighted average share price	0.63
Share price at grant date	0.52
Weighted average volatility	37.46%
Expected weighted average option life	3 years
Expected dividends	-
Risk-free interest rate	3.642%

The value of employees services received for issuance of share options is summarised as below:-

	Group and Company 2017 RM
Share options granted in 2017	348,250
Total expenses recognised as share-based payments	348,250

27. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of ordinary shares	←	Amount	→
Company	Share capital (issued and fully paid)	Share capital (issued and fully paid) RM	Treasury shares* RM	Total RM
At 1 October 2016	100,000,000	50,000,000	(1,452,900)	48,547,100
Issued during the financial year				
- own shares acquired	-	-	(55,513)	(55,513)
- share options exercised	43,000	24,510	-	24,510
30 September 2017	100,043,000	50,024,510	(1,508,413)	48,516,097

The new Companies Act, 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

Treasury Shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

*During the financial year, the Company repurchased 89,900 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.61 per share. The total consideration paid for the repurchase including transaction costs was RM55,513. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

Of the total 100,043,000 (2016: 100,000,000) issued and fully paid ordinary shares as at end of financial year 2017 and 2016, 3,445,500 (2016: 3,355,600) are held as treasury shares by the Company. The number of ordinary shares in issue after the set-off of treasury shares is 96,597,500 (2016: 96,644,400) ordinary shares.

28. OTHER RESERVES

Fair value reserve

The fair value reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed of or impaired.

28. **OTHER RESERVES (CONT'D)**

Foreign exchange reserve

The foreign exchange reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Employees share options reserve

Employees share options reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

29. **RETAINED EARNINGS**

The Company may distribute dividends out of its entire retained earnings as at 30 September 2017 under the single tier system.

30. **RELATED PARTY TRANSACTIONS**

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions of the Group and of the Company with related parties took place at terms agreed between the parties during the financial year, as follows:-

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Dividend income received from subsidiaries	-	-	2,324,930	10,160,000
Printing expenses from subsidiary:-				
-The Commercial Press, Sdn. Berhad	-	-	-	3,763
Rental expenses to Director:-				
-Datuk Sum Kown Cheek	75,600	75,600	-	-
Purchase of papers from related party:-				
-New Top Win Corporation Sdn. Bhd.	6,383,339	7,255,807	-	-

31. **COMMITMENTS**

(a) **Operating lease commitment - as lessee**

The Group has entered into non-cancellable operating lease arrangements for the use of buildings. The leases have an average life of between 1 to 2 years.

The future minimum lease payments receivable under operating lease contracted for as at the reporting date but not recognised as liabilities, are as follows:-

	Group	
	2017	**2016**
	RM	**RM**
Future minimum rental payments:-		
Not later than 1 year	191,030	121,140
Later than 1 year and not later than 5 years	255,970	41,230
	447,000	162,370

(b) **Operating lease commitment - as lessor**

The Group has entered into operating lease arrangements on its investment property portfolio. The lease has remaining lease terms of less than 4 years.

Future minimum lease payments receivable under operating leases contracted for as at the reporting date but not recognised as receivable, are as follows:-

	Group	
	2017	**2016**
	RM	**RM**
Not later than 1 year	1,533,019	924,498
Later than 1 year and not later than 5 years	8,493,906	6,359,287
	10,026,925	7,283,785

(c) **Finance lease commitments**

The Group has finance leases for certain items of property, plant and equipment (Note 13). These leases do not have terms for renewal, but have purchase options at nominal values at the end of lease term.

31. **COMMITMENTS (CONT'D)**

(c) Finance lease commitments (cont'd)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:-

	Group 2017 RM	Group 2016 RM
Minimum lease payments:-		
Not later than 1 year	293,864	453,547
Later than 1 year but not later than 2 years	259,826	275,816
Later than 2 years but not later than 5 years	95,108	323,382
	354,934	599,198
Total minimum lease payments	648,798	1,052,745
Less: Amounts representing finance charges	(41,917)	(84,672)
Present value of minimum lease payments	606,881	968,073
Present value of payments:-		
Not later than 1 year	266,713	407,324
Later than 1 year but not later than 2 years	246,369	250,705
Later than 2 years but not later than 5 years	93,799	310,044
	340,168	560,749
Present value of minimum lease payments	606,881	968,073
Less: Amount due within 12 months (Note 24)	(266,713)	(407,324)
Amount due after 12 months (Note 24)	340,168	560,749

(d) Capital commitments

	Group 2017 RM	Group 2016 RM
Authorised and contracted for:-		
- Property, plant and equipment	949,165	-

32. SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is organised into business units based on their products, and has three reportable operating segments as follows:-

(i) Publishing and production
(ii) Printing
(iii) Education

Other business segment includes rental and other investment income.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

