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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of PELANGI PUBLISHING GROUP BHD. will be held at Hop Sing II, Ponderosa Golf & Country Club, 10-C, Jalan Bumi Hijau Tiga, Taman Molek, 81100 Johor Bahru, Johor Darul Ta'zim, Malaysia on Friday, 27 March 2009 at 11.00 a.m to transact the following businesses:-

AGENDA

ORDINARY BUSINESS

- | | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 September 2008 together with the Directors' and Auditors' Reports thereon. | RESOLUTION 1 |
| 2. | To approve the payment of final dividend of 5.5% less 25% tax for the financial year ended 30 September 2008. | RESOLUTION 2 |
| 3. | To approve the payment of Directors' fees for the financial year ended 30 September 2008. | RESOLUTION 3 |
| 4. | To re-elect the following Directors retiring in accordance with the Company's Articles of Association: | |
| | (a) Mr Lee Kheng Hon – Article 123 | RESOLUTION 4 |
| | (b) Cik Syahriza Binti Senan – Article 123 | RESOLUTION 5 |
| | (c) Mr Winston Paul Wong Chi-Huang – Article 128 | RESOLUTION 6 |
| 5. | To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. | RESOLUTION 7 |

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolutions:
- ORDINARY RESOLUTION 1**
- AUTHORITY TO ALLOT SHARES - SECTION 132D**
- “**THAT** pursuant to Section 132D of the Companies Act, 1965 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 issued share capital 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.”
- RESOLUTION 8**
7. **ORDINARY RESOLUTION 2**
- PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“Proposed RSM”)**
- “**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 6 March 2009 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:-
- RESOLUTION 9**
- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the forthcoming AGM at which such Proposed Renewal of The Existing Shareholders’ Mandate for Recurrent Related Party Transactions 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 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting ("EGM");

whichever is earlier,

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

ORDINARY RESOLUTION 3

PROPOSED SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed SM")

"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 related parties mentioned under section 2.1.2 of the Circular to Shareholders dated 6 March 2009 which are necessary in the ordinary 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:-

RESOLUTION 10

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Shareholders' Mandate for New Recurrent Related Party Transactions 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 which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in an AGM or EGM;

whichever is earlier,

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution."

8. To transact any other business of which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT

FINAL DIVIDEND OF 5.5% LESS 25% TAX

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Seventh Annual General Meeting, the Final Dividend of 5.5% less 25% tax in respect of the year ended 30 September 2008 will be payable on 30 April 2009 to Depositors registered in the Record of Depositors at the close of business on 15 April 2009.

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 15 April 2009 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

CHIN NGEOK MUI (MAICSA NO. 7003178)
LEONG SIEW FOONG (MAICSA NO. 7007572)
HUAN CHUAN SEN @ AH LOY (LS 00856)
Company Secretaries

Johor Bahru
6 March 2009

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. A proxy may but need not be a member of the Company and if he is not a Member of the Company, Section 149(1) (b) of the Companies Act, 1965 shall not be applicable.
- 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 authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one 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 Registered Office situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, 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. Pursuant to Resolution 8

The Proposed Resolution 8, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company upon such terms and purposes as the Directors in their absolute discretion consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting.

II. Pursuant to Resolution 9 and Resolution 10

The Proposed RSM under Ordinary Resolution 9 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 27 March 2009.

The Proposed SM under Ordinary Resolution 10 was intended to obtain the shareholders' mandate for New Recurrent Related Party Transaction from the shareholders of the Company at this AGM.

The Proposed RSM and Proposed SM are 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 and Proposed SM are 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 2008.

STATEMENT ACCOMPANYING
NOTICE OF SEVENTH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Bursa Malaysia Securities Berhad Listing Requirements, appended hereunder are:

Director standing for election as Director pursuant to Article 128 of the Company's Articles of Association:-

(a) Winston Paul Wong Chi-Huang

The profile of Winston Paul Wong Chi-Huang is set out on page 11 to 12 of this Annual Report.

CORPORATE INFORMATION

DIRECTORS

SUM KOWN CHEEK
(Executive Chairman and Managing Director)

LEE KHENG HON
(Executive Director)

CHUNG SHAN KWANG
(Executive Director)

SYAHRIZA BINTI SENAN
(Independent Non-Executive Director)

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

WINSTON PAUL WONG CHI-HUANG
(Independent Non-Executive Director)

VINCENT WONG SOON CHOY
(Alternate to Winston Paul Wong Chi-Huang)
(Independent Non-Executive Director)

SECRETARIES

CHIN NGEOK MUI

LEONG SIEW FOONG

HUAN CHUAN SEN @ AH LOY

AUDIT COMMITTEE MEMBERS

WINSTON PAUL WONG CHI-HUANG
Chairman

SYAHRIZA BINTI SENAN
Member

SAM YUEN @ SAM CHIN YAN
Member

REMUNERATION COMMITTEE MEMBERS

WINSTON PAUL WONG CHI-HUANG
Chairman

SYAHRIZA BINTI SENAN
Member

SUM KOWN CHEEK
Member

NOMINATING COMMITTEE MEMBERS

WINSTON PAUL WONG CHI-HUANG
Chairman

SYAHRIZA BINTI SENAN
Member

AUDITORS

ERNST & YOUNG
Chartered Accountants

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

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN BHD
(COMPANY NO.378993-D)
LEVEL 26, MENARA MULTI-PURPOSE
CAPITAL SQUARE
NO: 8, JALAN MUNSHI ABDULLAH
50100 KUALA LUMPUR
TEL: 03-2721 2222
FAX: 03-2721 2530

