Management DISCUSSION and ANALYSIS

OVERVIEW OF GROUP'S HISTORY AND BUSINESS

Pelangi Publishing Group Bhd. ("PPG"), is a regional educational publishing and printing company established in 1979 which was publicly listed in 2004. Its headquarter 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 40 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 1,700 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 2018 was RM68.2 million, a decrease of RM5.9 million or 8.0% compared with RM74.1 million last year. Revenue from the overseas market increase from 12.0% to 13.0%, as a results of the switch of the group focus on the potential ASEAN market. Revenue from the local market decrease from 88.0% to 87.0% in this year.

Publishing segment continues to be the largest contribution, 86.0% of the total revenue. The second large segment is printing segment, which contributes 10.0% of the total revenue, follow by the others segment 3.0% and education segment 1.0%.

The Group has also secured a contract value of RM0.6 million to publish and print dual language program for Mathematics Form 3 textbook and E-textbook for Mathematics Form 1 for all the national schools throughout Malaysia from the Ministry of Education Malaysia (MoE). The contract is expected to contribute positively to the earnings and net assets of the company for the financial year ended 30 September 2019 onwards.

Other income decreased by 14.0%, from RM2.0 million to RM1.7 million. The decreased of other income was mainly due to the loss of rental income and lower interest income gained from the fixed deposit investment market compared to last financial year.

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

EBITDA for the Group decreased from RM8.0 million to RM4.8 million for 2018. Profit after tax of the Group was RM0.4 million for 2018, a decrease of 84.0% equivalent to RM2.4 million compared with RM2.9 million in prior year.

PAT decreased due to the loss of RM5.9 million revenue compared to last year and the decision of the MoE to disallow of workbook usage for year 1 to year 3 students in primary schools caused the high sales return.

KEY BUSINESS SEGMENTS

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

Publishing and Production Segment

Publishing and production segment contributes 86.0% of the total Group's revenue. It records an operating profit of RM1.6 million compared to RM3.4 million in the last financial year, a decrease of RM1.8 million.

The decrease in revenue was caused by lesser textbook revenue from government open tender during the current period. Besides, reduction of quantity orders for primary school workbook in Malaysia also contributed to the drop in workbook sales. The drop in workbook sales was mainly resulted from the reminders issued by the MoE to disallow workbook usage for first level students (Year 1 to Year 3) and only allow one workbook for each subject for second level students (Year 4 to Year 6).

Revenue from the overseas market increase from 12.0% to 13.0%. The growth are mainly from the school adoption of literacy programme in PT. Penerbitan Pelangi Indonesia (PTPPI) and the school adoption of educational materials in Pelangi Publishing Thailand Co. Ltd. (PPTCL).

As the results of the increase of the overseas revenue, foreign exchange differences become significant to the Group. Despite the tremendous increase in the revenue for PTPPI, the strengthening of Malaysia Ringgit against Indonesia Rupiah has caused PTPPI loss on foreign exchange of RM1.59 million for the year.

Printing Segment

Printing segment contributes 10.0% of the total Group's revenue. Compared to last year, this segment recorded an operating loss of RM0.30 million.

During the transitional period of GST era to GST free and from GST free to SST era, many of the customers put on hold the printing of the pre-printed forms in order to comply with the tax rules. The reduction in printing jobs caused the decrease in revenue by RM0.89 million, where the factory overhead and labor cost remains the same.

Moving towards from print to digital, this is a challenging year for the Group especially in the printing industry. To be in line with the Group prospects, the focus will switch from local markets to the expansion of the getting more printing jobs in the ASEAN countries especially in Indonesia. With more regional printing jobs, the Group will benefits from regionally shared cost including print run and publishing resources.

Education and Other Segment

The education segment and other segment contributed 4.0% of the total Group's revenue. Compared to last year, this education segment has reversed from operating loss RM0.26 million to operating profit RM0.04 million in this financial year.

The education segment is growing steadily, with the increase of the number of students enrolment in the childcare centre and Claz'room Academy in Johor Bahru. The improvement is encouraging. The Group strongly believes that this segment will continue to sparks in the revenue in the nearest future. Education segment continues to play an important role in promoting and uplifting the Group's image and branding to the public.

The other segment generated revenue of RM6.77 million as compared to RM6.01 million for the last financial year with an increase of RM0.76 million.

Other segment's revenue was mainly from the rental income of the factory land and building in Pasir Gudang, Johor.

GROUP OPERATING ACTIVITIES

Liquidity and Financial Resources

PPG generally has been financing its operations through internally generated funds. As at 30 September 2018, the Group retained adequate cash and cash equivalents of RM13 million for working capital despite cash outlay for dividend payment for financial year 2018 of RM1.9 million.

Opportunities and Challenges

One major challenge for the Group is the cyclical factor of the revenue. For academic books, school terms will have impacts on the revenue. The bulk of the Group's revenue comes from first quarter of the financial year (i.e. October 2017 to December 2017) before school terms reopen in January 2018. Then the revenue cycle is expected to drop with higher sales return in the last quarter (i.e. July 2018 to September 2018).

However, the Group sees this as a challenge and also an opportunity. This year, the Group has made some efforts in increasing non-academic sales and manage to reverse the seasonal patterns in the last quarter of the year.

The second challenge is the uncertainty of the direction of the national education plans, as well as the key initiatives by the government. For the textbook tenders, it is very much depends on the latest government education plans and the revolution of the digital textbook.

Again, by diversifying the business to non-academic sales, early learning products, educational toys, Augmented Reality products etc, a great potential has been seen to reach into different market segments in order to generate more incomes to the Group.

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

GROUP PROSPECTS

The world is having the revolution of print to digital. PPG as the leader in the publishing industry in Malaysia is moving forward accordingly to the trend. To be in line with the MoE ideas of transforming printed textbook to digital textbook stage by stage, PPG is ready to transform the publishing industry to the next level.

More focus will be on creating digital contents, e-books, digital learning tools, Augmented Reality products, animations, touch and learn books etc.

Markets outside Malaysia will be PPG's key growth drivers in the coming 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. With its stronger management team in place, the Group expects further growth in the financial year 2019.

In order to reach for operational excellence, the management has started to streamline the reliance on the human resources to more automation works, with a shorter lead time.

Besides, with the growth of sales in Indonesia and Thailand, it creates the opportunity to have more regional shared load for the print run and publishing resources. With shared resources, the operational cost can be kept at the minimum.

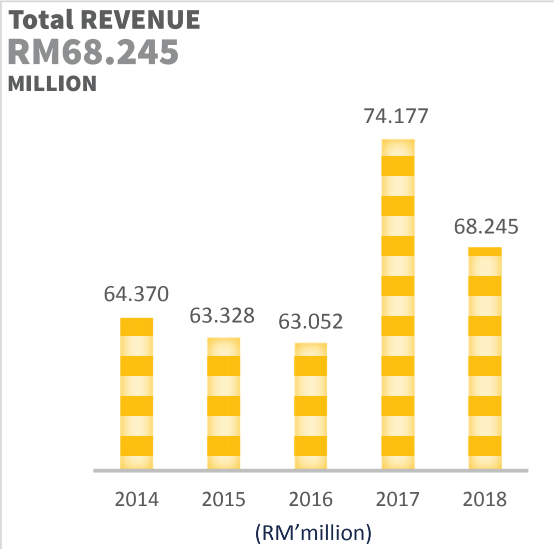
This year, PPG is celebrating its 40th anniversary. PPG is now recognized as one of the leaders in the publishing industry, continues to emphasize on the quality books for quality education. The Group is optimistic that the prospects of the Group for the financial year of 2019 would remain profitable.

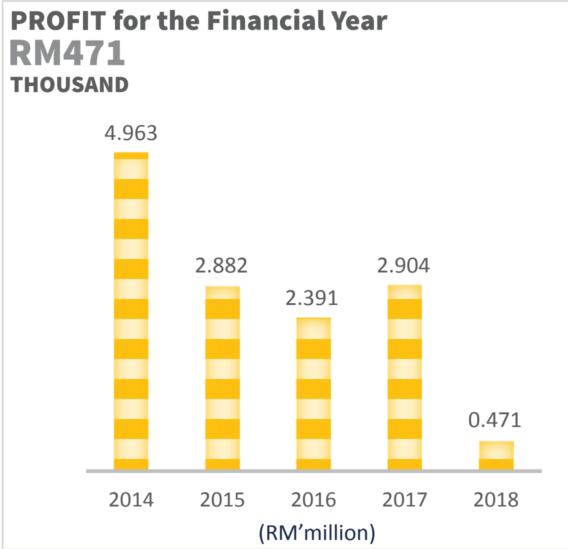
DIVIDEND PAYOUT

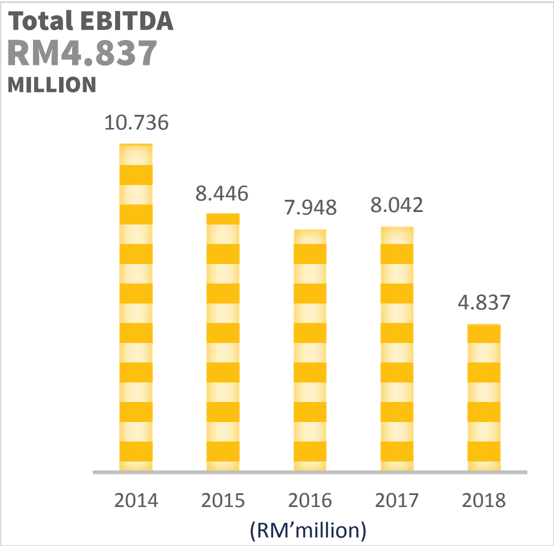
	2018	2017
Dividend Per Share (sen)	0.50	2.00
Dividend Payout Ratio (%)	102.53	67.20
Dividend Yield (%)	1.00	4.00

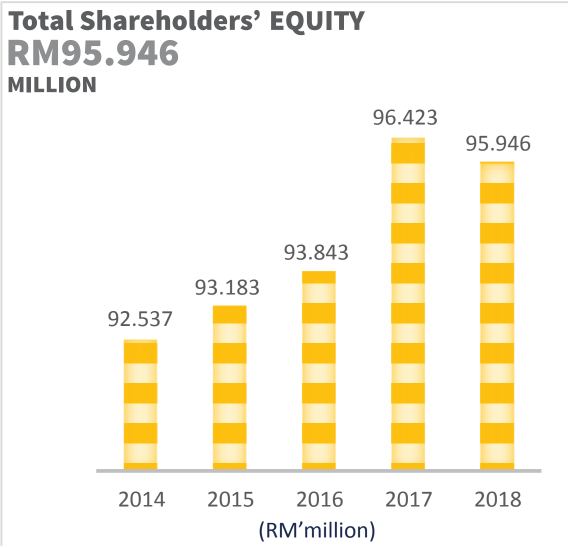
The Group proposes to declare a dividend of 0.50sen per share this year (FY2017 – 2.00sen per share) or RM482,988.00.