32. **SEGMENT INFORMATION (CONT'D)**

At 30 September 2017		Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Revenue:-							
External customers		63,766,109	7,676,521	543,068	2,191,110	-	74,176,808
Inter-segment	i	2,658,141	4,107,195	-	3,819,728	(10,585,064)	-
Total revenue		66,424,250	11,783,716	543,068	6,010,838	(10,585,064)	74,176,808
Results:-							
Interest income		354,125	84,988	-	32,486	-	471,599
Finance costs		(72,343)	(43,581)	(1,176)	(545,534)	-	(662,634)
Dividend income		-	-	-	2,507,423	(2,507,423)	-
Depreciation of property, plant and equipment and amortisation of intangible assets		(1,023,310)	(793,042)	(68,753)	(92,781)	(707,069)	(2,684,955)
Share of profit of associate		53,152	-	-	-	-	53,152
Tax expense		(1,148,105)	(99,827)	(688)	(467,416)	(74,382)	(1,790,418)
Other non-cash items	ii	2,015,949	186,322	243,649	76,996	10,080	2,532,996
Segment profit/(loss)	iii	2,517,869	171,389	(259,509)	2,461,298	(1,987,021)	2,904,026

32. **SEGMENT INFORMATION (CONT'D)**

At 30 September 2017		**Publishing and production RM**	**Printing RM**	**Education RM**	**Others RM**	**Eliminations RM**	**Total RM**
Assets:-							
Segment assets		97,446,341	16,883,992	283,580	104,365,061	(81,687,873)	137,291,101
Additions to non-current assets	iv	274,911	135,564	10,169	-	-	420,644
Deferred tax assets		5,733,697	-	-	-	-	5,733,697
		103,454,949	17,019,556	293,749	104,365,061	(81,687,873)	143,445,442
Liabilities:-							
Segment liabilities		44,544,724	1,510,584	2,134,327	14,935,800	(19,589,482)	43,535,953
Deferred tax liabilities		687,333	418,840	-	1,378,048	-	2,484,221
Tax payable		323,621	34,344	-	801	-	358,766
		45,555,678	1,963,768	2,134,327	16,314,649	(19,589,482)	46,378,940

32. SEGMENT INFORMATION (CONT'D)

At 30 September 2016		Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Revenue:-							
External customers		51,874,960	8,490,916	434,461	2,251,268	-	63,051,605
Inter-segment	i	2,786,632	4,319,291	19,169	11,335,013	(18,460,105)	-
Total revenue		54,661,592	12,810,207	453,630	13,586,281	(18,460,105)	63,051,605
Results:-							
Interest income		246,125	38,516	-	8,982	-	293,623
Finance costs		(84,588)	(63,640)	(2,304)	(614,021)	-	(764,553)
Dividend income		-	-	-	10,327,204	(10,327,204)	-
Depreciation of property, plant and equipment and amortisation of intangible assets		(1,064,800)	(801,555)	(76,446)	(95,909)	(705,169)	(2,743,879)
Share of profit of associate		197,032	-	-	-	-	197,032
Tax (expense)/income		(1,411,930)	(106,889)	13	(462,374)	(67,292)	(2,048,472)
Other non-cash items	ii	142,425	27,272	61,815	1,838,290	(1,859,134)	210,668
Segment profit/(loss)	iii	2,602,518	498,041	(217,623)	7,564,071	(8,055,859)	2,391,148

32. **SEGMENT INFORMATION (CONT'D)**

At 30 September 2016		Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Assets:-							
Segment assets		90,229,601	17,128,361	541,959	103,676,111	(80,744,318)	130,831,714
Additions to non-current assets	iv	2,664,923	161,771	28,920	-	-	2,855,614
Deferred tax assets		3,980,473	-	-	-	-	3,980,473
		96,874,997	17,290,132	570,879	103,676,111	(80,744,318)	137,667,801
Liabilities:-							
Segment liabilities		39,094,789	1,916,550	2,151,948	14,993,814	(18,128,335)	40,028,766
Deferred tax liabilities		594,702	489,303	-	1,378,048	-	2,462,053
Tax payable		644,304	-	-	-	-	644,304
		40,333,795	2,405,853	2,151,948	16,371,862	(18,128,335)	43,135,123

32. **SEGMENT INFORMATION (CONT'D)**

(a) Business segments (cont'd)

Segment assets/liabilities

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

i Inter-segment revenues are eliminated on consolidation.

ii Other non-cash expenses/(income) consist of the following items:-

	2017 RM	**2016 RM**
Bad debts written off	18,231	57,831
(Gain)/loss on disposal of property, plant and equipment	(48,305)	23,354
Property, plant and equipment written off	47,987	5,681
Impairment loss on trade receivables	1,203,420	1,257,432
Reversal of impairment loss on:-		
- Trade receivables	(908,726)	(872,448)
- Sundry debtors	-	(47,722)
Unrealised gain on foreign exchange	(50,406)	(226,715)
Inventories written down	4,833,910	5,418,936
Inventories written off	242,603	52,341
Reversal of Inventories written down	(2,805,718)	(5,458,022)
	2,532,996	210,668

iii. The following items are added to/(deducted from) segment profit to arrive at net profit for the financial year presented in the consolidated statement of profit or loss and other comprehensive income:-

	2017 RM	**2016 RM**
Segment profit	4,832,327	4,713,518
Interest income	471,599	293,623
Finance costs	(662,634)	(764,553)
Share of profit of associates	53,152	197,032
Tax expense	(1,790,418)	(2,048,472)
Profit for the financial year	2,904,026	2,391,148

32. **SEGMENT INFORMATION (CONT'D)**

(a) Business segments (cont'd)

Segment assets/liabilities (cont'd)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):-

iv. Additions to non-current assets consist of:-

	2017 RM	2016 RM
Property, plant and equipment	420,644	2,855,614

(b) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively.