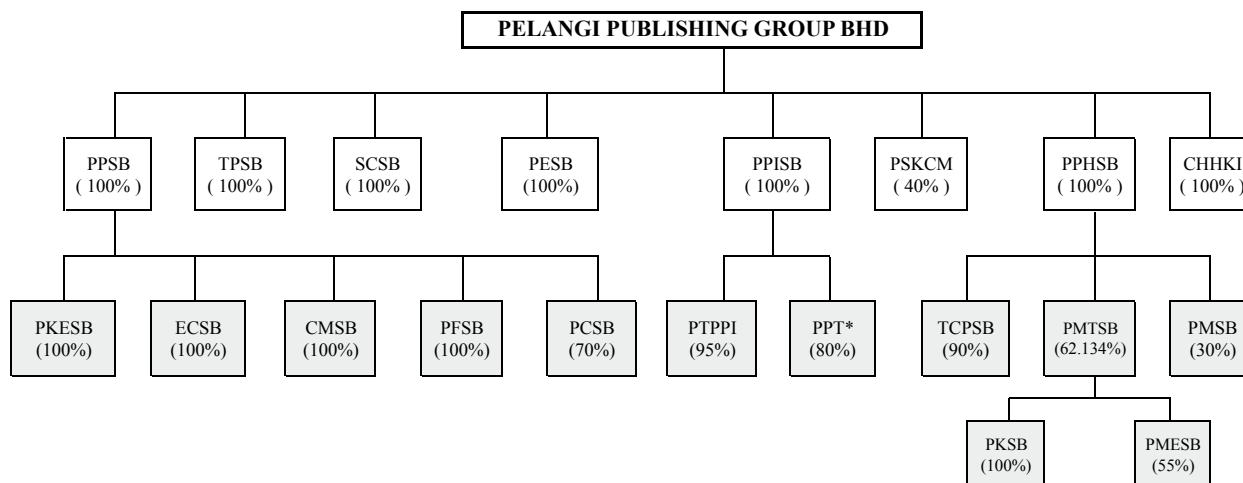
BANKERS

PUBLIC BANK BERHAD
MALAYAN BANKING BERHAD

STOCK EXCHANGE

SECOND BOARD OF THE BURSA MALAYSIA SECURITIES BERHAD
("Bursa Securities")

CORPORATE STRUCTURE



Abbreviations

PPSB	– Penerbitan Pelangi Sdn Bhd (89120-H)
TPSB	– Tunas Pelangi Sdn Bhd (105652-A)
SCSB	– Sutera Ceria Sdn Bhd (499589-M)
PPISB	– Pelangi Publishing International Sdn Bhd (517605-P)
PESB	– Pelangi Education Sdn Bhd (458162-U)
PPHSB	– Pelangi Publishing Holdings Sdn Bhd (493518-H)
PKESB	– Pelangi Kid Educare Sdn. Bhd. (379269-A)
ECSB	– Elite Corridor Sdn Bhd (431111-V)
CMSB	– Comtech Marketing Sdn Bhd (104669-W)
PFSB	– Pelangi Formpress Sdn Bhd (172005-U)
PCSB	– Pelangi Comics Sdn Bhd (838313-U)
PTPPI	– PT Penerbitan Pelangi Indonesia (02.379.621.2-035.000)
PPT	– Pelangi Publishing (Thailand) Co. Ltd (0108454722327)
TCPSB	– The Commercial Press, Sdn. Berhad (2390-V)
PMTSB	– Pelangi Multimedia Technologies Sdn Bhd (585971-M)
PMSB	– Pelangi Multimedia Sdn Bhd (345998-T)
PSKCM	– Pelangi Smart Kids Culture Media Pte. Ltd., Hebei (1300760346725)
PKSB	– Pelangi Kids Sdn Bhd (692155-U)
PMESB	– Pelangi Multimedia Education (Puchong) Sdn Bhd (747717-W) (Incorporated on 18 September 2006)
CHHKI	– Cai Hong (Hong Kong) Investment Private Limited

Remark

* Percentage calculated based on Ordinary Shares Issued.

CHAIRMAN'S STATEMENT

CHAIRMAN STATEMENT

On behalf of the Board of Directors of the Company, I have the pleasure of presenting to you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30 September 2008.

PERFORMANCE REVIEW

For the financial year under review, the Group recorded revenue of RM63.1 million which is marginally higher than that of the preceding financial year.

However, despite the higher revenue received the Group's net profit sees a decline of RM0.5 million compared to the preceding financial year. The decline in net profit reflects the difficult operating environment with rising cost of production eating into the bottom-line.

The Publishing and production wing of the Group continues to be the major contributor towards the Group's revenue, coming in at RM52.6 million whereas printing operations shown a slight decrease for the financial year which in many ways reflects the very competitive nature of the industry and shrinking margins.

The Group had ventured into other peripherals of publishing industry with the development of comics for leisure and educational illustrations for magazines and comic books. The Group has also ventured into the franchise programming for kindergarten and tuition centres. Both new ventures have seen very encouraging demands and the Board is confident the same will contribute positively to the Group's revenue.

CORPORATE DEVELOPMENT

During the financial year under review the Group's subsidiary Pelangi Publishing Holding Sdn Bhd had in a related party transaction acquired additional equities in one of its associate company and hence resulting in conversion of the associate company's status to that of a subsidiary albeit not wholly owned. The Board firmly believes the move is necessary to achieve management control and safeguarding its interest as more funds has been or will be committed to the said subsidiary company.

DIVIDENDS

The Board recommends a final dividend of 5.5% less income tax per ordinary share of 50 sen each, amounting to RM1,650,000.00 for approval of Shareholders at the forthcoming Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group believes strongly in being a proactive, responsible and caring corporate citizen. The Corporate Social Responsibility (CSR) values we uphold are integrated into various CSR programmes of the Group. The following are some of the CRS programmes that have been carried out by us:

- 1) The Group continues to fulfill its social obligation to the community through its various social and welfare activities such as donations in the form of monies and books to Persatuan Down Syndrome Negeri Johor, Charity Fair 2008 and Malaysian Red Crescent Society.
- 2) Sport Club was established by the Group to organize social, sports and welfare activities for our people to promote staff interaction and team spirit. Amongst the various events organized for our people are The Yearend Dinner, New Year Party, Trip and Sport Competitions.