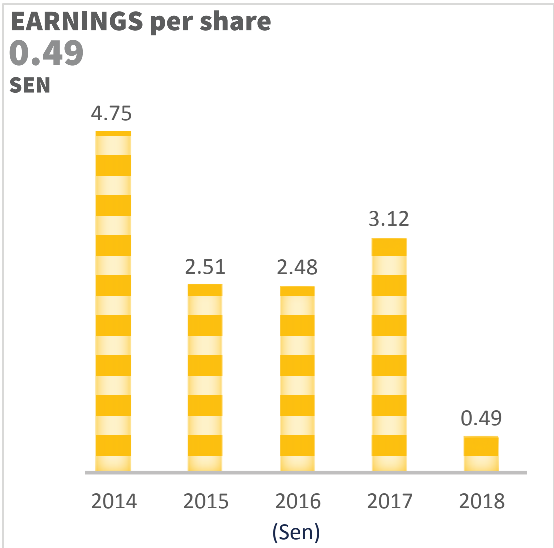
Five Years Group Financial Highlights

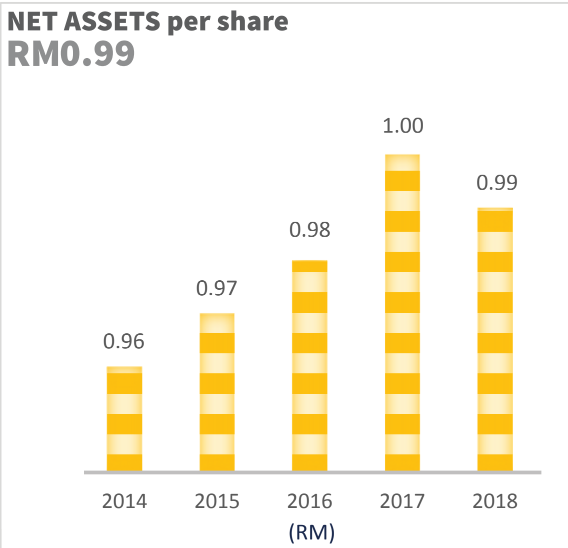












DIRECTORS' Profile

AGE 66 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 the 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 Penerbitan Pelangi Sdn. Bhd. ("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 and Educational Product 2013-2014 and Best Brand Award – Most Sustainable Brand leadership in Publishing and 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 substantial shareholder of PPG. Please refer to page 177 of this Annual Report for his securities holding.

AGE 33 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 is a member of Risk Management Committee. 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. Please refer to page 177 of this Annual Report for his securities holding.

AGE 40 M

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. (PPTCL), 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. Please refer to page 177 of this Annual Report for his securities holding.

AGE 56 F

DATIN DR. NORRIZAN BINTI RAZALI

Independent Non-Executive Director

Datin Dr. Norrizan Binti Razali, was appointed as Independent Non-Executive Director of the Company on 30 November 2018. She is also a member of the Audit Committee, Nomination Committee and Remuneration Committee. She obtained her PhD from the University of Pennsylvania, U.S.A, Masters in Teaching English as Second Language from San Francisco State University, U.S.A and Degree in Education from Southeast Missouri State University, U.S.A.

She has garnered an illustrious 25-year career in the education industry that encompasses the academia at the National University of Malaysia (UKM), as well as programme management, consultancy and policy formulation at the Institute of Strategic and International Studies and the Multimedia Development Corporation. Having led the management of sales operations at Microsoft and Apple, Datin Dr. Norrizan is now a resolute entrepreneur dedicated to pursuing her passion in helping education institutions, educators and school leaders to meet their fullest potential.

She founded Tech Capacity which is focused on sustaining and scaling the mission of building educators and education leaders' capacity with collaborators who share her passion. She is also the chairman of the Board of Governors in GEMS International School and International School at Tropicana Metropark. An Ivy League qualified educationalist, who features regularly in local and global forums, her views on education trends resonate with audiences from education institutions, businesses, and government agencies. Please refer to page 177 of this Annual Report for her securities holding.

AGE 50 M

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, Nomination Committee, a member of Risk Management Committee and Remuneration 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. Please refer to page 177 of this Annual Report for his securities holding.

AGE 34 M

WONG TUCK CHEONG

Non-Independent Non-Executive Director

Wong Tuck Cheong, was appointed as Non-Independent Non-Executive Director of the Company on 30 November 2018. He is also a member of the Audit Committee. He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), ASEAN Chartered Professional Accountant (ACPA) and a Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom.

He has more than 9 years of experience in audit and finance. He started his career as an auditor in a public accounting firm and is currently attached to Baker Tilly Malaysia in Kuala Lumpur.

In addition to his professional career as a Chartered Accountant, he has broad ranging corporate experience having held various senior positions including Accountant, Executive Director and Corporate Adviser of a privately held group of companies with interest in education, retailing (tyres), food and beverage and investment holdings since 2011. Please refer to page 177 of this Annual Report for his securities holding.

AGE 41 | 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. She is also a member of the Nomination Committee and Audit 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 177 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 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
Profile

AGE 66 | M

DATUK SUM KOWN CHEEK
Executive Chairman and Group Managing Director

Please refer to Directors' Profile.

AGE 33 | M

SUM LIH KANG
Deputy Managing Director of Penerbitan Pelangi Sdn. Bhd.

Please refer to Directors' Profile.

AGE 40 | M

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

Please refer to Directors' Profile.

AGE 60 | M

DR. POH SWEE HIANG
Publishing Director of Penerbitan Pelangi Sdn. Bhd.

Dr. Poh Swee Hiang, was appointed as Publishing Director in 1 January 2018. He obtained his PhD specialising in business model of eBooks from University of Malaya. Dr. Poh graduated from University of Science with Education and Master in Education. He is also an MBA from Edinburgh Business School, Heriot-Watt University, Scotland, UK.

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 53 M

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 of 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.

Corporate GOVERNANCE OVERVIEW Statement

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 introduced in 2017 ("MCCG"). The manner and extent of compliance are stated as follows:

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of the Board

The Board recognises the role it plays in charting the strategic direction and managing the business and affairs of the Group, including ensuring compliance with the Group's corporate objectives. 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 are responsible for overall management of Board activities and ensuring that the Board discharges its defined responsibilities.

The roles and responsibilities of the Board are available on Company's corporate website www.pelangipublishing.com under Board Charter.

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 organisation. 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.

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

All duties of the Company Secretary carries out is available on Company's corporate website www.pelangipublishing.com under Board Charter.

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 deliberations and decisions at Board Meeting are well documented in minutes by Company Secretary. The status of actions taken with reference to the previous minutes of meetings is updated in the matter arising for the Board's notation. iPads are also given to each director for the Board Meeting. The documents and minutes will be uploaded to the apps on the iPad and will be notified via WhatsApp messaging group.

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 Charter

The Board Charter outlines the role, functions, composition, operation and processes of the Board. It also seeks to ensure all Board members are aware of their duties and responsibilities as Board members. The Board Charter also aims to outline the Board's long term strategic intent of PPG.

The Board Charter is available on Company's corporate website www.pelangipublishing.com. The Board Charter was last reviewed in 13 December 2018.

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.

Whistleblowing

The Company does not tolerate any malpractice, impropriety, statutory non-compliance or wrongdoing by employee in the course of their work. The Company is committed to the highest possible standards of openness and accountability. The Whistleblowing Policy is intended to provide a framework to promote responsible and secure whistleblowing without fear of adverse consequences. In line with that commitment the Company expects employees and outside parties, such as suppliers, customers, contractors and other stakeholders to come forward and voice those concerns.

The Whistleblowing Policy is intended to encourage and enable employees and outside parties to raise serious concerns within the Company rather than overlooking a problem or "blowing the whistle" outside. Thus, the Policy allows for reporting employees or outside parties without fear of reprisal, discrimination or adverse consequences and also permits the Company to address such reports by taking appropriate action, including, but not limited to, disciplining or terminating the employment of those responsible.

The Whistleblowing Policy is available on the Company's corporate website www.pelangipublishing.com under Code of Conduct.

Composition of the Board

As at the date of this Annual Report, the Board consists of seven (7) members comprising one (1) Executive Chairman, two (2) Executive Directors, three (3) 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 22 to 25 of the Annual Report.

Changes in Board Composition

In FY 2018, the changes in the Company's Board are as follows:-

New Appointments

1) Datin Dr. Norrizan Binti Razali as Independent Non-Executive Director, appointed on 30 November 2018.
2) Wong Tuck Cheong as Non-Independent Non-Executive Director, appointed on 30 November 2018.

Retirement

1) Datuk Sam Yuen @ Sam Chin Yan retired and relinquished his directorship in the Company on 30 November 2018. Datuk Sam Yuen was appointed as Non-Independent Non-Executive Director of PPG on 14 January 2008.

Board Membership

The Board considers the appointments of new Directors 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 Directors have been 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 subjected to re-election at the next AGM following their appointments. All PPG's 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 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 nine years 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, the Board will seek for two-tier voting in the next AGM to extend her tenure.

Board Meetings

The Board met six (6) times during the financial year 2018 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 2018, there were additional meeting have been held. When it is not possible to hold any meeting, a circular resolution will be passed by the Board. As 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 2018 are set out below:

Name of Directors	Directorship	Attendance
Datuk Sum Kown Cheek	Executive Chairman and Group Managing Director	6/6
Vincent Wong Soon Choy	Independent Non-Executive Director	6/6
Datuk Sam Yuen @ Sam Chin Yan	Non-Independent Non-Executive Director *(Retired on 30 November 2018)*	6/6
Syahriza Binti Senan	Independent Non-Executive Director	6/6
Sum Lih Kang	Executive Director	6/6
Koh Siew Shern	Executive Director	6/6
Datin Dr. Norrizan Binti Razali	Independent Non-Executive Director *(Appointed on 30 November 2018)*	
Wong Tuck Cheong	Non-Independent Non-Executive Director *(Appointed on 30 November 2018)*	

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. 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	• MCCG & Sustainability Report Seminar • Publishing: Now and the Future
Datuk Sam Yuen @ Sam Chin Yan	• Publishing: Now and the Future
Vincent Wong Soon Choy	• MCCG And Bursa's Listing Requirements: Application, Disclosure And Reporting Expectations • Publishing: Now and the Future
Syahriza Binti Senan	• MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure • Publishing: Now and the Future
Sum Lih Kang	• MCCG & Sustainability Report Seminar • Moving Forward in Retail • Publishing: Now and the Future
Koh Siew Shern	• Digital Marketing and Selling Expanding Your Brand Awareness and Marketing Outreach • Publishing: Now and the Future

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 three (3) Independent Non-Executive Directors. For 2018, the members of Committee are as follows:

Members of the Nomination Committee as at Year 2018

	Name of Member	Directorship
Chairman	Vincent Wong Soon Choy	Independent Non-Executive Director
Member	Syahriza Binti Senan	Independent Non-Executive Director
Member	Datin Dr. Norrizan Binti Razali	Independent Non-Executive Director *(Appointed on 30 November 2018)*

There were two (2) meetings held during the financial year, which was attended by all the committee members except for Datin Dr. Norrizan Binti Razali who is appointed on 30 November 2018.

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.

The Committee has undertaken the following activities for year 2018:

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;

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 178 of this Annual Report and the Directors' profiles are disclosed separately on pages 22 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.

Recruitment and Appointment of Directors

The Nomination Committee is responsible to recommend to the Board for the appointment of new Directors. The appointment of new Directors meant to meet the needs of the Board in line with the Company's strategies and business objectives.

The criteria to be used by the Nomination Committee in the selection and appointment process is mainly to ensure the Board comprises the range of diversity perspectives, but not limited to professional experiences, business experiences, skills, knowledge, age, gender, ethnicity and educational background. The appointment of Directors will be based on merit and contribution that the selected candidate bring to the Board.

The Board is supportive of gender diversity in the boardroom to promote the representation of woman in the composition of the Board. The Nomination Committee will continue to ensure that suitable women candidates are considered as part of its recruitment exercise. At present, the Board has a female Independent Non-Executive Director, Syahriza Binti Senan.

The newly appointed Independent Non-Executive Director is also female, and hence there are now two Independent Non-Executive female Directors in the Board. PPG is making progress on gender balance and diversity in the workforce and boardroom with an aspiration to achieve 50% female which in line with the Board composition towards complying to the practices.

The source for candidates is performed through various means which include recommendations from incumbent Directors, Management or external parties including the Company's contacts in related industries, as well as from the finance, accounting and legal professions.

Annual Evaluation of the Board

An evaluation shall be carried out by the Nomination Committee annually, on the effectiveness of the Board as a whole, the Board committees and the contribution of each individual Director.

Amongst the most important criteria for evaluating Board performance are:-

- Individual Board members' understanding of the Company's mission and strategic plan;
- Board members' understanding and knowledge of the Company's business;
- Readiness to ask management probing questions or interrogate management when required; and
- Particular knowledge that Board members bring to add value to the Company.