	Revenue		Non-current assets	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	65,064,611	56,000,033	62,814,604	63,228,757
Thailand	8,083,504	5,933,183	2,644,067	2,596,832
Indonesia	1,028,693	1,118,389	1,776,156	1,767,089
	74,176,808	63,051,605	67,234,827	67,592,678

Major customers

The Group does not have any revenue from a single external customer which represent 10% or more of the Group's revenue.

33. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:-

(i) Loans and receivables ("L&R");
(ii) Available-for-sale financial assets ("AFS"); and
(iii) Other financial liabilities measured at amortised cost ("OFL")

Group	Carrying amount RM	L&R RM	AFS RM	OFL RM
2017				
Financial assets				
Other investments	1,026,935	-	1,026,935	-
Trade and other receivables	15,156,616	15,156,616	-	-
Fixed deposit with licensed banks	708,988	708,988	-	-
Cash and bank balances	19,858,342	19,858,342	-	-
	36,750,881	35,723,946	1,026,935	-
Financial liabilities				
Trade and other payables	18,762,441	-	-	18,762,441
Loan and borrowings	13,713,686	-	-	13,713,686
	32,476,127	-	-	32,476,127
2016				
Financial assets				
Other investments	1,026,815	-	1,026,815	-
Trade and other receivables	14,617,782	14,617,782	-	-
Fixed deposit with licensed banks	4,043,711	4,043,711	-	-
Cash and bank balances	14,854,464	14,854,464	-	-
	34,542,772	33,515,957	1,026,815	-
Financial liabilities				
Trade and other payables	14,532,856	-	-	14,532,856
Loan and borrowings	14,915,212	-	-	14,915,212
	29,448,068	-	-	29,448,068

33. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

Company	Carrying amount RM	L&R RM	AFS RM	OFL RM
2017				
Financial assets				
Other investment	1,000,000	-	1,000,000	-
Trade and other receivables	858,583	858,583	-	-
Cash and bank balances	687,808	687,808	-	-
	2,546,391	1,546,391	1,000,000	-
Financial liability				
Trade and other payables	234,906	-	-	234,906
2016				
Financial assets				
Other investment	1,000,000	-	1,000,000	-
Trade and other receivables	684,983	684,983	-	-
Cash and bank balances	231,846	231,846	-	-
	1,916,829	916,829	1,000,000	-
Financial liability				
Trade and other payables	215,903	-	-	215,903

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The Group and the Company do not undertake any trading of derivative financial instruments.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company minimise and monitor their credit risk by strictly limiting the Group's and the Company's associations to business partners with high credit worthiness. Receivable balances are monitored on an ongoing basis.

The Group and the Company do not have any significant exposure to any individual customer or counterparties nor does it have any major concentration of credit risk related to any financial instruments.

Following are the areas where the Group and the Company are exposed to credit risk:-

(i) Receivables

As at the end of the reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amount in the statements of financial position.

The ageing analysis of these trade receivables is as follows:-

2017 **Group**	**Gross** **RM**	**Individually impaired** **RM**	**Net** **RM**
Not past due	2,091,555	-	2,091,555
Past due for 1-30 days	1,699,748	-	1,699,748
Past due for 31-60 days	1,047,621	-	1,047,621
Past due for 61-90 days	1,087,815	-	1,087,815
Past due for 91-120 days	6,278,371	-	6,278,371
Past due for more than 120 days	5,089,180	(3,072,005)	2,017,175
	17,294,290	(3,072,005)	14,222,285

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

2016 **Group**	**Gross** **RM**	**Individually impaired** **RM**	**Net** **RM**
Not past due	2,880,837	-	2,880,837
Past due for 1-30 days	2,726,777	-	2,726,777
Past due for 31-60 days	2,074,664	-	2,074,664
Past due for 61-90 days	1,923,508	-	1,923,508
Past due for 91-120 days	2,266,941	-	2,266,941
Past due for more than 120 days	4,745,223	(2,772,186)	1,973,037
	16,617,950	(2,772,186)	13,845,764

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM12,130,730 (2016: RM10,964,927) that are past due at the reporting date but not impaired and are not secured by any collateral or credit enhancements.

The management is confident that the balance of receivables that are past due but not impaired are recoverable as these accounts are still active.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(ii) Intercompany loans and advances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(ii) Intercompany loans and advances (cont'd)

The Company provides unsecured advances to subsidiaries and monitors their results regularly.

As at the end of the reporting date, there was no indication that advances to the subsidiaries are not recoverable except for amount due from subsidiaries amounted to RM659,206.