GOING FORWARD

The Board is of the opinion that the next financial year will see stress in both its domestic and overseas businesses which will face testing environment and uncertainties.

The Board has and will continue to tread the path seeking a delicate balance between risks and return, avoid overleveraging and concentrate on activities that will lend support to growth and value. The Board remains committed to shying away from grey investments ventures and remain true to sound fundamentals in the process of securing printing jobs for international publishers.

Forbearing any further economic deterioration the Board is confident of a stable and profitable year ahead.

ACKNOWLEDGMENTS

On behalf of the Board, I wish to express my heartfelt thanks and deep appreciation of the efforts and perseverance of the management and staff for assisting the Group in achieving better results for the financial year 2008.

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and appreciation to all our valuable customers, suppliers, shareholders, bankers and government authorities for their continuous support, cooperation and valuable contribution to our Group.

The Board of Directors and Management regret the untimely deceased of Mr Mak Tack Meng, our Independent Non-Executive Director on 8 January 2009. We wish to place on record our appreciation for his unstinted and dedicated services to the Company and express our deepest condolences to his family.

We would like to welcome new Board members, Winston Paul Wong Chi-Huang and his alternate Vincent Wong Soon Choy who were appointed to the Board on 10 February 2009.

Sum Kown Cheek
Executive Chairman and Managing Director

DIRECTOR'S PROFILE

SUM KOWN CHEEK

Executive Chairman and Managing Director

Sum Kown Cheek, aged 56, Malaysian, was appointed as the Executive Chairman and Managing Director of the Company on 19 December 2003. He is a member of the Remuneration Committee.

Mr. 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 Penerbitan Pelangi Sdn Bhd as the Managing Director. Under his guidance, he spearheaded the company to achieve rapid growth by securing local school textbooks project, expanding its product range by entering into children's books via securing Walt Disney licensee, which subsequently placed Penerbitan Pelangi Sdn Bhd into the international publishing map and a string of prestigious awards within the publishing industry. 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 ten (10) years of publishing experience, he has brought the Group to its present success. He oversees all aspects of the Group's operation. He has no directorship in other public listed companies. His spouse Mdm Lai Swee Chiung, is a substantial shareholder of the Company. His elder brother, Mr. Sam Yuen @ Sam Chin Yan, is a Director and substantial shareholder of PPG. Please refer to page 99 of this Annual Report for his securities holding.

LEE KHENG HON

Executive Director

Lee Kheng Hon, aged 64, Malaysian, was appointed as the Executive Director of the Company on 19 December 2003. He is the Chairman of the ESOS Committee.

Mr. Lee obtained his teaching qualification from the Regional Teacher Training Centre in 1966. He taught at the Petaling Garden Girls School, Selangor in 1967 before moving to teach at Maktab Sultan Abu Bakar, Johor Bahru (formerly known as English College) in 1973. He joined Penerbitan Pelangi Sdn Bhd in 1995 as the Personnel Manager. He is currently overseeing the printing operation of CMSB. He is a member of the Lions Club of Taman Pelangi Indah, Johor Bahru. He has no directorship in other public listed companies. Please refer to page 99 of this Annual Report for his securities holding.

SYAHRIZA BINTI SENAN

Independent Director

Syahriza binti Senan, aged 31, Malaysian, was appointed as an Independent Director of the Company on 19 December 2003. She is a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Cik 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) of CPA Australia.

Prior to joining Prudential, Syahriza was attached to American International Assurance, Malaysia Mining Corporation and a local audit firm, Khairuddin, Hasyudeen & Razi (KHR). She has seven 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 99 of this Annual Report for her securities holding.

CHUNG SHAN KWANG

Executive Director

Chung Shan Kwang, aged 41, Malaysian, was appointed as Executive Director of the Company on 1 October 2007.

Mr. Chung graduated with a Diploma in Engineering from Tunku Abdul Rahman College (now known as Universiti Tunku Abdul Rahman).

He was embarking on a career in engineering when he was required to assist in the management of his family's business interests. He is presently the chairman and director of companies involved in diversified business, ranging from distribution of food and consumer products, trading of used motor vehicles and provision of consultancy services in securing property leases. His business experience and contacts have greatly contributed to the growth of his business. He is also a Non-Executive Chairman of Wang-Zheng Berhad. Please refer to page 99 of this Annual Report for his securities holding.

SAM YUEN @ SAM CHIN YAN

Non-Executive Director

Sam Yuen @ Sam Chin Yan, aged 58, was appointed as Non-Independent Non-Executive Director of the Company on 14 January 2008. He is a member of the Audit Committee.

Mr. Sam Yuen graduated with a Diploma in Commerce from Tunku Abdul Rahman College (now known as Universiti Tunku Abdul Rahman) 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 company. He is a Director and Shareholder of United Logistics Sdn. Bhd.

He is the elder brother of Mr Sum Kown Cheek, the Executive Chairman and Managing Director of the Company. Please refer to page 99 of this Annual Report for his securities holding.

WINSTON PAUL WONG CHI-HUANG

Independent Director

Winston Paul Wong Chi-Huang, aged 39, a Malaysian, He graduated from the University of Keele, UK in 1993 with a Bachelor of Arts Degree Second Class Upper (Hons) in Law and Management. In 1997 he obtained his Masters of Laws degree from the National University of Singapore.

He was called to English Bar in 1994 and admitted to practice to the Malaysian Bar in 1995. In May 2008, he was admitted as an advocate and solicitor of the Supreme Court of Singapore. He started his career as a lawyer in the firm of Messrs Abdul Raman Saad & Associates in 1995 and was with the firm until February 2006. While he was at Messrs Abdul Raman Saad & Associates, he was a Partner and Head of Department of the Corporate Finance and Capital Markets Department.