The Independent Directors are expected to provide a balanced and independent view. It calls for persons of calibre, integrity, with requisite business acumen, and the credibility, skills and experience to bring independent judgement on issues of strategy, performance and resources, including key appointments and standards code of conduct.

On a different note, there are also few areas that PPG will try to improve for the effectiveness of the annual evaluation of the Board. The Group will provide more on-going trainings for the Directors, especially newly appointed Directors to shed light on board-specific strategies to mitigate risk and maximize the Group performance. The Group will also try to have rotation visits to different subsidiary offices to understand the Company's operation and growth and get regular updates from the subsidiaries.

The summary of the evaluation and comments by each individual Director are tabled to the Nomination Committee and reported to the Board.

Board Assessment Policy that has been established in 15 July 2016 is set out on the Company's corporate website www.pelangipublishing.com under Board Charter.

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
Member	Datin Dr. Norrizan Binti Razali	Independent Non-Executive Director *(Appointed on 30 November 2018)*

There were two (2) meetings 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's fee with additional allowance based on the responsibilities and any other special skills and expertise that are brought to the Board.

Meeting allowances will be given to Directors who attend and present at the Board Meeting.

The details of the total remuneration accrued for the Directors of the Company during the financial year 2018 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 2018 is as follows:

Category of Remuneration	Group (RM)	Company (RM)
Executive Director		
Salaries and other emoluments	597,725	11,200
Bonus	92,972	-
Defined Contribution Plan	43,332	-
Social Security Contribution	829	-
Fees	116,994	48,000
Non-Executive Director		
Fees	80,500	80,500
Other emoluments	11,500	11,500

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	1	-
200,001 – 250,000	-	-
250,001 – 300,000	1	-
400,001 – 450,000	1	-

The above remuneration for FY2018 included:
a) Datuk Sam Yuen @ Sam Chin Yan – Non-Independent Non-Executive Director (Retired on 30th November 2018)

Senior Management's Remuneration

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

The summary of the remuneration of the Senior Management in respect of the financial year ended 30 September 2018 is as follows:

Category of Remuneration	Group (RM)		Company (RM)	
	2018	2017	2018	2017
Salaries and other emoluments	1,031,601	935,361	11,200	6,050
Bonus	109,605	107,426	-	-
Defined Contribution Plan	153,539	143,260	-	-
Social Security Contribution	2,921	2,743	-	-

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

The Audit Committee comprises of four (4) members, all of whom are Non-Executive Directors, with a majority Independent Directors. The Audit Committee is chaired by an Independent Non-Executive Director who is a Chairman of the Board.

The Audit Committee assists the Board in overseeing the financial reporting of the Company by reviewing the quarterly financial reports and Annual Audited Financial Statements to ensure they are drawn up in accordance with the Companies Act 2016 and applicable accounting standards prior to recommending them for Board approval and issuance to shareholders.

The Board has reviewed and considered the skills and experience of Audit Committee members, to be sufficient and relevant to enable the proper discharging of responsibilities by Audit Committee.

The Terms of Reference of the Audit Committee state that a former key audit partner to observe cooling period of at least 2 years before it can be considered for appointment as an Audit Committee member of the Company, please refer to the Company's corporate website. This is to safeguard the independence of the audit by avoiding the potential threats which may arise when a former key audit partner is in a position to exert significant influence over the audit and preparation of the Company's financial statements. The Terms of Reference of Audit Committee is available on the Company's corporate website www.pelangipublishing.com under Board Charter.

External Auditor

The Audit Committee is responsible for assessing, reviewing and supervising the performance, suitability and independence of External Auditors. The objective of External Auditors Assessment Policy is to outline the guidelines and procedures for the Committee to assess, monitor and review the External Auditors.

Audit Committee carried out annual assessment on the performance of Grant Thornton Malaysia, on the suitability and independence of the External Auditors on the following areas:-

- Quality of service;
- Sufficiency of resources;
- Communication with management;
- Independence, objectivity and professional scepticism

The Auditor Assessment Policy is available on the Company's corporate website www.pelangipublishing.com under Board Charter.

Following the assessment, the outcome of the evaluations and annual assessment of external auditors which supported by the Audit Committee's recommendation, the Board has accepted the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming Annual General Meeting for re-appointment of Grant Thornton Malaysia as external auditors of the Company for the financial year ending 30 September 2019.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Effective Risk Management & Internal Control Framework

The Board maintains a sound risk management framework and system of internal control to safeguard shareholders' investment and the Company's assets. The framework is designed to identify, evaluate, control, monitor and report the principal business risks faced by the Company on an on-going basis.

The Board has established a Board Risk Management Committee on 18 September 2017 which comprises two (2) Independent Non-Executive Directors and one (1) Executive Director. For FY 2018, 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 were three (3) meetings held during the financial year, which were attended by all the committee members.

The Board Risk Management Committee is responsible to oversee the overall risk management of the Company, particularly on the catastrophic areas of the business. The Board Risk Management Committee, supported by sub Risk Management Committee established at respective business units that are responsible for identifying, managing and mitigating risks through a systematic risk evaluation or profiling exercise. The details of Risk Management Framework are available in the Statement on Risk Management and Internal Control on pages 41-47 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 41 to 47 of this Annual Report provides an overview of the state of internal control within the Group.

With the Internal Audit

The Group has outsourced the internal audit function to an independent service provider reporting directly to the Audit Committee. 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 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 2018, Internal Auditing has been carried out and the Audit Committee is briefed on the findings raised by the Internal Audit on the following areas:

a. Human Resource for Tunas and PPSB
b. Commercial Press Production Management

The internal audit were carried out to assess the adequacy and effectiveness of The Commercial Press Sdn. Berhad systems of internal controls processes and the Company's compliance with the Group's policies and procedures. Based on the result, there were few controls and risks required further improvement in order for the overall control mechanism to operate effectively. It was noted that presence of all key controls and non-key controls weaknesses and absence of less significant controls due to cost/benefit trade-off or less significant control weaknesses were noted too in a number of control components but with compensating controls.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

Communication with Stakeholders

The Board acknowledges the importance of an effective communication channel between the Board, stakeholders, institutional investors and the investing public at large to provide a clear and complete picture of the Group's performance and position as much as possible. The Group is fully committed in maintaining high standards in the dissemination of relevant and material information on the development of the Group in its commitment to maintain effective, comprehensive, timely and continuing disclosure.

The Board has established Corporate Disclosure Policy which available on the Company's corporate website www.pelangipublishing.com in relation to provision of accurate, timely, consistent and fair disclosure of corporate information to enable informed and orderly market decision by investors.

ANNUAL GENERAL MEETINGS

Annual General Meetings

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 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.

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 67 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 2018, the Group 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 Malaysian Financial Reporting Standards have been followed during the preparation of the financial statements.

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

The Directors have ensured timely release of quarterly 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 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 Directors ("the Board") of Pelangi Publishing Group Bhd ("PPG") acknowledges the importance of maintaining a good risk management and internal control system in PPG and its subsidiaries (collectively, "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 system of the Group for the financial year ended 30 September 2018 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"). The scope of this statement includes PPG and its operating subsidiaries.

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 so as to provide assurance on the achievement of the Group's corporate objectives and strategies and to safeguard all its stakeholders' interests and protecting the Group's assets as well as to establish risk tolerance of the Group based on the corporate objectives, strategies, external environment, business nature and corporate lifecycle. The Board has delegated the oversight roles of risk management to the Board Risk Management Committee and the roles to review the adequacy and effectiveness of the internal control system to the Audit Committee. Through the Board Risk Management Committee and the Audit Committee, the Board is kept informed of all significant risk and control issues brought to the attention of the Board Risk Management Committee and the Audit Committee by the Management, the internal audit function and the external auditors, as applicable.

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 supported by receipt and review of the management accounts and inquiries thereon. These involvements 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.

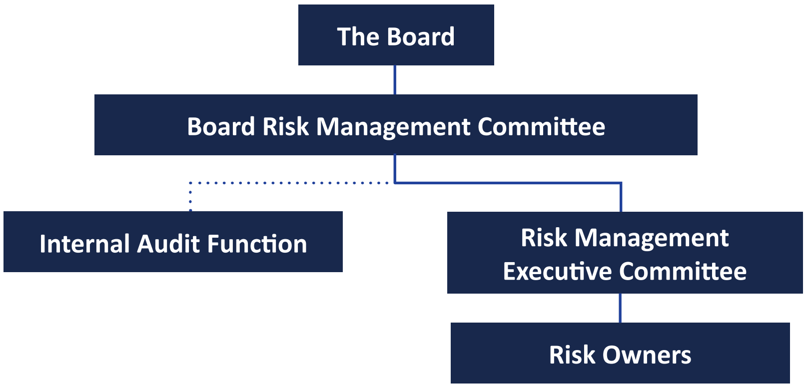
THE RISK MANAGEMENT

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 principles, practices and process of Risk Management Framework established by the Board are, in material aspects, guided by the ISO 31000:2018 – Risk Management Guidelines.

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 as follows:



Clear roles and responsibilities of the Board, Board Risk Management Committee, Risk Management Executive 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 Executive Committee and composition of the Risk Management Executive Committee approved by the Board.

The Board Risk Management Committee, chaired by an Independent Director, is made up of two (2) Non-Executive Directors and one (1) Executive Director, a majority of whom is Independent Directors.

The Risk Management Executive Committee is chaired by the Executive Chairman cum 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 Executive 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 Executive Committee and assist with the development of the management action plans and implement these action plans; and
  - assist the Risk Management Executive 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 on-going risk identification, risk assessment, control identification, risk treatment and control activities are laid down for application by the Risk Management Executive Committee and the Management. Risk assessment, at gross and residual level, are guided by the likelihood rating and impact rating established by the Board based on the risk tolerance acceptable by the Board 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 Executive Committee with relevant key risks identified rated based on the agreed upon risk rating for identification of high residual risks above the risk tolerance 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 Executive Committee is scheduled to review the key risk registers and assessment of emerging risks identified at strategic and operational level, taking into internal and external factors, on annual basis or at more frequent interval(s) if circumstances required and to report to the Board Risk Management Committee on the results of the review and assessment. During the financial year under review, the Risk Management Executive Committee convened a review and assessment meeting whereby existing strategic, governance and key operational risks identified previously were reviewed for its relevancy and were re-assessed 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 Board Risk Management Committee 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 tolerance. 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. The monitoring of the achievement of corporate objectives in line with the risk tolerance established is achieved by reviewing the financial and non-financial performance of the Group and progress of implementation of business strategies approved by the Board during scheduled meetings during the financial year under review.

As the first line of defense, respective risk owners are responsible for managing the risks under their responsibilities based on risk assessment process as established. 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.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

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 whereby roles and responsibilities of the Board and the Executive Chairman cum Group Managing Director (i.e. the Management) are specified to preserve the independence of the Board from the Management.

  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, Accountability and Authorisation**

  The Group has a well-defined organisation structure in place with clear lines of reporting and accountability. The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated and accountability of performance and controls are assigned accordingly to competent staffs to ensure operational efficiency. The establishment and communication of job responsibilities and accountability of performance and controls for key positions are further enhanced via the job descriptions established by the Management. 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 Executive Chairman cum 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 (which are enhanced by continuous trainings thereafter) 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, key results areas (KRA) are formulated to assess the performance of individuals of the respective divisions/departments against objectives established for prompt management action to be taken for unsatisfactory operational performance. In addition, 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.

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.

The internal control review engagements by outsourced internal audit function were led by engagement Director or senior managers assisted by at least one (1) senior consultant and one (1) consultant during the financial year under review.

Based on the review of the works performed and deliverables by the outsourced internal audit function during the financial year, the Audit Committee and the Board are satisfied:

- that the outsourced internal audit function is free from any relationships or conflicts of interest which could impair their objectivity and independence;
- with the scope of the outsourced internal audit function;
- that the outsourced internal audit function possesses relevant experience, knowledge, competency and authority to discharge its functions effectively, possesses sufficient resources and has unrestricted access to employees and information for the internal audit activities; and
- with the internal audit plan, processes, the results of the internal audit plan, processes or investigation undertaken

Risk-based internal audit plan in respect of financial year ended 30 September 2018 was drafted, after taking into consideration existing and emergent key business risks identified in the key risk profile of the Group, the considerations from Audit Committee, 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.