(iii) Investments and other financial assets

The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

(iv) Financial/corporate guarantees

The maximum exposure to credit risk amounts to RM775,473 (2016: RM831,573) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

The Company provides unsecured corporate guarantees to licensed banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by them. As at the end of the reporting period, there was no indication that any subsidiaries would default on repayment.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To ensure continuity of funding, the Group's and the Company's policy is to manage the debt maturity profile, operating cash flows and the availability of funding to support the operating cycle of the business.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group 2017	Carrying amount RM	Contractual cash flow RM	Within one year RM	One to five years RM	More than five years RM
Financial liabilities:					
Trade and other payables	18,762,441	18,762,441	18,762,441	-	-
Obligations under finance liabilities	606,881	648,798	293,864	354,934	-
Term loans	13,106,805	14,623,245	1,452,576	3,223,344	9,947,325
Total undiscounted financial liabilities	32,476,127	34,034,484	20,508,881	3,578,278	9,947,325

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations. (cont'd)

Group (cont'd) 2016	**Carrying amount RM**	**Contractual cash flow RM**	**Within one year RM**	**One to five years RM**	**More than five years RM**
Financial liabilities:-					
Trade and other payables	14,532,856	14,532,856	14,532,856	-	-
Obligations under finance liabilities	968,073	1,052,745	453,547	599,198	-
Term loans	13,947,139	18,661,352	1,452,576	5,810,304	11,398,472
Total undiscounted financial liabilities	29,448,068	34,246,953	16,438,979	6,409,502	11,398,472

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations. (cont'd)

Company 2017	Carrying amount RM	Contractual cash flow RM	Within one year RM
Financial liabilities:-			
Other payables	234,906	234,906	234,906
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries	-	-	775,473
Total undiscounted financial liabilities	234,906	234,906	1,010,379

Company 2016	Carrying amount RM	Contractual cash flow RM	Within one year RM
Financial liabilities:-			
Other payables	215,903	215,903	215,903
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries	-	-	831,573
Total undiscounted financial liabilities	215,903	215,903	1,047,476

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk (cont'd)

The Group's and Company's exposure to interest rate risk arises primarily from interest bearing borrowings. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM99,610 (2016: RM105,999) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group's entities. The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD"), Singapore Dollars ("SGD"), Thai Baht ("THB"), Indonesia Rupiah ("IDR") and Steeling Pound ("GBP"). The Group did not enter into any forward currency contracts during the financial years ended 30 September 2017 and 2016.

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of reporting period was:-

2017	Trade and other receivables RM	Cash and bank RM	Trade and other payables RM	Loans and borrowings RM
Denominated in:-				
USD	218,615	954,201	(51,102)	-
SGD	1,016	508,834	(56,138)	-
THB	4,826,788	884,336	(1,886,335)	-
IDR	230,552	118,450	(12,549,389)	-
GBP	-	243,840	-	-

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of reporting period was (cont'd):-

2016	Trade and other receivables RM	Cash and bank RM	Trade and other payables RM	Loans and borrowings RM
Denominated in:-				
USD	140,700	1,408,814	-	-
SGD	44,098	409,125	(23,131)	-
THB	2,502,273	794,541	(1,080,516)	(17,606)
IDR	517,576	98,930	(11,879,453)	-
GBP	-	-	-	(234,591)

Sensitivity analysis of foreign exchange rate changes

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, SGD, THB, IDR and GBP exchange rates against RM, with all other variables held constant.

	Profit net of tax 2017 RM	Profit net of tax 2016 RM
USD/RM – strengthened 0.15% / 0.66%	(1,686)	(10,227)
– weakened 0.15% / 0.66%	1,686	10,227
SGD/RM – strengthened 0.20% / 0.27%	(912)	(1,162)
– weakened 0.20% / 0.27%	912	1,162
THB/RM – strengthened 4.05% / 0.32%	(154,904)	(7,036)
– weakened 4.05% / 0.32%	154,904	7,036
IDR/RM – strengthened 0.06% / 0.23%	7,320	25,905
– weakened 0.06% / 0.23%	(7,320)	(25,905)
GBP/RM – strengthened 0.38% / 2.01%	(926)	(4,715)
– weakened 0.38% / 2.01%	926	4,715

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of trade and other receivables, related companies, cash and bank balances, trade and other payables, loans and borrowings of the Group and of the Company at the reporting date approximate fair values due to the relatively short term or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

As at reporting date, the Group disclosed the fair value of the following financial assets:-

2017	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial assets				
Short term investments	735	735	-	-
Investment properties	14,512,836	-	-	14,512,836
	14,513,571	735	-	14,512,836
2016				
Financial assets				
Short term investments	615	615	-	-
Investment properties	6,743,000	-	-	6,743,000
	6,743,615	615	-	6,743,000

The valuation of investment properties are based on reference to open market values on an existing use basis.

During the reporting period ended 30 September 2017 and 2016, there were no transfers between the hierarchy fair value measurement.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2017 and 2016.

The Group is not subject to any externally imposed capital requirements.

37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 25 July 2017, the Company has made an announcement to Bursa Securities which the Company through its wholly-owned subsdiary, Penerbitan Pelangi Sdn Bhd (“PPSB”), had taken legal action against Sasbadi Sdn Bhd ("SSB"), a wholly-owned subsidiary of Sasbadi Holdings Berhad, by serving SSB a copy of the sealed Writ and Statement of Claim dated 29 June 2017. The Sealed Writ and Statement of Claim was served on 20 July 2017 by Messrs Skrine, acting on behalf of PPSB.

The claim pursuant to the Writ and Statement of Claim is in relation to the infringement of Copyright Works by SSB for the Sijil Tinggi Persekolahan Malaysia (“STPM”) examination and Malaysian University English Test (“MUET”) question papers as well as the performance analysis reports for the STPM examination and the MUET where PPSB has the exclusive right in Malaysia pursuant to the several publishing agreements between PPSB and Majlis Peperiksaan Malaysia (“MPM”) to control, amongst others, the reproduction, communication, distribution and commercialisation of the Copyright Works.