In April 2007, he and Ms Pamela Wong set up a new law firm under the name of Winston Wong Law Chambers. He is also attached to WongPartnership LLP, one of Singapore's leading law firms as a Senior Associate.

Winston's main area of practice is equity and debt capital markets including Islamic Debt Capital Market, mergers and acquisitions, corporate banking and finance, securities and advisory and corporate and commercial affairs.

He is currently an independent non-executive director of Plastrade Technology Berhad and Sersol Technologies Berhad respectively, both companies listed on the MESDAQ Market of Bursa Securities. Please refer to page 99 of this Annual Report for his securities.

VINCENT WONG SOON CHOY

(Alternate to Winston Paul Wong Chi-Huang)
Independent Director

Vincent Wong Soon Choy, aged 39, a Malaysian, 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 CPA Australia. He is currently employed as a Group Accountant for Mahabuilders Sdn Bhd. Prior to his current employment, he was Head of Operations in Hwang-DBS Securities Bhd, Group Accountant for a public listed company Kia Lim Berhad, Accountant for Peninsula Securites Sdn Bhd and auditor with Ernst & Young. He has 16 years of working experience with exposures to corporate finance, auditing, compliance, tax planning, group accounts, corporate governance, corporate planning and restructuring. He has no directorship in any other public listed company. Please refer to page 99 of this Annual Report for his securities.

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.

STATEMENT ON CORPORATE GOVERNANCE

PELANGI PUBLISHING GROUP BERHAD'S POLICY ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Pelangi Publishing Group Berhad ("PPG") remains committed to ensure that the highest standards of corporate governance are practiced throughout PPG and its group of 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 PPG'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 PPG's structure, policies, procedures and practices that are set, they are still open to be reviewed for enhancement and improvement. The ultimate aim of the Board is to secure all principles and objectives are transparent to parties with interests in PPG.

PPG also maintains a strong leadership in the organization 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 throughout the 2008 financial year, PPG and its Group have applied the Principles of Corporate Governance and Best Practices contained in the Malaysian Code on Corporate Governance. The manner and extend 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 Listing Requirements of Bursa Malaysia 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.

The Company recognizes 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 number of directors reflects fairly the investment of the shareholders. The profiles of the Board members are set out on pages 10 to 12 of the Annual Report.

Board Balance and Board Effectiveness

All Board members are individuals of caliber and credibility. The composition of the Board reflects the commitment to maintain an appropriate balance to ensure a sufficiently wide and relevant mix of background, skill and experience to provide strong and effective leadership and control of the Group.

The Directors and professionals from diverse disciplines ie accounting, education and legal. Together, they create the synergy and effectiveness necessary to steer the Group toward strengthening its professional competence for achieving PPG's full objectives.

The directorships held by Directors are confirmed by each Director at the beginning of every financial year and is updated as and when informed by the respective Directors of any changes to the directorships status.

The Board through the Nominating Committee is constantly reviewing the required mix of skill, experience and the contribution including their core competencies in order to enhance the quality of the Directors' participation in the Board to suit the ever changing standards of corporate governance.

Supply of Information

Directors are provided with an agenda and a compilation of Board papers prior to the agreed date for each Board Meeting in order to give Directors sufficient time to review and properly briefed on each issues before to be deliberated at the Board Meeting.

At every Board Meeting and at any time at all, members of the senior management make themselves available to brief and provide information to assist the Board in its deliberation on any specific matter essential to assist the Directors in undertaking their duties for the Group.

All Directors have full and unrestricted access to all information within the Group, and to the advice and services of the Group 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.

Board meetings

The Board met six (6) times during the 2008 financial year during which it reviewed and approved various issues including the quarterly financial results of the Group for announcement to Bursa Securities, corporate announcements of the Group, business plan and strategy and also the performance of the Group. The Board also reviewed the adequacy of the Group's internal control system.

Note that additional Board Meetings are held as and when required. When it is not possible to hold any meeting, a circular resolution will be passed by the Board. As at todate, 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 2008 are set out below:

Directors	Date Appointed	Attendance
Sum Kown Cheek	19.12.2003	6/6
Lee Kheng Hon	19.12.2003	6/6
Mak Tack Meng*	19.12.2003	6/6
Syahriza Binti Senan	19.12.2003	6/6
Chung Shan Kwang	01.10.2007	4/6
Sam Yuen @ Sam Chin Yan**	14.01.2008	4/4
Winston Paul Wong Chi-Huang [#]	10.02.2009	—
Vincent Wong Soon Choy ^{##}	10.02.2009	—

Remark:

* Mr Mak Tack Meng deceased on 8 January 2009.

** For the period from 14 January 2008 to 30 September 2008.

Mr Winston Paul Wong Chi-Huang was appointed as Director of the Company on 10 February 2009.

Mr Vincent Wong Soon Choy was appointed as Alternate Director to Mr Winston Paul Wong Chi-Huang on 10 February 2009.

Appointments of the Board and Re-election

Nominating Committee

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

The Nominating Committee comprises two (2) Independent Non-Executive Directors. The members are as follows:

Members Of The Nominating Committee

	Name of Member	Directorship
Chairman	Mak Tack Meng*	Independent Non-Executive Director
	Winston Paul Wong Chi-Huang**	Independent Non-Executive Director
Member	Syahriza Binti Senan	Independent Non-Executive Director

Remark:

* Mr Mak Tack Meng deceased on 8 January 2009.

** Mr Winston Paul Wong Chi-Huang was appointed as Chairman of Nominating Committee on 10 February 2009.

The Nominating Committee was formed on 18 August 2004 to assist the Board in the executive of its duties and it should meet not less than once a year. During the financial year 2008, the Committee had met once.

The primary objectives of the Nominating Committee are to ensure that the Directors bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience. The Nominating Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation. The Nominating Committee will also establish procedures and processes for the annual assessment of the effectiveness of the Board as a whole, the Committee of the Board and contribution of each individual Director.