As the 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 2018, the outsourced internal audit function conducted two (2) cycles of internal control reviews in accordance to the internal Audit Plan as follows:

- production governance management, production and resources planning, production controls, material and goods management, quality assurance and control, yield and wastage management, maintenance and compliance of major law and regulations of one (1) of its subsidiaries specialising in printing; and
- human resource governance management, human resource management policy, human resource planning, major human resource processes, succession planning and performance measurement of two (2) key operating subsidiaries.

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 Executive Chairman cum Group Managing Director, being the highest ranking executive in the Group and 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

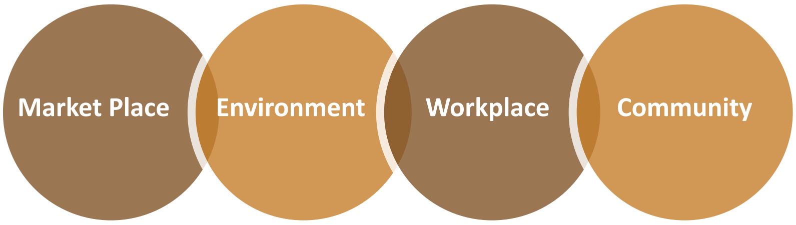
Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 (revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management 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.

OPINION AND 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 Executive Chairman and Group Managing Director, the Board is of the opinion 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 in our core values, day-to-day operations and business plans. Our sustainability leadership is led by our Board of Directors, who oversee and ensure that PPG pursues its regulatory and commercial objectives, and remains as a responsible and sustainable organisation.

We focus strongly on delivering values and maximising contributions to our shareholders, and at the same time 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**

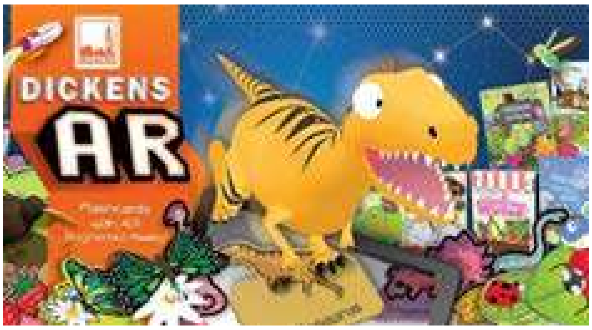
  Book publishing initially starts with author's manuscript and ends with book printing. With the rapid technological advancement, the digital environment had increased the number and scope of delivery platforms.

  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 empowerment and care for our environment.

  PPG aims to be the leading and reputable book publisher for its quality educational publications in the ASEAN region. By working with top educators, authors and editors, we develop and improve learning methodologies to help in improving the regional education standards, which in turn will help to 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. We also work closely with other esteemed institutions such as Malaysian Ministry of Education and IPST Thailand (Promotion of Teaching Science and Technology) as well. Such collaborations are carried out to initiate, coordinate, evaluate, execute and promote the study and research of curricular, which includes teaching and learning techniques in the area of science, mathematics, and technology at all educational levels with focus on basic education.

  With the continuous effort to address issues related to the current and future trends in education, the Group will stay relevant and prosper in the coming years, in line with goals for different educational 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 which combine with our contents and latest available technology. 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.

With ASEAN market in mind, we intend to expand our digital products to enter the market by sharing the concept of the existing digital products developed by the Malaysian team with our regional team in Thailand and Indonesia while they are exploring their markets for digital products.

Apart from that, PPG is also collaborating with different e-book store platforms to promote Pelangi's e-books and e-magazines to a wider audience in Google Play, Ookbee (Thailand), E-sentral (Malaysia), Kaki Buku and Amazon.com's Kindle. In response to the needs of 21st century learning and teaching, PPG has joined forces with FrogAsia Sdn. Bhd. to deliver free digital quizzes via the 1BestariNet Malaysian students. Powered by services and technology, these online platforms help PPG to improve educational access and outcome through our capabilities to create content and assessment.

In this digital era, PPG will remain relevant by embracing technological innovation and diversifying beyond publishing, to offer e-learning and technology-driven information solutions. This statement is 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. In 2019, MoE Malaysia will launch its first digital textbook and Pelangi is the publisher for Form 1 Digital Mathematics textbook. PPG will continue to develop and explore new, innovative digital products to benefit the young generation.

• Regional Expansion

PPG's participation in the recent ASEAN Publishing Forum held in Philippines has injected PPG with confidence in developing more publications that suits the potential ASEAN markets which has the largest segments of youth target audience under the age of 30.

Through our regional offices, more investment and product development will be placed in growing PPG's footprint in ASEAN markets. Furthermore, our achievements have laid a solid foundation for our future and the challenges ahead especially in Thailand and Indonesia market, from which we can continue to pivot our business to seize growth opportunities and coming up with more localised educational products. The Group has seen good growth in Indonesia market last year and expects further growth in the coming financial year.

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

In addition, such collaborations not only grant us access to regional resources, expertise and reach, but more importantly provides us with insights and learnings to enable delivery of an immersive customer experience on a regional level.

- **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 have expanded our sales channels in e-commerce in recent years, such as through our own online bookstore, Pelangibooks.com and other channels like Lazada, Google Play Books, e-Sentral and KakiBuku. In addition to the aforementioned channels, we have also utilised TV channels such as Astro-Go-Shop, baby products platforms and digital fairs in our local region.

Last year, we undertook the task of rebranding and redesigning of our website. We changed our Pelangibooks's online bookstore website design and layout to enhance and smoothen our customer's online shopping experience. From visuals to usability, every single element is crucial to the customer experience which leads to a huge impact on PPG's brand ability to retain and attract old and new customers alike.

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 has also continuously source good content worldwide, translate and introduce the content to our regional markets such as the Harry Potter Series and Highlight Hidden Pictures.

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.

In 2018, PPG has collaborated with Philippines publisher, Rex Bookstore to develop Primary Science Worktext, named "The Scientist in Me" which adapted to Philippines local syllabus. With the launching of this series, PPG sees publishing industry is now moving from an individualistic knowledge acquisition culture towards a collaborative knowledge creation culture.

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 group of employees and stakeholders.

Over the years, PPG has been putting effort 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.

While aiming for greater cost efficiency in our operations, PPG also pays close attention to the waste management and paper usage practices in our 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 encourage for performance improvement and offer valuable opportunities to focus on quality of work and common objectives to identify and correct issues with the job force. In fiscal year 2018, 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.

In addition, we are focused on continuing to attract top talent from universities and encouraging candidates to bring their unique skills and experiences to our Company. Hiring fresh young talent is an important strategic way to secure innovative thinkers who will contribute greatly to the Company. Thus, we are continuously committed by hiring interns and offer full time positions.

Since 2016, PPG introduced ESOS for all its eligible employees. Under the scheme, PPG's 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**

As PPG recognises the great importance of employees as Company's valuable assets, it has provided a safe and healthy working environment to its employee with comprehensive occupational health and safety resources.

PPG is committed to provide an interactive and conductive working environment. Thus, PPG plans to conduct Health and Safety Awareness training to equip the employees with today's working needs and latest industrial technologies.

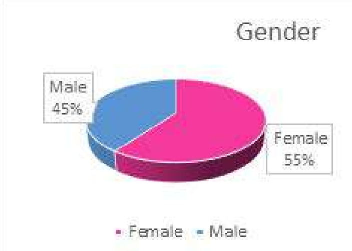
- **Ethical and Responsible Business**

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 applies to vendors, contractors and temporary employees.

Compliance in the workplace starts with respect for basic human rights and dignity. PPG's Code of Conduct gives us clear guidance on ethics at workplace.

- **Diversity and Equal Opportunities**

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



Over 50% of our workforce in our organisation stands from women. All of our employees, regardless of gender, are given to reach their full potential. From the pie chart, you can view the gender distribution of our employees excluding foreign workers and part-time workers.

COMMUNITY

- **Community Investment**

PPG invests in communities to instil reading habits and to develop future best-seller writers. PPG directs its community support towards local education, by organising knowledge sharing session through the collaboration of different local organizations. 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;
- Pelangi "Publishing and Printing House Visit", for teachers and children to learn about the process of publishing and printing;
- Talent development through our variety Advertising and Promotion activities;
- Organising the annual competitions eg. Children Poetry Writing Competition and Fable Writing Competition

- **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' home. Employee's participation is the key to success of these initiatives. Such initiatives helped to increase employee's interaction outside working hours, build camaraderie and support inter-departmental bonds. Whilst communities benefit, our employees benefit too.

The Group seeks to make positive impact by promoting education and literacy, supporting our authors, and helping our local communities through innumerable local activities. Each year, PPG donates thousands of books to various school libraries, community libraries and charitable organisations. Books are given to low-income families to promote reading among children who have less or no access to books.

Throughout the financial year 2018, PPG has donated books to several libraries and schools. The sponsorship activities are available on the Company's corporate website www.pelangipublishing.com.

Last year, we collaborated with CRC (Community Recycle for Charity) for a Recycling Campaign. PPG is taking proactive steps in supporting green initiatives and environmental action as part of our CSR activities. This program will help us divert waste and do our part to reduce our impact in the local community.

CRC helped to turn our unwanted or unused recyclable items into cash to help those in needs. We have also adopted a recycle bin from CRC for Pelangi Bangi Office to make it easier, more convenient for our employee to recycle. We believe that recycling will help to reduce the amount of things thrown away as garbage and is an important and simple step to building a greener community.

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 that 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 four [4] Directors as indicated below:

Name of Member		Directorship
Vincent Wong Soon Choy	Chairman	Independent Non-Executive Director
Syahriza Binti Senan	Member	Independent Non-Executive Director
Datin Dr. Norrizan Binti Razali	Member	Independent Non-Executive Director *(Appointed on 30 November 2018)*
Wong Tuck Cheong	Member	Non-Independent Non-Executive Director *(Appointed on 30 November 2018)*

AUDIT COMMITTEE DIARY

During the year 2018, 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
Datin Dr. Norrizan Binti Razali *(Appointed on 30 November 2018)*	
Wong Tuck Cheong *(Appointed on 30 November 2018)*	

For year 2018, 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 2018 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. human resource for Tunas and PPSB and Commercial Press production management.

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 2018 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 Internal Auditor has been assessed by the Nomination Committee and is satisfied with their professionalism in financial year 2018.

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

30 SEPTEMBER 2018

CONTENTS **PAGES**

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS	Datuk Sum Kown Cheek Vincent Wong Soon Choy Syahriza Binti Senan Sum Lih Kang Koh Siew Shern Datin Dr. Norrizan Binti Razali (appointed on 30 November 2018) Wong Tuck Cheong (appointed on 30 November 2018) Datuk Sam Yuen @ Sam Chin Yan (retired on 30 November 2018)
AUDIT COMMITTEE	Vincent Wong Soon Choy Syahriza Binti Senan Datin Dr. Norrizan Binti Razali (appointed on 30 November 2018) Wong Tuck Cheong (appointed on 30 November 2018) Datuk Sam Yuen @ Sam Chin Yan (retirement on 30 November 2018)
SECRETARIES	Huan Chuan Sen @ Ah Loy Leong Siew Foong Zarina Binti Ahmad (resigned on 30 September 2018)
REGISTERED OFFICE	Suite 6.1A, Level 6 Menara Pelangi, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Ta’zim
PRINCIPAL PLACES OF BUSINESS	No. 66, Jalan Pingai Taman Pelangi 80400 Johor Bahru Johor Darul Ta’zim

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

CORPORATE INFORMATION (CONT'D)

PRINCIPAL PLACES OF BUSINESS (CONT'D)	Lot 8, Jalan P10/10 Kawasan Perusahaan Bangi Bandar Baru Bangi 43650 Bangi Selangor Darul Ehsan
AUDITORS	Grant Thornton Malaysia (Member of Grant Thornton International Ltd) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
PRINCIPAL BANKERS	Malayan Banking Berhad Public Bank Berhad RHB Investment Bank Berhad Alliance Bank Malaysia Berhad
SHARE REGISTRAR	Symphony Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1, Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad

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 2018.