On 11 September 2017, PPSB received a counterclaim from SSB to file its defence against the claim and filed a counterclaim.

On 27 September 2017, PPSB filed a reply to defence whereby PPSB challenged Sasbadi’s counterclaims and put SSB to strict proof of the said claim, on the basis that at all material times, PPSB is the owner of the copyright in the Copyright Works and PPSB had acted within its rights.

The Company will make the necessary announcement on further development on the matter in due course.

38. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform to the current year presentation.

	As previously reported RM	As reclassified RM
Group		
Statement of Financial Position		
Current assets		
Trade and other receivables	14,949,004	14,948,635
Curent liabilities		
Trade and other payables	25,040,369	25,040,000

38. **COMPARATIVE FIGURES (CONT'D)**

Certain comparative figures in the financial statements have been reclassified to conform to the current year presentation. (cont'd)

	As previously reported RM	As reclassified RM
Group		
Statement of Cash Flows		
Cash flow from operating activities		
Adjustments for:-		
- Bad debts written off	-	57,831
- Inventories written off	-	52,341
- Inventories written down	595,052	5,418,936
- Reversal of inventories written down	-	(5,458,022)
- Reversal of impairment loss on sundry debtors	-	(47,722)
Changes in working capital:-		
- Inventories	(2,180,845)	(1,599,048)
- Trade and other receivables	991,540	981,800
- Trade and other payables	2,551,874	2,551,505

Statement of SHAREHOLDINGS

As at 29 December 2017

Total Number of Issued Shares	:	100,043,000 ordinary shares
Voting rights	:	One vote per share

ANALYSIS OF SHAREHOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
79	Less than 100	3,396	0.00
71	100 to 1,000	36,810	0.04
950	1,001 to 10,000	2,880,812	2.99
283	10,001 to 100,000	8,518,407	8.82
60	100,001 to less than 5% of issued shares	58,158,070	60.21
2	5% and above of issued shares	27,000,005	27.95
1445		96,597,500*	100.00

* Excluding a total of 3,445,500 ordinary shares bought back by Pelangi Publishing Group Bhd and retained as treasury shares.

THIRTY LARGEST SHAREHOLDERS

	Name of shareholder	Number of shares	Percentage of shares
1.	Sum Kown Cheek	26,986,255	27.94
2.	DB (Malaysia) Nominee (Asing) Sdn Bhd Deutsche Bank AG Singapore For Yeoman 3-Rights Value Asia Fund (PTSL)	7,000,000	7.25
3.	United Logistics Sdn Bhd	5,500,000	5.69
4.	Chung Shan Kwang	4,675,000	4.84
5.	Fang Mei Sin	4,545,781	4.71
6.	Goh Kheng Jiu	4,000,000	4.14
7.	Sinar Qiqi Sdn. Bhd.	4,000,000	4.14
8.	Lai Swee Chiung	3,437,465	3.56

9.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN For DBS Bank Ltd (SFS)	3,002,600	3.11
10.	Lim Keh Kuan	1,547,000	1.60
11.	Teo Kwee Hock	1,505,400	1.56
12.	Yee Tan Fatt	1,263,275	1.31
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kong Kok Choy	1,048,700	1.09
14.	Lim Kah Eng	1,027,875	1.06
15.	Ang Hwi Lin	1,024,237	1.06
16.	Chin Khuan Meng	865,625	0.90
17.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wong Sue Yin	742,000	0.77
18.	Teh Hui Guan	695,400	0.72
19.	Goh Pek Hen	682,500	0.71
20.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd For Yeo Seng Chong	625,000	0.65
21.	Lau Siew Hin	609,200	0.63
22.	Lai Chin Heng	607,662	0.63
23.	Chung Shan Meng	500,000	0.52
24.	Chung Soo Cheng	500,000	0.52
25.	Lee Wei Ling	500,000	0.52
26.	Cheah Swee Kit	492,500	0.51
27.	Sam Mok Sang	479,575	0.50
28.	Lee Yoke Yee	466,500	0.48
29.	Wong Teck Sing	438,125	0.45
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Geok Tin @ Lee Nui Eng	423,700	0.44

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 144 of the Companies Act, 2016, the following are the substantial shareholders of the Company:

Shareholders	No. of Shares			
	Direct Interest	%	Deemed Interest	%
Datuk Sum Kown Cheek	26,986,255	27.94	3,437,465[a]	3.56
Datin Lai Swee Chiung	3,437,465	3.56	26,986,255[a]	27.94
United Logistics Sdn. Bhd.	5,500,000	5.69	-	-
Datuk Sam Yuen @ Sam Chin Yan	-	-	6,182,500[b]	6.40
Yeoman 3-Rights Value Asia Fund	-	-	7,000,000[c]	7.25
Yeoman Capital Management Pte Ltd	224,750	0.23	7,250,000[d]	7.50
Yeo Seng Chong	625,000	0.65	7,474,750[e]	7.74
Lim Mee Hwa	-		8,099,750[e]	8.38

(a) Deemed interest by virtue of the interest of Spouse.
(b) Deemed interest pursuant to Section 8 of the Companies Act, 2016 and Spouse.
(c) Deemed interest by virtue of its indirect interests in DB (Malaysia) Nominee (Asing) Sdn Bhd.
(d) Deemed interest by virtue of its role as investment manager for its clients including Yeoman 3-Rights Value Asia Fund
(e) Deemed interest by virtue of his/her indirect interests in Yeoman Capital Management Pte Ltd.