The Committee has full and unrestricted access to the Company's records, properties and personnel. The Nominating Committee may use the services of professional recruitment firms to source for the right of candidate for the Directorship.

The PPG's Article 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 Annual General Meeting. Directors who are appointed by the Board during the year are subject to re-election at the next Annual General Meeting following their appointments.

To assist shareholders in their decision, details of the Directors seeking for re-election at the forthcoming Annual General Meeting are disclosed in the page 4 of this Annual Report and the Directors' profile are disclosed separately on pages 10 to 12 of this Annual Report.

Directors' Training

All members of the Board have completed the Mandatory Accreditation Programme [MAP] as prescribed by Bursa Malaysia Securities Berhad.

Directors are required to attend trainings or seminars to keep abreast with developments in the market place ie or relevant new legislation, regulations and changing commercial risks.

As at the date of this Annual Report, the training courses attended by some of the Directors are as follows:

1. Core of Competitiveness
2. PCS Internal Audit Curriculum

Relationship of the Board to Management

Many of the responsibilities of the Board are delegated to management. Independence from the management of the Group is a key principle to the effective functioning of the Board. It facilitates the assessment of the Group's Directors' and management's performance. The Chairman of the Board is responsible for all overall management of Board activities and ensuring that the Board discharges its previously defined responsibilities.

The roles of Chairman and Managing Director are currently held by Mr. Sum Kown Cheek. The Board considers this combined arrangement to be in the best interests of the Group in view of Mr Sum's entrepreneurship, business acumen and vast experience in the publishing industry.

SECTION 2: DIRECTORS' REMUNERATION

Remuneration Policy and Procedure

The Board has established a Remuneration Committee which is responsible to review and recommends to the Board on the remuneration of the Executive Directors in all its forms according to the level of performance of the Executive Directors itself.

The level of remuneration of Executive Director has been structured to link rewards to the individual and Group performance. The Board as whole determines the remuneration packages of Executive and Non-Executive Directors. The individuals themselves abstain from discussion of their own remuneration.

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

Members of the Remuneration Committee

	Name of Member	Directorship
Chairman	Mak Tack Meng*	Independent Non-Executive Director
	Winston Paul Wong Chi-Huang**	Independent Non-Executive Director
Members	Syahriza Binti Senan	Independent Non-Executive Director
	Sum Kown Cheek	Executive Chairman and Managing Director

Remark:

* Mr Mak Tack Meng deceased on 8 January 2009.

** Mr Winston Paul Wong Chi-Huang was appointed as Chairman of Remuneration Committee on 10 February 2009.

The Remuneration Committee was formed on 24 May 2004 and shall meet not less than once a year. There was no meeting held during the financial year. However, the Committee held a meeting on 9 January, 2009 which was attended by all members, upon availability of relevant information for deliberation.

The Committee has full and unrestricted access the Company's records, properties and personnel. The Committee may obtain professional advice of external consultants on the appropriate of remuneration package.

Directors' Remuneration

The details of the total remuneration of each Directors of the Company during the 2008 financial year are as disclosed in Note 8 to the financial statements.

SECTION 3: SHAREHOLDERS

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. The shareholders are encouraged to participate in the question and answer session. Notice of the Annual General Meeting and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

Besides the usual agenda for the Annual General Meeting, the Board presents the progress and performance of the business as contained in the annual report and provided opportunities for the shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to provide response to questions from the shareholders during these meetings.

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 are 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 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, 1965 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 judgments and estimates; and
- Prepared financial statements on the going concern basis that having made enquiries to the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Board aims to present the highest standard of disclosure to warrant integrity and consistency of the financial reports produced, primarily in the Chairman's statement in the Annual Report.

The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy, completeness and adequacy of information by reviewing and recommending to the Board for adoption.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 36 of this Annual Report.

Internal Control

The Board maintains a sound internal control framework to safeguard shareholders' investment and the Group's assets and businesses. The Statement on Internal Control furnished on page 27 of this Annual Report provides an overview of the state of internal control within the Group.

Employee Share Option Scheme ("ESOS") Committee

The ESOS Committee was formed in May 2004 in accordance with provisions of the By-Laws to administer the Company's ESOS. Mr. Lee Kheng Hon (Executive Director) sits as Chairman on the ESOS Committee.

RELATIONSHIP WITH AUDITORS**With the Internal Audit**

The Group has outsourced the internal audit function to Messrs SQ Morison. 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 ie the head of departments for deliberations on the audit findings, recommendations and agreed corrective actions to enable the management to carry out the necessary remedial measures thereof.

Subsequently, the audit reports are submitted to the Audit Committee for its review and deliberation. The Audit Committee will be briefed on the progress made in respect of each recommendation, and of each corrective action taken as recommended by the audit findings. The internal auditors reports to and has unrestricted access to the Audit Committee to ensure independency.

With the External Auditors

The Group through the Audit Committee has established transparent and a good working relationship with its External Auditors. The External Auditors, an independent member firm of Messrs Ernst & Young, have continued to highlight to the Group their key findings and matters that require the Board'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 on pages 22 to 26 of this Annual Report.

The External Auditors play a crucial role for the advantage of the shareholders, by enhancing the reliability of the Group's financial statement and giving assurance of that reliability to users of the financial statements.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**Utilisation of Proceed**

No proceed were raised by the Company from any corporate exercise during the financial year.

Share Buybacks

During the financial year, the Company did not enter into any share buyback transactions.

Options or Warrants

No ESOS options have been exercised by the employees during the financial year ended 30 September 2008. Further information on the ESOS is set out on pages 33 and 34.

The Company did not issue any warrants or convertible securities during the financial year.

American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition of Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

Material Contracts

To the best of the Board's knowledge, there are no material contracts involving the Group with any of the substantial shareholders nor Directors in office as at 30 September 2008 except those disclosed under Recurrent Related Party Transactions.