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	471,075	2,893,478
Attributable to:-		
Owners of the Company	473,091	2,893,478
Non-controlling interest	(2,016)	-
	471,075	2,893,478

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 2% on 96,597,500 ordinary shares in respect of the financial year ended 30 September 2017 declared on 6 April 2018 and paid on 26 April 2018	1,931,950

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting ("AGM"), a final single tier dividend in respect of the financial year ended 30 September 2018, of 1% on 96,597,500 ordinary shares, amounting to a dividend payable of RM482,988 (50 sen per ordinary shares) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the 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 2019.

DIRECTORS

The name of the Directors of the Company in office during the financial year and during the period commencing from the end of the financial year to the date of this report are:-

Datuk Sum Kown Cheek
Vincent Wong Soon Choy
Syahriza Binti Senan
Sum Lih Kang
Koh Siew Shern
Datin Dr. Norrizan Binti Razali (appointed on 30 November 2018)
Wong Tuck Cheong (appointed on 30 November 2018)
Datuk Sam Yuen @ Sam Chin Yan (retired on 30 November 2018)

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 01.10.2017	**Acquired**	**Sold**	**At 30.09.2018**
The Company				
Direct interest:-				
Datuk Sum Kown Cheek	26,426,255	1,488,500	-	27,914,755
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 01.10.2017	**Acquired**	**Sold**	**At 30.09.2018**
Subsidiary				
- PT. Penerbitan Pelangi Indonesia				
Direct interest:-				
Datuk Sum Kown Cheek	5	-	-	5
- Pelangi Multimedia Technologies Sdn. Bhd.				
Direct interest:-				
Sum Lih Kang	-	1	-	1

[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 01.10.2017	**Granted**	**Exercised**	**Lapsed**	**At 30.09.2018**
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	128,500	88,756	217,256
Directors' remuneration	22,750	1,250,947	1,273,697
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

There were no changes in the issued and paid up capital of the Company during the financial year.

There were no debentures issued during the financial year.

TREASURY SHARES

As at end of financial year 2018, 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.

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

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

As at 30 September 2018, 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 01.10.2017**	**Granted**	**Exercised**	**Forfeited**	**At 30.09.2018**
30.09.2018	RM0.50	4,975,000	-	-	(457,000)	4,518,000
		4,975,000	-	-	(457,000)	4,518,000

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.

INDEMNITY AND INSURANCE FOR OFFICERS

The amount of indemnity coverage and insurance premium paid for Officers of the Group and of the Company during the financial year are amounted to RM2,000,000 and RM7,006 respectively.

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 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 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.

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

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances (cont'd):-

(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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 38 to the financial statements.

EVENT AFTER THE REPORTING PERIOD

The event after reporting period is disclosed in Note 39 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 2018 amounted to RM37,000 and RM111,000 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
28 December 2018

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 74 to 174 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 2018 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
28 December 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 74 to 174 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)
28 December 2018)…………………………………………………………………………

DATUK SUM KOWN CHEEK

Before me,

Commissioner for Oaths
Valliamah A/P Perian
No. W 594

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 2018, 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 74 to 174.

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 at 30 September 2018, 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 for 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.

Company No: 593649-H

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 RM35,726,309 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 RM11,471,970 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 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.

Company No: 593649-H

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.

Company No: 593649-H

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.

Company No: 593649-H

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
28 December 2018

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	4	68,245,415	74,176,808	3,331,950	2,324,930
Cost of sales		(44,015,545)	(45,971,394)	-	-
Gross profit		24,229,870	28,205,414	3,331,950	2,324,930
Other item of income					
Other income	5	1,760,176	2,039,787	16,164	14,213
Other items of expenses					
Administrative expenses		(12,013,258)	(14,081,187)	(440,510)	(694,859)
Selling expenses		(7,896,987)	(8,467,418)	-	-
Other expenses		(3,991,198)	(2,392,670)	(11,077)	(16,116)
Finance costs	6	(653,957)	(662,634)	-	-
Share of (loss)/profit of equity-accounted associate	16(c)	(28,208)	53,152	-	-
Profit before tax	7	1,406,438	4,694,444	2,896,527	1,628,168
Tax expense	10	(935,363)	(1,790,418)	(3,049)	(1,718)
Profit for the financial year		471,075	2,904,026	2,893,478	1,626,450
Other comprehensive income:-					
Items that will be reclassified subsequently to profit or loss					
(Loss)/Gain on fair value changes of other investment		(21)	120	-	-
Foreign currency translation		1,015,937	640,847	-	-
		1,015,916	640,967	-	-
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of post-employment benefit obligation	26	21,328	9,930	-	-
		21,328	9,930	-	-
Other comprehensive income for the financial year, net of tax		1,037,244	650,897	-	-
Total comprehensive income for the financial year		1,508,319	3,554,923	2,893,478	1,626,450
Profit for the financial year attributable to:-					
Owners of the Company		473,091	3,009,905	2,893,478	1,626,450
Non-controlling interests	15	(2,016)	(105,879)	-	-
		471,075	2,904,026	2,893,478	1,626,450

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONT'D)

		Group		Company	
	Note	**2018 RM**	**2017 RM**	**2018 RM**	**2017 RM**
Total comprehensive income attributable to:-					
Owners of the Company		1,454,649	3,601,114	2,893,478	1,626,450
Non-controlling interests	15	53,670	(46,191)	-	-
		1,508,319	3,554,923	2,893,478	1,626,450
Earnings per share attributable to owners of the Company (sen per share)					
Basic	11	0.49	3.12		
Diluted	11	0.49	3.11		

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

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		RM	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	13	54,900,908	55,270,727	-	-
Investment properties	14	4,761,834	4,761,834	-	-
Investment in subsidiaries	15	-	-	54,592,776	54,592,776
Investment in associate	16	224,163	267,467	369,907	369,907
Other investments	17	1,026,914	1,026,935	1,000,000	1,000,000
Intangible assets	18	96,167	174,167	-	-
Prepayments		3,821	-	-	-
Deferred tax assets	19	7,258,994	5,733,697	-	-
Total non-current assets		68,272,801	67,234,827	55,962,683	55,962,683
Current assets					
Inventories	20	35,726,309	37,726,548	-	-
Trade and other receivables	21	16,348,901	15,513,462	1,529,993	858,583
Prepayments		1,872,094	1,553,100	330	350
Tax recoverable		2,049,519	850,175	1,952	2,136
Fixed deposits with licensed banks	22	1,114,678	708,988	-	-
Cash and bank balances	23	12,633,057	19,858,342	1,261,006	687,808
Total current assets		69,744,558	76,210,615	2,793,281	1,548,877
Total assets		138,017,359	143,445,442	58,755,964	57,511,560
EQUITY AND LIABILITIES					
LIABILITIES					
Current liabilities					
Loans and borrowings	24	1,343,317	1,109,783	-	-
Trade and other payables	25	24,663,937	29,454,126	517,782	234,906
Tax payable		316,055	358,766	-	-
Total current liabilities		26,323,309	30,922,675	517,782	234,906
Net current assets		43,421,249	45,287,940	2,275,499	1,313,971

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018 (CONT'D)

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		RM	**RM**	**RM**	**RM**
Non-current liabilities					
Loans and borrowings	24	12,074,763	12,603,903	-	-
Employees' benefits	26	380,921	368,141	-	-
Deferred tax liabilities	19	2,595,495	2,484,221	-	-
Total non-current liabilities		15,051,179	15,456,265	-	-
Total liabilities		41,374,488	46,378,940	517,782	234,906
Net assets		96,642,871	97,066,502	58,238,182	57,276,654
EQUITY					
Equity attributable to owners of the parent					
Share capital	27	50,024,510	50,024,510	50,024,510	50,024,510
Treasury shares	27	(1,508,413)	(1,508,413)	(1,508,413)	(1,508,413)
Fair value reserve	28	424	445	-	-
Foreign exchange reserve	28	1,544,005	580,727	-	-
ESOS reserve	28	316,260	348,250	316,260	348,250
Retained earnings	29	45,569,165	46,977,733	9,405,825	8,412,307
		95,945,951	96,423,252	58,238,182	57,276,654
Non-controlling interests	15	696,920	643,250	-	-
Total equity		96,642,871	97,066,502	58,238,182	57,276,654
Total equity and liabilities		138,017,359	143,445,442	58,755,964	57,511,560

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

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

		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 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
Total comprehensive income for the financial year		-	-	(21)	963,278	-	491,392	1,454,649	53,670	1,508,319
Transactions with owners:-										
Employees share options forfeited		-	-	-	-	(31,990)	31,990	-	-	-
Dividends on ordinary shares	12	-	-	-	-	-	(1,931,950)	(1,931,950)	-	(1,931,950)
Total transactions with owners		-	-	-	-	(31,990)	(1,899,960)	(1,931,950)	-	(1,931,950)
Balance at 30 September 2018		50,024,510	(1,508,413)	424	1,544,005	316,260	45,569,165	95,945,951	696,920	96,642,871

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (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 2017		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	27	-	(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
Total comprehensive income for the financial year		-	-	-	2,893,478	2,893,478
Transactions with owners:-						
Dividends on ordinary shares	12	-	-	-	(1,931,950)	(1,931,950)
Employees share options forfeited		-	-	(31,990)	31,990	-
Total transactions with owners		-	-	(31,990)	(1,899,960)	(1,931,950)
Balance at 30 September 2018		50,024,510	(1,508,413)	316,260	9,405,825	58,238,182

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

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities				
Profit before tax	1,406,438	4,694,444	2,896,527	1,628,168
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	2,698,765	2,606,955	-	-
Dividend income	(24)	(54)	(3,331,950)	(2,324,930)
Finance costs	653,957	662,634	-	-
Gain on disposal of property, plant and equipment	(349,222)	(48,305)	-	-
Allowance for impairment for:-				
- Trade receivables	1,463,946	1,203,420	-	-
Reversal of impairment loss on:-				
- Trade receivables	(609,334)	(908,726)	-	-
Interest income	(312,135)	(471,599)	(16,164)	(14,092)
Property, plant and equipment written off	2,216	47,987	-	-
Share of loss/(profit) of equity-accounted associate company	28,208	(53,152)	-	-
Bad debts written off	8,409	18,231	-	-
Inventories written off	-	242,603	-	-
Inventories written down	4,410,665	4,833,910	-	-
Reversal of inventories written down	(2,969,221)	(2,805,718)	-	-
Unrealised loss/(gain) on foreign exchange	1,638,696	(50,406)	-	-
Gain on struck off of a subsidiary	-	(44)	-	-
Operating profit/(loss) before working capital changes	8,149,364	10,398,430	(451,587)	(362,604)
Changes in working capital:-				
Inventories	558,795	(4,936,637)	-	-
Trade and other receivables	(3,337,156)	(826,977)	-	(3,000)
Prepayments	(322,815)	(795,672)	20	(350)
Trade and other payables	(4,756,081)	4,718,274	(14,130)	19,003
Cash generated from/(used in) operations	292,107	8,557,418	(465,697)	(346,951)
Tax paid	(3,742,009)	(4,424,176)	(2,865)	(2,054)
Tax refunded	108,575	166,865	-	-
Net cash flows (used in)/from operating activities	(3,341,327)	4,300,107	(468,562)	(349,005)

Company No: 593649-H

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (CONT'D)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from investing activities					
Dividend received		24	54	3,331,950	2,324,930
Interest received		312,135	471,599	16,164	14,092
Purchase of property, plant and equipment	13	(1,473,649)	(370,644)	-	-
Proceeds from disposal of property, plant and equipment		370,292	49,235	-	-
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 flows (used in)/from investing activities		(791,198)	168,904	3,348,114	2,363,532
Cash flows from financing activities					
Dividend paid on ordinary shares		(1,931,950)	(1,332,452)	(1,931,950)	(1,332,452)
Interest paid		(653,957)	(662,634)	-	-
Advances to subsidiaries		-	-	(374,404)	(170,600)
Repayment of obligation under finance leases		(436,890)	(411,192)	-	-
Repayment of term loans		(862,447)	(840,334)	-	-
Purchase of treasury shares		-	(55,513)	-	(55,513)
Placement of fixed deposits with licensed banks		-	(100,000)	-	-
Net cash flows used in financing activities		(3,885,244)	(3,402,125)	(2,306,354)	(1,558,565)
CASH AND CASH EQUIVALENTS					
Net changes		(8,017,769)	1,066,886	573,198	455,962
Effect of exchange rate changes		1,198,174	502,269	-	-
At beginning of the financial year		20,067,330	18,498,175	687,808	231,846
At end of the financial year	**A**	13,247,735	20,067,330	1,261,006	687,808

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (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	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances (Note 23)	12,633,057	19,858,342	1,261,006	687,808
Fixed deposits with licensed banks (Note 22)	1,114,678	708,988	-	-
	13,747,735	20,567,330	1,261,006	687,808
Less: Fixed deposits pledged with licensed banks (Note 22)	(500,000)	(500,000)	-	-
Cash and cash equivalents	13,247,735	20,067,330	1,261,006	687,808

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

PELANGI PUBLISHING GROUP BHD.