DIRECTORS' SHAREHOLDINGS

According to the Register required to be kept under Section 59 of the Companies Act, 2016, the following are the shareholdings of the Directors in the Company:

Directors	No. of Shares			
	Direct Interest	%	Deemed Interest	%
Datuk Sum Kown Cheek	26,986,255	27.94	3,437,465[a]	3.56
Datuk Sam Yuen @ Sam Chin Yan	-	-	6,182,500[b]	6.40
Syahriza Binti Senan	13,750	0.01	-	-
Vincent Wong Soon Choy	-	-	-	-
Sum Lih Kang	-	-	-	-
Koh Siew Shern	-	-	-	-

(a) Deemed interest by virtue of the interest of Spouse.
(b) Deemed interest pursuant to Section 8 of the Companies Act, 2016 and spouse.

Notice of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of **PELANGI PUBLISHING GROUP BHD**. will be held at Palm Resort Berhad, Melati Hall, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor on Friday, 16 March 2018 at 10.00 a.m. to transact the following businesses:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 September 2017 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of a final single tier dividend of 2.00 sen per ordinary share for the financial year ended 30 September 2017. RESOLUTION 1

3. To approve the payment of Directors' fees and benefit for the financial year ended 30 September 2017. RESOLUTION 2

4. To approve the payment of Directors' benefit for the financial year ending 30 September 2018. RESOLUTION 3

5. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:

   a) Datuk Sum Kown Cheek – Article 123 RESOLUTION 4
   b) Sum Lih Kang – Article 128 RESOLUTION 5
   c) Koh Siew Shern – Article 128 RESOLUTION 6

6. To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company and authorise the Directors to fix their remuneration. RESOLUTION 7

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following Resolutions:

   ORDINARY RESOLUTION 1
   AUTHORITY TO ALLOT SHARES – SECTION 76 RESOLUTION 8

   "**THAT** pursuant to Section 76 of the Companies Act, 2016 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

ORDINARY RESOLUTION 2

PROPOSED RENEWAL OF AUTHORISATION FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY RESOLUTION 9
("Proposed Renewal Of Share Buy-Back Authority")

"**THAT** subject to the provisions of the Companies Act, 2016 ("the Act"), the Articles of Association of the Company, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company ("Proposed Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: -

(i) the maximum aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued shares of the Company at any point in time;
(ii) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits. The audited retained profits of the Company stood at RM8,412,307 as at 30 September 2017.
(iii) the authority conferred by this resolution shall continue to be in force until: -

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM, at which time the said authority will lapse, unless the authority is renewed at that meeting, either unconditionally or subject to conditions; or
(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased at their absolute discretion, either partially or fully, in the following manner:
(i) cancel all the shares so purchased;
(ii) retain the shares so purchased as treasury shares;
(iii) distribute the treasury shares as share dividends to shareholders;
(iv) resell the treasury shares on Bursa Securities in accordance to the Main Market Listing Requirements of Bursa Securities; and
(v) any combination of (i), (ii), (iii) and (iv) above.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back Authority with full power to assent for any modifications and/or amendments as may be required by the relevant authorities."

ORDINARY RESOLUTION 3

CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR RESOLUTION 10

"**THAT** the terms of office of Syahriza Binti Senan be remained as Independent Director of the Company in accordance with Malaysian Code On Corporate Governance 2017."

ORDINARY RESOLUTION 4

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed RSM") RESOLUTION 11

"**THAT** approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties mentioned under section 2.1.2 of the Circular to Shareholders dated 26 January 2018 which are necessary in the course of business of the Company and/or its subsidiaries for day-to-day operations and on normal commercial terms which are not more favorable to the related parties than those available to the public and not detrimental to the minority shareholders of the Company and such approval shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Renewal of The Existing Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature was passed, at which time will lapse, unless by ordinary resolution passed at an AGM whereby the authority is renewed, either unconditionally or subject to conditions;
(b) the expiration of the period within the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016, ("Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

ORDINARY RESOLUTION 5

PROPOSED GRANT OF OPTIONS TO SUM LIH KANG PURSUANT TO THE COMPANY'S EMPLOYEES' SHARE OPTION SCHEME RESOLUTION 12

"**THAT** the Options Committee be and is hereby authorised at any time, and from time to time, to offer and grant options to Sum Lih Kang, the Executive Director of the Company, to subscribe for up to 750,000 new ordinary shares in the Company under the Company's Employees' Share Option Scheme ("ESOS"), provided that the allocation of options to a director or employee who either singly or collectively through persons connected with the director or employee, holds 20% or more of the total number of issued shares (excluding treasury shares) of the Company, does not exceed 10% of the shares available under the ESOS and subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the By-laws of the ESOS, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authorities **AND THAT** the Directors be and are hereby authorised to issue and allot from time to time such number of new shares in the Company to Sum Lih Kang pursuant to his exercise of options under the ESOS".