Material Contracts Relating to Loans

There were no material contracts relating to loans entered into by the Company and its subsidiaries involving Director's and major shareholders' interest

Non-Audit Fees

The amount of non-audit fees for services provided by the external auditors and internal audit fees for services provided by the internal auditors to the Group and the Company for the financial year amounted to RM25,000.00 and RM40,000.00 respectively.

Variance between Audited Results and Previously Announced Unaudited Results

There were no variances of 10% or more for the audited results of the Group from the unaudited results as announced on 25 November 2008.

Profit Guarantee

During the financial year, there were no profit guarantees given by the Company.

Revaluation Policy on Landed Properties

The Group does not have a revaluation policy for its landed properties.

This statement is made in accordance with the resolution of the Board dated 9 January 2009.

Sum Kown Cheek
Executive Chairman and Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the Bursa Malaysia Securities Berhad Listing Requirements.

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The directors consider that in preparing the financial statements,

- the Group and the Company have used appropriate accounting policies and which are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The directors are responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enables them to ensure that the financial statements comply with the Companies Act, 1965.

The directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to detect fraud and other irregularities.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

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

Mak Tack Meng* – Chairman

[Independent Non-Executive Director]

Winston Paul Wong Chi-Huang – Chairman**

[Independent Non-Executive Director]

Sam Yuen @ Sam Chin Yan – Member

[Non-Independent Non-Executive Director]

Syahriza Binti Senan – Member

[Independent Non-Executive Director]

Remark:

* Mr Mak Tack Meng deceased on 8 January 2009.

** Mr Winston Paul Wong Chi-Huang was appointed as Chairman of Audit Committee on 10 February 2009.

TERMS OF REFERENCE FOR AUDIT COMMITTEE

Membership

The Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:-

- (a) the audit committee must be composed of no fewer than 3 members of whom a majority of audit committee must be independent directors;
- (b) all members of the audit committee should be non-executive directors and financially literate; and
- (c) at least one (1) member of the Committee;
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - (iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years.

Procedure of the Audit Committee meetings

- (a) The members of the Committee shall elect a Chairman from among their numbers who is an Independent Director.
- (b) The Company Secretary shall be the Secretary to the Committee. The Secretary shall circulate minutes of the Committee meeting to all members of the Board.
- (c) The Committee shall meet not less than four (4) times a year and report to the Board of Directors.
- (d) Written notice of the meeting together with the agenda shall be given to the members of the Committee; the external auditors and any other person invited to attend the meeting, where applicable.
- (e) The quorum for meetings of the Committee shall be two (2) members and shall comprise of independent directors.
- (f) A representative of the external auditors, the head of internal audit and the Finance Manager should normally attend meetings. Any other Directors, employees and any other persons, where applicable, shall attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.
- (g) The Chairman shall convene a meeting of the Committee if requested to do so in writing by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee.
- (h) The Committee should meet with the external auditors without executive board members present at least twice a year.

Rights of the Committee

The Committee shall:

- (a) have explicit authority to investigate any matter within its term of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Function of the Committee

The functions of the audit committee shall be:

- (a) To review the following and report the same to the Board of Directors -
- (i) with the external auditors, the audit plan;
 - (ii) with the external auditors, his evaluation of the system of internal controls;
 - (iii) with the external auditors, his audit report;
 - (iv) the assistance given by the employees of the Company to the external auditor;
 - (v) the quarterly results and the year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - changes in or the implementation of major accounting policy changes;
 - significant and unusual events;
 - compliance with accounting standards and other legal requirements;
 - (vi) any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (vii) any letter of resignation including the written explanations of the resignation from the external auditors of the Company; and
 - (viii) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.
- (b) To do the following, in relation to the internal audit function:-
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (c) To recommend the nomination of a person or persons as external auditors and the external audit fee.
- (d) To carry out other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Company's duties and responsibilities.
- (e) To verify the criteria for allocation of options pursuant to a share scheme for employee.

AUDIT COMMITTEE DIARY

Chairman	Attendance
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Mak Tack Meng*	6/6
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Winston Paul Wong Chi-Huang [#]	—
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Members

Sum Kown Cheek**	2/2
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Syahriza Binti Senan	6/6
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Sam Yuen @ Sam Chin Yan [^]	4/4
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Remark:

* Mr Mak Tack Meng deceased on 8 January 2009.

** Mr Sum Kown Cheek resigned as member of Audit Committee on 14 January 2008.

[^] Mr Sam Yuen @ Sam Chin Yan was appointed as members of Audit Committee on 14 January 2008.

[#] Mr Winston Paul Wong Chi-Huang was appointed as Chairman of Audit Committee on 10 February 2009.

During the year 2008, the Audit Committee convened six (6) meetings, which were attended by all the members as mentioned above. These meetings were carried out with proper agendas and adequate notifications.

The respective personnel and representatives [by invitations] as mentioned in the Terms of Reference were present in the meetings.

Upon verification of Audit Committee on the criteria for allocation of options, the ESOS Committee only make one offer to eligible employees during listing of the Company throughout the entire duration of the said scheme. Thereafter, there is no subsequent offer made by the ESOS Committee.

For year 2008, 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.
- (b) Reviewed the Year End Audited Financial Accounts and Statements before submission to the Board for approval, and ensuring its timely announcements to the Bursa Malaysia Securities Berhad.
- (c) Reviewed the Annual Report prepared by the management before submission to the Board for approval, and ensuring its timely announcements to the Bursa Malaysia Securities Berhad.