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 2018

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 28 December 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 date 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 2017.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except for:

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The Group and the Company have applied these amendments for the first time in the current year. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The information are provided in Note 36 to the financial statements. Consistent with the transition provisions of the amendments, the Group and the Company have not disclosed comparative information for the prior period.

2.5 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board but are not yet effective, and have not been adopted early by the Group and the Company.

Management anticipates that all relevant pronouncement will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of pronouncement.

Information on new standards, amendments and interpretations that are expected to have impact on the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group and the Company's financial statements.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. 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.

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 9 Financial Instruments (cont'd)

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2018, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group will adopt MFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

i. Classification and measurement of financial assets

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. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore the application of MFRS 9 would not have a significant impact.

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. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

ii. Impairment

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 will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its statement of financial position.

iii. Other adjustments

In addition to the adjustments described above, on adoption of MFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, investments in the associate and joint venture, will be adjusted as necessary. The exchange differences on translation of foreign operations will also be adjusted.

2. BASIS OF PREPARATION (CONT'D)

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

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. 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. During 2018, the Group performed a preliminary assessment of MFRS 15, which was continued with a more detailed analysis completed in 2019.

The Group is in the business of publishing and distribution of books and other education materials, sales of publishing rights, printing services and property letting and property management services. The books and other education materials, printing and property letting services are sold both on their own in separate contracts with customers and together as a bundle package of goods and services.

i. Sale of goods

Contracts with customers in which the sale of books and other education materials and sales of publishing rights 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)**

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 net of discounts as and when the services are performed. 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 of 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 of 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)**

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 2019, 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.

2.6.1 **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 2018, 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.

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

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

Useful lives of depreciable assets (cont'd)

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.

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.

2. BASIS OF PREPARATION (CONT'D)

2.6.1 Estimation Uncertainty (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of Consolidation (cont'd)

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 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.

3.1.3 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.

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

3.1 **Consolidation (cont'd)**

3.1.3 **Business Combinations and Goodwill (cont'd)**

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.

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

3.1 **Consolidation (cont'd)**

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.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**
3.1 **Consolidation (cont'd)**

3.1.6 **Associates (cont'd)**

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.

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

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

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.

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.

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

3.3 **Property, Plant and Equipment (cont'd)**

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.

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 specified 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

3.4.1 Finance Leases (cont'd)

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.

3.4.2 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.

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

3.5 **Investment Properties (cont'd)**

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.

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

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

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 expected sales from the related project 5 years on a straight line basis.

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 to financial statements.

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

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.

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.

3.7.3 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.

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

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

3.7.3 **Financial Liabilities - Categorisation and Subsequent Measurement (cont'd)**

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

<u>Other financial liabilities measured at amortised cost</u>

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 recognized 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.

3.10.2 **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.

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

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

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

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.

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.

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 (cont'd)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

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

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).

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Employees Benefits (cont'd)

3.15.3 Defined Benefits Plans (cont'd)

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.

3.16 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Share-based Payment Transactions (cont'd)

3.16.1 Equity-settled Share-based Payment Transaction (cont'd)

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.

3.17 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Revenue (cont'd)

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.

3.18.2 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Tax Expenses (cont'd)

3.18.2 Deferred Tax (cont'd)

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.

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

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.

3.21 **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 part, provides key management personnel services to the Group.

4. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Sales of goods	66,525,730	72,331,259	-	-
Rental income	1,719,685	1,845,549	-	-
Dividend income from subsidiaries	-	-	3,331,950	2,324,930
	68,245,415	74,176,808	3,331,950	2,324,930

5. OTHER INCOME

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Dividend income	24	54	-	-
Gain on disposal of property, plant and equipment	349,222	48,305	-	-
Gain on foreign exchange				
- realised	19,171	24,152	-	-
- unrealised	-	50,406	-	-
Interest income	312,135	471,599	16,164	14,092
Rental income of premises	124,072	109,976	-	-
Royalty income	-	700	-	-
Gain on struck off of a subsidiary	-	44	-	-
Income on disposal of scrap papers	-	59,237	-	-
Sundry income	346,218	366,588	-	121
Reversal of impairment loss on trade receivables	609,334	908,726	-	-
	1,760,176	2,039,787	16,164	14,213

6. FINANCE COSTS

	Group	
	2018	2017
	RM	RM
Term loan interest	590,129	612,189
Finance lease interest	63,828	50,445
	653,957	662,634

7. PROFIT BEFORE TAX

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- Statutory audit	148,000	140,000	37,000	36,000
Other auditors				
- Statutory audit	59,146	75,901	-	-
- Underprovision in prior year	-	1,985	-	-
Rental				
- Land and building	43,631	414,712	-	-
- Plant and equipment	59,084	41,733	-	-

8. EMPLOYEES BENEFITS EXPENSE

The employees benefits expense are as follows:-

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Salaries, wages and other emoluments	16,013,483	17,944,072	151,250	159,983
Contributions to defined contribution plan	1,664,099	1,783,685	-	-
Social security contributions	224,966	224,694	-	-
Other staff benefits	818,164	847,263	-	-
	18,720,712	20,799,714	151,250	159,983

Included in employees benefits expense of the Group and of the Company is executive Directors' remuneration amounting to RM734,858 and RM11,200 (2017: RM724,832 and RM9,500).

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	
	2018	2017	2018	2017
	RM	RM	RM	RM
Directors of the Company				
Executive:-				
Salaries and other emoluments	597,725	582,930	11,200	9,500
Bonus	92,972	88,383	-	-
Defined contribution plan	43,332	52,395	-	-
Social security contribution	829	1,124	-	-
	734,858	724,832	11,200	9,500
Fees				
- current year	115,000	181,413	48,000	60,083
- prior year	1,994	-	-	-
	116,994	181,413	48,000	60,083
	851,852	906,245	59,200	69,583
Non-executive:-				
Other emoluments	11,550	9,900	11,550	9,900
Fees				
- current year	80,500	80,500	80,500	80,500
	92,050	90,400	92,050	90,400
	943,902	996,645	151,250	159,983
Directors of subsidiaries				
Executive:-				
Salaries and other emoluments				
- current year	478,886	360,653	-	-
Fees				
- current year	19,762	16,265	-	-
Bonus				
- current year	19,913	42,027	-	-
- overprovision in prior year	(31,268)	(27,149)	-	-
Defined contribution plan	56,857	61,894	-	-
Social security contribution	2,901	2,486	-	-
	547,051	456,176	-	-
Total Directors' remuneration	1,490,953	1,452,821	151,250	159,983

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	
	2018	2017
	RM	RM
Executive Directors:-		
RM200,000 and below	1	3
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	1	1
RM400,000 – RM500,000	1	-
RM500,001 – RM550,000	-	1
Non-Executive Directors:-		
RM50,000 and below	3	3

10. TAX EXPENSE

The major components of income tax expense for the years ended 30 September 2018 and 2017 are:-

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Statements of comprehensive income:-				
Current income tax				
- Malaysia income tax	2,570,181	3,579,615	-	-
- (Over)/under provision in respect of previous year	(178,802)	(47,838)	3,049	1,718
	2,391,379	3,531,777	3,049	1,718
Deferred income tax (Note 19)				
- Origination and reversal of temporary differences	(1,552,124)	(1,452,959)	-	-
- Under/(over) provision in respect of previous year	96,108	(288,400)	-	-
	(1,456,016)	(1,741,359)	-	-
Tax expense recognised in profit and loss	935,363	1,790,418	3,049	1,718

10. TAX EXPENSE (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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax	1,406,438	4,694,444	2,896,527	1,628,168
Taxation at Malaysia statutory tax rate of 24%	337,545	1,126,667	695,166	390,760
Different tax rates in other countries	(119,872)	(61,630)	-	-
Adjustments:-				
Non-deductible expenses	1,407,023	1,976,846	104,502	167,223
Income not subject to taxation	(43,958)	(1,106,874)	(799,668)	(557,983)
Utilisation of current year's reinvestment allowances	(11,910)	(47,734)	-	-
Utilisation of deferred tax assets not previously recognised	(14,160)	(2,050)	-	-
Deferred tax assets not recognised	-	148,800	-	-
Deferred tax liability in respect of potential dividend declared by overseas subsidiary subject to withholding tax	143,389	92,631	-	-
Recognition of deferred tax assets in respect of unrealised profit on inventories	(680,000)	-	-	-
(Over)/underprovision of income tax in respect of previous year	(178,802)	(47,838)	3,049	1,718
Under/(Over)provision of deferred tax in respect of previous year	96,108	(288,400)	-	-
Tax expense recognised in profit or loss	935,363	1,790,418	3,049	1,718

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

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

Tax savings during the financial year arising from:-

	Group	
	2018	**2017**
	RM	**RM**
Utilisation of reinvestment allowances	11,910	47,734

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	
	2018	**2017**
	RM	**RM**
Profit net of tax attributable to owners of the Company (RM)	473,091	3,009,905
Weighted average number of ordinary shares in issue	96,597,500	96,594,106
Basic earnings per share (sen)	0.49	3.12

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	
	2018	**2017**
	RM	**RM**
Profit net of tax attributable to owners of the Company (RM)	473,091	3,009,905

11. EARNINGS PER SHARE (CONT'D)

Dilute earnings per share (cont'd)

	Group 2018 RM	Group 2017 RM
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue (basis)	96,597,500	96,594,106
Effect of ESOS	476,132	149,066
Weighted average number of ordinary shares in issue (diluted)	97,073,632	96,743,172
Diluted earnings per share (sen)	0.49	3.11

12. DIVIDENDS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Recognised during the financial year:-				
Dividends on ordinary shares				
- Final dividend for 2017:- 2 sen (2016: 1.38 sen) per share of RM0.50 each	1,931,950	1,332,452	1,931,950	1,332,452
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 2018:- 0.50 sen (2017: 2.00 sen) per share of RM0.50 each	482,988	1,931,950	482,988	1,931,950

At the forthcoming Annual General Meeting ("AGM"), a final single tier dividend in respect of the financial year ended 30 September 2018, of 1% on 96,597,500 ordinary shares, amounting to a dividend payable of RM482,988 (50 sen per ordinary shares) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the 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 2019.