ORDINARY RESOLUTION 6

PROPOSED GRANT OF OPTIONS TO KOH SIEW SHERN PURSUANT TO THE COMPANY'S EMPLOYEES' SHARE OPTION SCHEME RESOLUTION 13

"**THAT** the Options Committee be and is hereby authorised at any time, and from time to time, to offer and grant options to Koh Siew Shern, the Executive Director of the Company, to subscribe for up to 750,000 new ordinary shares in the Company under the Company's Employees' Share Option Scheme ("ESOS"), provided that the allocation of options to a director or employee who either singly or collectively through persons connected with the director or employee, holds 20% or more of the total number of issued shares (excluding treasury shares) of the Company, does not exceed 10% of the shares available under the ESOS and subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the By-laws of the ESOS, Main Market Listing

Requirements of Bursa Malaysia Securities Berhad and any prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant authorities **AND THAT** the Directors be and are hereby authorised to issue and allot from time to time such number of new shares in the Company to Koh Siew Shern pursuant to his exercise of options under the ESOS".

8. To transact any other business appropriate to an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 2016 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT
FINAL SINGLE TIER DIVIDEND OF 2.00 SEN PER ORDINARY SHARE

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Sixteenth Annual General Meeting, the final single tier dividend of 2.00 sen per ordinary share in respect of the financial year ended 30 September 2017 will be payable on 26 April 2018 to Depositors registered in the Record of Depositors at the close of business on 6 April 2018.

A Depositor shall qualify for entitlement only in respect of:

a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 6 April 2018 in respect of transfer; and
b) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LEONG SIEW FOONG (MAICSA NO. 7007572)
HUAN CHUAN SEN @ AH LOY (MACS 01519)
ZARINA BINTI AHMAD (LS NO. 0009964)
Company Secretaries

Johor Bahru
Dated: 26 January 2018

NOTES:

a. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. The proxy need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.

b. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

c. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

d. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its officer or attorney.

e. The instrument appointing the proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd situated at Symphony House Pusat Dagangan Dana, 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight hours before the time appointed for holding the Meeting and any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

I. Ordinary Resolution 1

The Ordinary Resolution 1, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting.

The authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting.

The authority will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limiting to further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

II. Ordinary Resolution 2

The Ordinary Resolution 2, if passed, will empower the Directors to purchase the Company's shares of up to 10% of the total number of issued shares of the Company at any point of time, by utilising the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting.

Please refer to Statement of Share Buy-Back dated 26 January 2018.

III. Ordinary Resolution 3

Syahriza Binti Senan is an Independent Director of the Company who has served the Company for more than twelve years.

In line with the Malaysian Code on Corporate Governance 2017, the Nomination Committee has assessed his independence as define in Bursa Securities Listing Requirement which has not been compromised all these while. In fact, she exercises her judgment in an independent and unfettered manner, discharge her duties with reasonable care, skill and diligent; bringing independent thought and experience to board deliberations and decision making process all these while which is valuable to the Company. She would not hesitate to raise doubts over any issues, albeit on audited financial statement or internal audit, until she is satisfied with their explanation or proposed recommendations. To that, the Board recommends Syahriza Binti Senan to continue her office as an Independent Directors according to the resolution put forth in the forthcoming Annual General Meeting.

Ms Syahriza has met the independence as defined in Bursa Securities Listing Requirements. In addition, the Board assessed her independence annually. Her independence has not been compromised all these while.

IV. Ordinary Resolution 4

The Proposed RSM under Ordinary Resolution 4 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 17 March 2017.

The Proposed RSM is to facilitate transactions in the normal course of business of the Company and its subsidiaries ("the Group") which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the shareholders' mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

Further information on Proposed RSM is set out in the Circular to Shareholders of the Company which is dispatched together with the Annual Report of the Company for the financial year ended 30 September 2017.

V. Ordinary Resolution 5 and 6

Employees' Share Option Scheme ("ESOS") has been approved in an Extraordinary General Meeting held on 16 March 2016. Both Sum Lih Kang and Koh Siew Shern are appointed as Executive Directors of the Company on 21 March 2017 and 31 March 2017 respectively, hence they are eligible to the ESOS. Through ESOS, both of them will be motivated towards improved performance through greater productivity and loyalty to the Company.

PELANGI PUBLISHING GROUP BHD. (593649-H)

(Incorporated in Malaysia)

FORM OF PROXY

I/We ______________________________ NRIC No./Passport No: __________________ of __________ ____ being a member/members of PELANGI PUBLISHING GROUP BHD., hereby appoint ________________________ ______ NRIC No./Passport No: __________________ of ____________________________________ ___________________________________ or failing him, ______________________________________ ____________ NRIC No./Passport No: __________________ of ______________________________ ____________ as my/our proxy to vote for me/us and on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at **Palm Resort Berhad, Melati Hall, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai Johor on Friday, 16 March, 2018 at 10.00 a.m.** and at any adjournment thereof.