- (d) Ensured the preparation of the Audited Financial Statements was in compliance with the applicable Financial Reporting Standards ["FRS"] and provisions of the Companies Act, 1965 before submission for approval by the Board.
- (e) Monitored the compliance requirements in line with the new updates of Bursa Malaysia Securities Berhad, Securities Commission, FRS, legal and regulatory bodies.
- (f) Reviewed the related party transactions by scrutinizing the business dealings between the Company, 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 Malaysia Securities Berhad such as announcements.
- (g) Reviewed and approved all internal audit activities in accordance with the approved yearly plan. Discussed with the management on audit issues, recommendations and management's response to improve the system of internal control.
- (h) Reviewed the External Auditor's Plan, Fees and Scope of work for year end audit 2008 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.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Pelangi Publishing Group Bhd ("the Group") recognises that it is the Board's responsibility to review the adequacy and integrity of the Group's system of internal control. The Board is 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 internal control of the Group during the financial year pursuant to Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Bhd and compliance with Section 167A of the Companies Act, 1965.

BOARD RESPONSIBILITIES

The Board recognises the importance and affirms its responsibilities for establishing and maintaining a sound system of internal control and risk management practices as well as reviewing the adequacy and integrity of the internal control system. The Board has delegated these afore-mentioned responsibilities to the Audit Committee. Through the Audit Committee, the Board is kept informed of all significant control issues brought to the attention of the Committee by the Management, the internal audit function and the external auditors.

As there are inherent limitations in any system of internal control, it can only manage rather than 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 or loss.

THE RISK AND CONTROL MANAGEMENT FRAMEWORK

The management had put in place a structured Risk and Control Management Framework. The responsibility for the identification, assessment and management of the risks lies with the management and Executive Board.

Training programmes in relation to the Framework, has been carried out in order to:

- Explain to the management on the approach
- Provides risk definitions
- Raises awareness of the principles and benefits involved in the risk management process
- Identifies the main reporting procedures and promotes good risk management practice within the Group

The management had identified high level and operational level of risks. These risks has been rated accordingly after taken into consideration its materiality and cause-effect to the business and Company. These risks has been populated and described in the Risk Register. The Risk Register has been tabled and approved by the Board. Areas which were rated as High and Medium Risks were brought to the attention of Audit Committee. These areas has been marked as priority and Audit Committee had recommended for audits to be done to ensure adequate level of controls are in place to minimize the level of risks.

REVIEW OF EFFECTIVENESS

In view of the above assessment, SQM has been engaged to perform the audit activities. High and Medium risks resulted from the Risk Assessment has been considered to be incorporated in the 2009 Audit Plan. The 2009 Audit Plan has been tabled and approved by the Audit Committee. The first audit is to commence in First Quarter of 2009 and the results of audit are to be reported to the Audit Committee at their quarterly meetings.

On the other hand, high-level assessment on the Group's internal control environment has been performed by the External Auditor to ensure reasonable levels of controls are in place. The audit results has been tabled and highlighted to the Board and Audit Committee attention. No significant observations were noted arising from the audit, which has direct impact to the financial statement.

Sum Kown Cheek
Executive Chairman and Managing Director

Financial Statements

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2008.

Principal activities

The principal activity of the Company is investment holding.

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

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
Profit for the year	<u>6,618,975</u>	<u>3,500,309</u>
Attributable to :		
Equity holders of the Company	6,620,680	3,500,309
Minority interests	<u>(1,705)</u>	<u>-</u>
	<u>6,618,975</u>	<u>3,500,309</u>

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

In the opinion of the directors, the results of the 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.

Dividends

The amount of dividends paid and declared by the Company since 30 September 2007 were as follows :

	RM
In respect of financial year ended 30 September 2007 :	
Final dividend of 6% less 26% taxation on 80,000,000 ordinary shares,	<u><u>1,776,000</u></u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 September 2008, of 5.5% less 25% taxation on 80,000,000 ordinary shares amounting to a dividend payable of RM1,650,000 (2.06 sen net 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 2009.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are :

Sum Kown Cheek	
Lee Kheng Hon	
Syahriza Binti Senan	
Chung Shan Kwang	
Sam Yuen @ Sam Chin Yan	(appointed on 14 January 2008)
Mak Tack Meng	(deceased on 8 January 2009)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows :

The Company	Number of ordinary shares of RM0.50 each			
	1.10.2007/ Upon appointment	Bought	Sold	30.9.2008
Direct interest :				
Sum Kown Cheek	16,929,711	-	-	16,929,711
Lee Kheng Hon	2,747,972	-	-	2,747,972
Chung Shan Kwang	3,700,000	-	-	3,700,000
Sam Yuen @ Sam Chin Yan	2,037,290	-	-	2,037,290

Deemed interest :

Sum Kown Cheek	2,749,972	-	-	2,749,972
Sam Yuen @ Sam Chin Yan	4,546,000	-	-	4,546,000
Syahriza Binti Senan	11,000	-	-	11,000

Subsidiary - PT Penerbitan Pelangi Indonesia	Number of ordinary shares of USD1,000 each			
	1.10.2007	Bought	Sold	30.9.2008

Direct interest

Sum Kown Cheek	5	-	-	5
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The Company :	Number of options over ordinary shares of RM0.50 each			
	1.10.2007	Granted	Exercised	Lapsed 30.9.2008
Sum Kown Cheek	544,000	-	-	- 544,000
Lee Kheng Hon	447,000	-	-	- 447,000

Sum Kown Cheek and Sam Yuen @ Sam Chin Yan by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Employee share option scheme

The Company's Employee Share Option Scheme ("ESOS") is governed by the by-laws approved by the Securities Commission and by the shareholders on 6 February 2004. The ESOS was granted on 22 April 2004 and shall be in force for a period of 5 years, lapsing on 22 April 2009.

The main features of the ESOS are as follows:

- (a) The ESOS shall be in force for a duration of five years from the date of the receipt of the last of the requisite approvals.
- (b) Eligible person are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for a period of not less than one year on the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.
- (c) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS.
- (d) The option price shall be the higher of the price at a discount of not more than 10% from the weighted average market price of the shares of the Company as shown on the official list issued by the Bursa Malaysia Securities Berhad for the five market days immediately preceding the date of offer, or at par value of the shares of the Company of RM0.50.
- (e) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of the five years from the date of the receipt of the last of the requisite approvals.
- (f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.
- (g) The person to whom the options has been granted has no right to participate by virtue of the options in any share issue of any other company.