13. PROPERTY, PLANT AND EQUIPMENT

Group	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
Cost									
At 1 October 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
Additions	-	-	-	63,106	1,397,842	730,319	-	284,760	2,476,027
Disposals	-	-	-	-	(2,286,455)	(238,761)	-	(13,476)	(2,538,692)
Written off	-	-	-	-	(28,147)	-	-	(37,009)	(65,156)
Exchange differences	(53,752)	18,270	(107,446)	2,411	-	(6,621)	-	(14,915)	(162,053)
At 30 September 2018	17,709,339	12,758,171	26,532,532	1,700,991	14,014,993	3,095,782	142,522	9,367,379	85,321,709

13. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Group	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
Accumulated depreciation									
At 1 October 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
Charge for the financial year	321,109	-	636,310	159,015	799,476	244,702	-	538,153	2,698,765
Disposals	-	-	-	-	(2,266,622)	(238,760)	-	(12,240)	(2,517,622)
Written off	-	-	-	-	(27,552)	-	-	(35,388)	(62,940)
Exchange differences	-	-	(19,817)	1,838	-	(7,745)	-	(12,534)	(38,258)
At 30 September 2018	2,665,650	-	6,203,525	1,441,819	9,558,674	2,335,816	-	8,215,317	30,420,801
Net carrying amount									
At 30 September 2018	15,043,689	12,758,171	20,329,007	259,172	4,456,319	759,966	142,522	1,152,062	54,900,908
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

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, tele-communication 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 RM2,476,027 (2017: RM420,644) of which RM1,002,378 (2017: RM50,000) were by means of finance leases. Cash payment of RM1,473,649 (2017: RM370,644) 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	
	2018	**2017**
	RM	**RM**
Motor vehicles	470,052	110,108
Plant and machinery	905,472	1,416,472
	1,375,524	1,526,580

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	
	2018	**2017**
	RM	**RM**
Freehold land	1,370,680	1,370,680
Leasehold land	7,257,111	7,486,269
Buildings	16,802,407	17,285,022
	25,430,198	26,141,971

14. INVESTMENT PROPERTIES

	Group	
	2018	2017
	RM	RM
Cost		
At 1 October	4,761,834	1,952,980
Transfer from property, plant and equipment (Note 13)	-	2,808,854
At 30 September	4,761,834	4,761,834
Fair value of investment properties	13,960,183	14,512,836

Income and expenses recognised in profit or loss

	Group	
	2018	2017
	RM	RM
Rental income	233,760	208,030
Direct operating expenses:-		
- quit rent and assessment	15,711	18,749

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	2017
	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 2018 %	2017 %
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.*	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 2018 %	Effective equity interest 2017 %
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 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 2018 %	2017 %
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

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries of the Group that have material non-controlling interests are as follows:-

2018	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)	(378,874)	1,706,009	(475,273)	(154,942)	696,920
(Loss)/Profit allocated to non-controlling interests (RM)	(93,646)	168,259	(30,360)	(46,269)	(2,016)
Total comprehensive (loss)/income allocated to non-controlling interests (RM)	(45,764)	176,063	(30,360)	(46,269)	53,670

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries of the Group that have material non-controlling interests are as follows (cont'd):-

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)

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

	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
2018					
Non-current assets	1,555,128	2,765,130	1	77,500	4,397,759
Current assets	3,215,192	8,400,205	467	105,213	11,721,077
Total assets	4,770,320	11,165,335	468	182,713	16,118,836
Non-current liabilities	235,662	247,265	-	-	482,927
Current liabilities	13,392,005	1,431,982	1,456,396	494,513	16,774,896
Total liabilities	13,627,667	1,679,247	1,456,396	494,513	17,257,823
Total net (liabilities)/assets	(8,857,347)	9,486,088	(1,455,928)	(311,800)	(1,138,987)

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)

	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
2017					
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).

(ii) Summarised statements of comprehensive income

	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
2018					
Included in statements of comprehensive (loss)/income					
Revenue	2,048,365	7,928,728	-	21,718	9,998,811
(Loss)/Profit for the financial year	(1,872,925)	1,682,587	(16,202)	(228,442)	(434,982)
Other comprehensive income	975,512	38,830	-	-	1,014,342
Total comprehensive (loss)/income	(897,413)	1,721,417	(16,202)	(228,442)	579,360
2017					
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)

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

	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
2018					
Net cash (used in)/from operating activities	(181,833)	1,137,984	(9,920)	(181,582)	764,649
Net cash from/(used in) investing activities	1,913	(210,755)	-	-	(208,842)
Net cash from/(used in) financing activities	169,600	(249,190)	8,000	150,711	79,121
Net cash (decrease)/increase in cash and cash equivalents	(10,320)	678,039	(1,920)	(30,871)	634,928
Exchange differences	(13,178)	27,514	-	-	14,336
Cash and cash equivalents at beginning of the financial year	118,450	884,336	2,101	41,580	1,046,467
Cash and cash equivalents at the end of the financial year	94,952	1,589,889	181	10,709	1,695,731

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)

	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
2017					
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

16. INVESTMENT IN ASSOCIATE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Unquoted shares, at cost				
Outside Malaysia	369,907	369,907	369,907	369,907
Share of post-acquisition reserve	(112,766)	(84,558)	-	-
Exchange differences	(32,978)	(17,882)	-	-
	224,163	267,467	369,907	369,907

Details of the associate is as follows:-

Name of company	Country of incorporation	Principal activities	Effective equity interest 2018 %	Effective equity interest 2017 %
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

	2018 RM	2017 RM
Non-current assets	60,508	63,975
Current assets	1,329,719	1,083,894
Total assets	1,390,227	1,147,869
Current liabilities	782,874	432,257
Net assets	607,353	715,612

16. **INVESTMENT IN ASSOCIATE (CONT'D)**

The summarised financial information of the associate is as follows (cont'd):-

(b) Summarised statements of comprehensive income

	2018 RM	2017 RM
Revenue	487,513	469,872
(Loss)/Profit before tax	(57,721)	144,000
(Loss)/Profit net of tax, representing total comprehensive (loss)/income for the year	(70,521)	132,881

(c) Group's share of results for the financial year ended 30 September

	2018 RM	2017 RM
Group's share of (loss)/profit	(28,208)	53,152
Group's share of other comprehensive (loss)/income	-	-
Group's share of total comprehensive (loss)/income	(28,208)	53,152

(d) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate

	2018 RM	2017 RM
Net assets as at 1 October	715,612	569,224
Currency translation reserve	(37,738)	13,507
(Loss)/Profit for the financial year	(70,521)	132,881
Net assets as at 30 September	607,353	715,612
Interest in associate	40%	40%
Net tangible assets	242,941	286,245
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	224,163	267,467

17. OTHER INVESTMENTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 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	714	735	-	-
	1,026,914	1,026,935	1,000,000	1,000,000
Market value of quoted shares	714	735		

18. INTANGIBLE ASSETS

Group	Goodwill RM	Development cost RM	Franchise license fee RM	Total RM
Cost				
At 1 October 2016/ At 30 September 2017/ 30 September 2018	1,266,752	869,847	80,000	2,216,599
Accumulated amortisation and impairment				
At 1 October 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
Charge for the financial year	-	62,000	16,000	78,000
At 30 September 2018	1,266,752	792,347	61,333	2,120,432
Net carrying amount				
At 30 September 2018	-	77,500	18,667	96,167
At 30 September 2017	-	139,500	34,667	174,167

19. **DEFERRED TAXATION**

Deferred income tax as at 30 September relates to the following:-

Group	As at 1 October 2016 RM	Recognised in profit or loss (Note 10) RM	Exchange differences RM	As at 30 September 2017 RM	Recognised in profit or loss (Note 10) RM	Exchange differences RM	As at 30 September 2018 RM
Deferred tax liability:-							
Property, plant and equipment	1,867,351	(70,425)	(38)	1,796,888	(31,730)	(385)	1,764,773
Witholding tax	594,702	92,631	-	687,333	143,389	-	830,722
	2,462,053	22,206	(38)	2,484,221	111,659	(385)	2,595,495
Deferred tax assets:-							
Trade receivables	(235,252)	(9,529)	5,737	(239,044)	(30,318)	42,590	(226,772)
Other payables	(3,745,221)	(1,754,036)	4,604	(5,494,653)	(857,357)	(212)	(6,352,222)
Others	-	-	-	-	(680,000)	-	(680,000)
	(3,980,473)	(1,763,565)	10,341	(5,733,697)	(1,567,675)	42,378	(7,258,994)
	(1,518,420)	(1,741,359)	10,303	(3,249,476)	(1,456,016)	41,993	(4,663,499)

19. DEFERRED TAXATION (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:-

	Group 2018 RM	Group 2017 RM
Unutilised tax losses	7,312,000	7,008,000
Unabsorbed capital allowances	123,000	319,000
Unabsorbed reinvestment allowances	5,019,000	5,186,000
	12,454,000	12,513,000

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 2018 RM	Group 2017 RM
Raw materials	10,154,028	11,511,082
Work in progress	-	2,641
Finished goods	25,572,281	26,212,825
	35,726,309	37,726,548
Cost of inventories recognised as an expense during the year	28,182,273	38,938,507
Inventories written down	4,410,665	4,833,910
Inventories written off	-	242,603
Reversal of inventories written down	(2,969,221)	(2,805,718)

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables				
Third parties	18,636,360	17,294,290	-	-
Less: Allowance for impairment	(3,827,615)	(3,072,005)	-	-
	14,808,745	14,222,285	-	-

21. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other receivables				
Amount due from subsidiaries	-	-	2,185,199	1,513,789
Refundable deposits	1,043,539	569,539	4,000	4,000
GST receivable	182,742	356,846	-	-
Sundry debtors	313,875	364,792	-	-
	1,540,156	1,291,177	2,189,199	1,517,789
Less: Allowance for impairment				
- Amount due from subsidiaries	-	-	(659,206)	(659,206)
	1,540,156	1,291,177	1,529,993	858,583
Total trade and other receivables	16,348,901	15,513,462	1,529,993	858,583

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 30 to 90 days) 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	
	2018	2017
	RM	RM
Trade receivables – nominal amounts	18,636,360	17,294,290
Less: Allowance for impairment	(3,827,615)	(3,072,005)
	14,808,745	14,222,285

21. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables (cont'd)

	2018 RM	2017 RM
Movement in allowance for impairment accounts:-		
At 1 October	3,072,005	2,772,186
Charge for the financial year	1,463,946	1,203,420
Reversal of impairment loss on trade receivables	(609,334)	(908,726)
Written off of impairment loss on trade receivables	(19,686)	-
Exchange differences	(79,316)	5,125
At 30 September	3,827,615	3,072,005

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 RM250,000 (2017: RM125,000) which is an advance receipt from a third party pursuant to 1BestariNet Project.

Amount due from subsidiaries

	Individually impaired	
	2018 RM	2017 RM
Amount due from subsidiaries–nominal amounts	2,185,199	1,513,789
Less: Allowance for impairment	(659,206)	(659,206)
	1,525,993	854,583

21. TRADE AND OTHER RECEIVABLES (CONT'D)

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 (2017: 2.95% to 3.70% per annum).

Fixed deposits with licensed banks of the Group amounting to RM500,000 (2017: RM500,000) 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 (2017: 1 to 91 days).