The proportion of * my/our proxies are as follow:
(This paragraph should be completed only when two proxies are appointed)

First Proxy (1) ______________ %   Second Proxy (2) ______________ %

My/Our proxy is to vote as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	Approval of Final Dividend.		
2.	Approval of Directors' fees and benefit for the financial year ended 30 September 2017.		
3.	Approval of Directors' benefit for the financial year ending 30 September 2018.		
4.	Re-election of Datuk Sum Kown Cheek as Director.		
5.	Re-election of Mr Sum Lih Kang as Director.		
6.	Re-election of Mr Koh Siew Shern as Director.		
7.	Re-appointment of Messrs Grant Thornton Malaysia as Auditors of the Company.		
8.	Authority to Allot Shares - Section 76.		
9.	Approval for the Proposed Renewal Shareholders' Mandate For Share Buy-Back Authority		
10.	Approval of the continuation of terms of office of Syahriza Binti Senan as Independent Director.		
11.	Approval for the Proposed Renewal Shareholders' Mandate For Recurrent Related Parties Transactions.		
12.	Proposed Allocation to Sum Lih Kang.		
13.	Proposed Allocation to Koh Siew Shern.		

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

Dated this ____________ day of ________________________ 2018.

NO. OF SHARES HELD	CDS ACCOUNT

....

Signature of Member(s)

Notes :

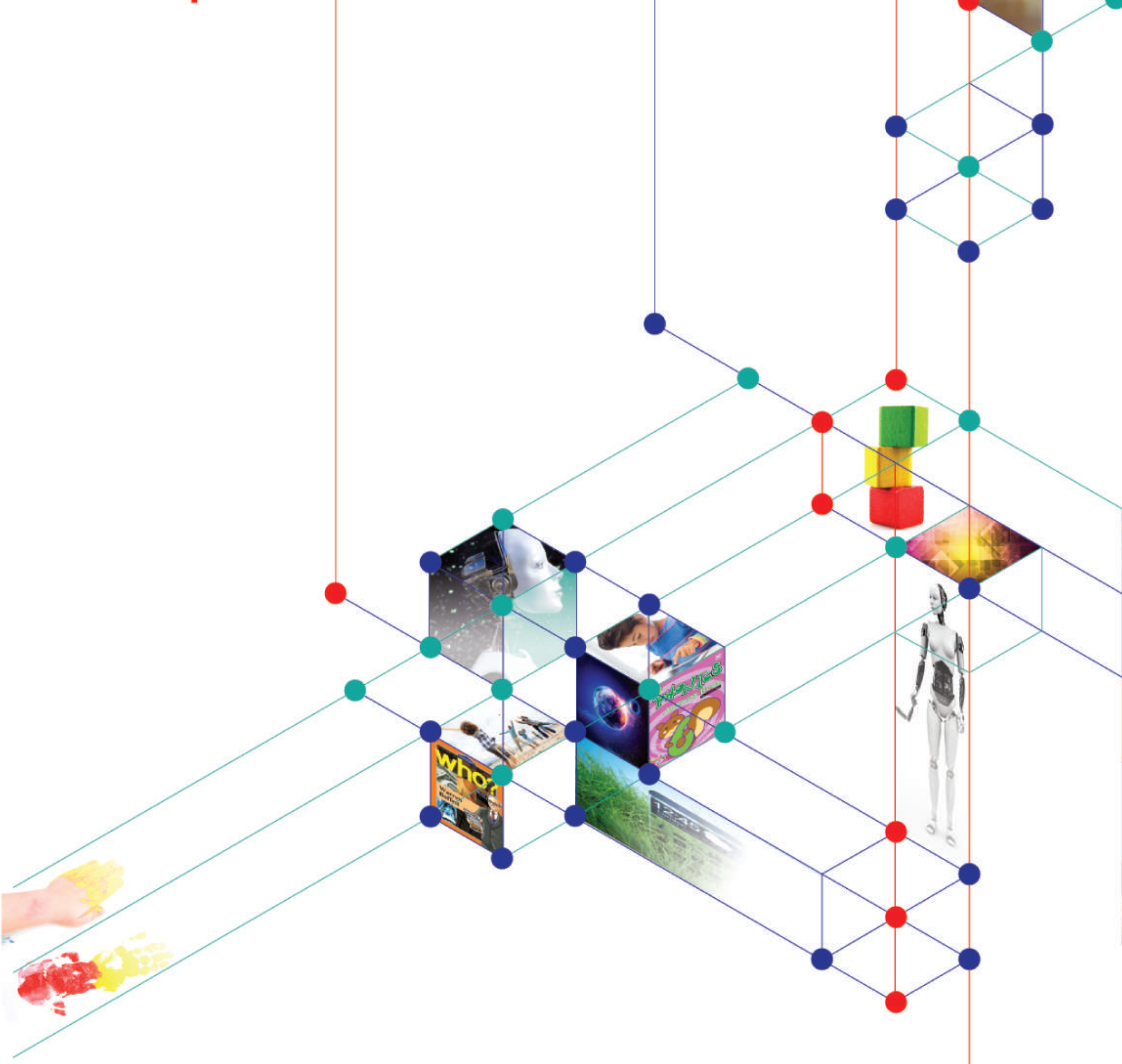
a. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. The proxy need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.

b. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

c. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

d. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its officer or attorney.

e. The instrument appointing the proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd situated at Symphony House Pusat Dagangan Dana, 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight hours before the time appointed for holding the Meeting and any adjournment thereof.



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