Employee share option scheme (cont'd)

Information with respect of the share options outstanding as at the end of the financial year are as follows :

	Number of share options	
	2008	2007
At beginning of year	4,629,000	5,557,000
Lapsed	(1,261,000)	(928,000)
At end of year	<u>3,368,000</u>	<u>4,629,000</u>

Other statutory information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps :
- (i) to ascertain that proper 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 that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render :
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances 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.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Other statutory information (cont'd)

(e) As at the date of this report, there does not exist :

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors :

- (i) no contingent 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 or of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant events

During the financial year, a subsidiary, Pelangi Publishing Holdings Sdn Bhd, increased its interest in Pelangi Multimedia Technologies Sdn Bhd from 30% to 62.134%. Accordingly, Pelangi Multimedia Technologies Sdn Bhd became a subsidiary of the Company.

On 7 January 2009, Penerbitan Pelangi Sdn Bhd acquired 2 ordinary shares of RM1.00 each representing 100%, of the paid up share capital of Pelangi Comics Sdn Bhd at a cash consideration of RM2.00.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 January 2009.

Sum Kown Cheek

Lee Kheng Hon

Statement by directors**Pursuant to Section 169(15) of the Companies Act, 1965**

We, Sum Kown Cheek and Lee Kheng Hon, being two of the directors of Pelangi Publishing Group Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 39 to 91 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 9 January 2009.

Sum Kown Cheek

Lee Kheng Hon

Statutory declaration**Pursuant to Section 169(16) of the Companies Act, 1965**

I, Sum Kown Cheek, being the director primarily responsible for the financial management of Pelangi Publishing Group Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 91 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Sum Kown Cheek)
at Johor Bahru in the State of Johor)
on)

Sum Kown Cheek

Before me,

Report on the financial statements

We have audited the financial statements of Pelangi Publishing Group Bhd, which comprise the balance sheets as at 30 September 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 91.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 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 2008 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Abraham Verghese A/L T.V. Abraham
1664/10/10 (J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 9 January 2009

Income statements
For the year ended 30 September 2008

	Note	Group		Company	
		2008 RM	2007 RM (Restated)	2008 RM	2007 RM (Restated)
Revenue	3	63,138,581	62,346,425	5,000,000	10,000,000
Cost of sales	4	(36,868,611)	(38,602,055)	-	-
Gross profit		26,269,970	23,744,370	5,000,000	10,000,000
Other income		854,550	1,856,961	-	-
		27,124,520	25,601,331	5,000,000	10,000,000
Selling expenses		(7,164,224)	(3,800,886)	-	-
Other expenses		(2,771,811)	(3,833,703)	(708)	(5,890)
Administrative expenses		(6,852,512)	(6,936,926)	(224,435)	(240,763)
Operating profit	6	10,335,973	11,029,816	4,774,857	9,753,347
Finance costs	5	(616,468)	(772,737)	-	-
Share of results of associates		(117,220)	(239,654)	-	-
Profit before tax		9,602,285	10,017,425	4,774,857	9,753,347
Company and subsidiaries		(2,983,310)	(2,874,444)	(1,274,548)	(2,700,000)
Associates		-	16,224	-	-
Income tax expense	9	(2,983,310)	(2,858,220)	(1,274,548)	(2,700,000)
Profit for the year		6,618,975	7,159,205	3,500,309	7,053,347
Attributable to :					
Equity holders of the Company		6,620,680	7,048,382	3,500,309	7,053,347
Minority interests		(1,705)	110,823	-	-
		6,618,975	7,159,205	3,500,309	7,053,347
Earnings per share					
attributable to equity holders					
of the Company (sen) :					
Basic	10 (a)	8.3	8.8		
Diluted	10 (b)	7.9	8.3		

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

Balance sheets as at 30 September 2008

		Group		Company	
	Note	2008 RM	2007 RM (Restated)	2008 RM	2007 RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	24,621,763	26,422,180	-	-
Investment properties	13	2,050,271	2,050,271	-	-
Prepaid land lease payments	14	8,950,200	9,050,672	-	-
Investment in subsidiaries	15	-	-	33,602,321	33,602,321
Investment in associates	16	386,910	775,623	369,907	369,907
Other investments	17	26,490	26,490	-	-
Intangible assets	18	333,798	368,712	-	-
Deferred tax assets	26	2,245,670	2,203,628	-	-
		<u>38,615,102</u>	<u>40,897,576</u>	<u>33,972,228</u>	<u>33,972,228</u>
Current asset					
Inventories	19	21,995,681	16,174,085	-	-
Trade and other receivables	20	15,275,956	14,582,539	17,391,765	16,317,288
Tax recoverable		3,309,390	2,918,852	45,453	103,411
Cash and bank balances	21	16,970,378	21,232,516	713,549	951,356
		<u>57,551,405</u>	<u>54,907,992</u>	<u>18,150,767</u>	<u>17,372,055</u>
Non-current asset held for sale	22	<u>174,789</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>96,341,296</u>	<u>95,805,568</u>	<u>52,122,995</u>	<u>51,344,283</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	27	40,000,000	40,000,000	40,000,000	40,000,000
Share premium		3,162,051	3,162,051	3,162,051	3,162,051
Foreign exchange reserve	28	64,612	(22,843)	-	-
Retained earnings	29	31,081,224	26,236,544	8,852,042	7,127,733
		<u>74,307,887</u>	<u>69,375,752</u>	<u>52,014,093</u>	<u>50,289,784</u>
Minority interests		<u>758,952</u>	<u>385,862</u>	<u>-</u>	<u>-</u>
Total equity		<u>75,066,839</u>	<u>69,761,614</u>	<u>52,014,093</u>	<u>50,289,784</u>