23. CASH AND BANK BALANCES

Included in cash at banks is an amount of RM1,201,177 (2017: RM5,239,532) 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 2018 RM	Group 2017 RM
Current		
Secured:-		
Term loan 1	781,725	746,345
Term loan 2	38,611	36,043
Term loan 3	62,014	60,682
Obligations under finance leases (Note 31 (c))	460,967	266,713
	1,343,317	1,109,783
Non-current		
Secured:-		
Term loan 1	10,505,516	11,307,369
Term loan 2	201,719	241,575
Term loan 3	654,773	714,791
Obligations under finance leases (Note 31 (c))	712,755	340,168
	12,074,763	12,603,903
Total loans and borrowings		
Secured:-		
Term loans	12,244,358	13,106,805
Obligations under finance leases (Note 31 (c))	1,173,722	606,881
	13,418,080	13,713,686

The remaining maturities of the loans and borrowings as at 30 September are as follows:-

	Group 2018 RM	Group 2017 RM
On demand or within one year	1,343,317	1,109,783
More than 1 year and less than 2 years	1,269,887	1,131,728
More than 2 years and less than 5 years	3,358,825	3,017,226
5 years or more	7,446,051	8,454,949
	13,418,080	13,713,686

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 (2017: 2.63% to 3.48% 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**	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Current				
Trade payables				
Third parties	4,955,015	9,392,909	-	-
Other payables				
Amount due to subsidiary	-	-	297,006	-
Amount due to Directors	96,000	96,000	-	-
Accrued operating expenses	5,974,952	7,427,453	210,500	221,583
Provision for sales return	10,994,309	10,584,483	-	-
GST payable	28,523	107,202	-	-
Other payables	2,615,138	1,846,079	10,276	13,323
	19,708,922	20,061,217	517,782	234,906
Total trade and other payables	24,663,937	29,454,126	517,782	234,906

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 (2017: 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 2018, the balance of post-employment benefit obligation is based on the actuarial report of PT Binaputera Jaga Hikmah, an independent actuary and TAS Consulting, an independent actuary. Assumption used in the calculation of liabilities for post-employment benefits are as follow:-

	Group	
	2018	**2017**
Pension age	58 years	58 years
Discount rate	5.78% per annum	5.26% per annum
Annual salary increase	7.3%	7.1%

Movements in the present value of the post-employment benefit obligation are as follows:-

	Group	
	2018	**2017**
	RM	**RM**
At 1 October	368,141	73,554
Current service cost	76,949	223,848
Interest cost	15,609	5,563
Translation differences	(55,624)	55,246
Benefit payment	(45,482)	-
Remeasurement of post-employment benefit obligation charged to other comprehensive income	21,328	9,930
At 30 September	380,921	368,141

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	
	2018	**2017**
	RM	**RM**
Current service cost	76,949	223,848
Interest cost	15,609	5,563
Expense recognised in profit or loss	92,558	229,411
Remeasurement:-		
Actuarial loss arising from changes in financial assumptions	21,328	9,930
Remeasurements of post-employment benefit obligation recognised in other comprehensive income	21,328	9,930

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 2018 Defined benefit obligation	
	Increase	**Decrease**
	RM	**RM**
Discount rate (1% movement)	34,041	39,379
Future salary growth (1% movement)	38,110	33,505

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 2018	
	Number of share option	Weighted average exercise price RM
At 1 October	4,975,000	2,487,500
Forfeited during the financial year	(457,000)	(228,500)
At 30 September	4,518,000	2,259,000
Options exercisable at 30 September	4,518,000	

26. **EMPLOYEES' BENEFITS (CONT'D)**

Employees Share Options Scheme ("Scheme") (cont'd)

The options outstanding at 30 September 2018 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 2018 RM
Fair value at grant date	0.07
Weighted average share price	0.56
Share price at grant date	0.50
Weighted average volatility	31.77%
Expected weighted average option life	3 years
Expected dividends	-
Risk-free interest rate	3.747%

The value of employees services received for issuance of share options is summarised as below:-

	Group and Company 2018 RM
Share options granted in 2018	316,260
Total expenses recognised as share-based payments	316,260

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 2017/30 September 2018	100,043,000	50,024,510	(1,508,413)	48,516,097

27. **SHARE CAPITAL AND TREASURY SHARES (CONT'D)**

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 of issuance.

Of the total 100,043,000 (2017: 100,043,000) issued and fully paid ordinary shares as at end of financial year 2018 and 2017. 3,445,500 (2017: 3,445,500) 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 (2017: 96,597,500) 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.

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 2018 under the single tier system.

30. RELATED PARTY DISCLOSURES

30.1 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Dividend income received from subsidiaries	-	-	3,331,950	2,324,930
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	-	-

30.2 COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

Key management includes certain Directors of the Company and certain members of senior management of the Group are as follows:-

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries and other emoluments	1,031,601	935,361	11,200	6,050
Bonus	109,605	107,426	-	-
Defined contribution plan	153,539	143,260	-	-
Social security contribution	2,921	2,743	-	-
	1,297,666	1,188,790	11,200	6,050

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	
	2018	**2017**
	RM	**RM**
Future minimum rental payments:-		
Not later than 1 year	307,700	191,030
Later than 1 year and not later than 5 years	280,260	255,970
	587,960	447,000

(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	
	2018	**2017**
	RM	**RM**
Not later than 1 year	22,500	1,533,019
Later than 1 year and not later than 5 years	54,000	8,493,906
	76,500	10,026,925

31. COMMITMENTS (CONT'D)

(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.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:-

	Group	
	2018	2017
	RM	RM
Minimum lease payments:-		
Not later than 1 year	509,131	293,864
Later than 1 year but not later than 2 years	371,416	259,826
Later than 2 years but not later than 5 years	366,876	95,108
Later than 5 years	24,810	-
	763,102	354,934
Total minimum lease payments	1,272,233	648,798
Less: Amounts representing finance charges	(98,511)	(41,917)
Present value of minimum lease payments	1,173,722	606,881
Present value of payments:-		
Not later than 1 year	460,967	266,713
Later than 1 year but not later than 2 years	344,827	246,369
Later than 2 years but not later than 5 years	343,898	93,799
Later than 5 years	24,030	-
	712,755	340,168
Present value of minimum lease payments	1,173,722	606,881
Less: Amount due within 12 months (Note 24)	(460,967)	(266,713)
Amount due after 12 months (Note 24)	712,755	340,168

(d) Capital commitments

	Group	
	2018	2017
	RM	RM
Authorised and contracted for:-		
- Property, plant and equipment	177,879	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 2018		Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Revenue:-							
External customers		58,498,925	6,891,055	640,205	2,215,230	-	68,245,415
Inter-segment	i	1,860,188	3,995,306	-	4,558,551	(10,414,045)	-
Total revenue		60,359,113	10,886,361	640,205	6,773,781	(10,414,045)	68,245,415
Results:-							
Interest income		203,354	83,100	-	25,681	-	312,135
Finance costs		(73,435)	(49,656)	(3,859)	(527,007)	-	(653,957)
Dividend income		-	-	-	3,514,980	(3,514,980)	-
Depreciation of property, plant and equipment and amortisation of intangible assets		(1,013,218)	(879,357)	(85,478)	(91,643)	(707,069)	(2,776,765)
Share of profit of associate		(28,208)	-	-	-	-	(28,208)
Tax expense		(1,017,427)	(75,709)	-	(397,141)	554,914	(935,363)
Other non-cash items	ii	3,186,620	394,049	3,204	25,824	(13,542)	3,596,155
Segment profit/(loss)	iii	684,636	(345,839)	41,371	3,653,915	(3,563,008)	471,075

32. SEGMENT INFORMATION (CONT'D)

At 30 September 2018	Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Assets:-						
Segment assets	90,730,646	15,507,057	290,414	105,860,675	(84,106,454)	128,282,338
Additions to non-current iv assets	960,621	1,382,357	133,049	-	-	2,476,027
Deferred tax assets	6,578,994	-	-	-	680,000	7,258,994
	98,270,261	16,889,414	423,463	105,860,675	(83,426,454)	138,017,359
Liabilities:-						
Segment liabilities	40,641,611	1,737,843	2,222,670	15,107,450	(21,246,636)	38,462,938
Deferred tax liabilities	830,722	386,725	-	1,378,048	-	2,595,495
Tax payable	258,337	54,918	-	2,800	-	316,055
	41,730,670	2,179,486	2,222,670	16,488,298	(21,246,636)	41,374,488

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 iv assets	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)**

(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:-

	2018 RM	2017 RM
Bad debts written off	8,409	18,231
Gain on disposal of property, plant and equipment	(349,222)	(48,305)
Property, plant and equipment written off	2,216	47,987
Impairment loss on trade receivables	1,463,946	1,203,420
Reversal of impairment loss on:-		
- Trade receivables	(609,334)	(908,726)
Unrealised loss/(gain) on foreign exchange	1,638,696	(50,406)
Inventories written down	4,410,665	4,833,910
Inventories written off	-	242,603
Reversal of Inventories written down	(2,969,221)	(2,805,718)
	3,596,155	2,532,996

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:-

	2018 RM	2017 RM
Segment profit	1,776,468	4,832,327
Interest income	312,135	471,599
Finance costs	(653,957)	(662,634)
Share of profit of associates	(28,208)	53,152
Tax expense	(935,363)	(1,790,418)
Profit for the financial year	471,075	2,904,026

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:-

	2018 RM	2017 RM
Property, plant and equipment	2,476,027	420,644

(b) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively.

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	58,268,322	65,064,611	63,952,543	62,814,604
Thailand	7,928,728	8,083,504	2,765,130	2,644,067
Indonesia	2,048,365	1,028,693	1,555,128	1,776,156
	68,245,415	74,176,808	68,272,801	67,234,827

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
2018				
Financial assets				
Other investments	1,026,914	-	1,026,914	-
Trade and other receivables	15,958,088	15,958,088	-	-
Fixed deposit with licensed banks	1,114,678	1,114,678	-	-
Cash and bank balances	12,633,057	12,633,057	-	-
	30,732,737	29,705,823	1,026,914	-
Financial liabilities				
Trade and other payables	13,641,105	-	-	13,641,105
Loan and borrowings	13,418,080	-	-	13,418,080
	27,059,185	-	-	27,059,185
2017				
Financial assets				
Other investments	1,026,935	-	1,026,935	-
Trade and other receivables	15,063,222	15,063,222	-	-
Fixed deposit with licensed banks	708,988	708,988	-	-
Cash and bank balances	19,858,342	19,858,342	-	-
	36,657,487	35,630,552	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

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**
2018				
Financial assets				
Other investment	1,000,000	-	1,000,000	-
Trade and other receivables	1,529,993	1,529,993	-	-
Cash and bank balances	1,261,006	1,261,006	-	-
	3,790,999	2,790,999	1,000,000	-
Financial liability				
Trade and other payables	517,782	-	-	517,782
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

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:-

Group	Gross RM	Individually impaired RM	Net RM
2018			
Not past due	3,336,775	-	3,336,775
Past due for 1-30 days	1,748,747	-	1,748,747
Past due for 31-60 days	1,579,746	-	1,579,746
Past due for 61-90 days	1,412,069	-	1,412,069
Past due for 91-120 days	4,963,529	(530,850)	4,432,679
Past due for more than 120 days	5,595,494	(3,296,765)	2,298,729
	18,636,360	(3,827,615)	14,808,745

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)

Group	Gross RM	Individually impaired RM	Net RM
2017			
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

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 RM11,471,970 (2017: RM12,130,730) 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 RM12,422,691 (2017: RM12,829,187) 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 2018	**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	13,641,105	13,641,105	13,641,105	-	-
Obligations under finance liabilities	1,173,722	1,272,233	509,131	738,292	24,810
Term loans	12,244,358	15,785,675	1,452,576	5,761,248	8,571,851
Total undiscounted financial liabilities	27,059,185	30,699,013	15,602,812	6,499,540	8,596,661

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 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).

Company 2018	Carrying amount RM	Contractual cash flow RM	Within one year RM
Financial liabilities:-			
Other payables	517,782	517,782	517,782
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries	-	-	12,422,691
Total undiscounted financial liabilities	517,782	517,782	12,940,473

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	-	-	12,829,187
Total undiscounted financial liabilities	234,906	234,906	13,064,093

(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.

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.

34. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

(c) Interest rate risk (cont'd)

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 RM93,058 (2017: RM99,610) 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 2018 and 2017.

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of reporting period was:-

2018	Trade and other receivables RM	Cash and bank RM	Trade and other payables RM	Loans and borrowings RM
Denominated in:-				
USD	248,457	711,658	-	-
SGD	87,025	395,549	(45,514)	-
IDR	521,898	94,952	(13,055,689)	-
GBP	-	243,751	(310)	-
2017				
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)

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 2018 RM	2017 RM
USD/RM	- strengthened 0.19% / 0.15%	(1,824)	(1,686)
	- weakened 0.19% / 0.15%	1,824	1,686
SGD/RM	- strengthened 0.23% / 0.20%	(1,005)	(912)
	- weakened 0.23% / 0.20%	1,005	912
THB/RM	- strengthened 0.08% / 4.05%	-	(154,904)
	- weakened 0.08% / 4.05%	-	154,904
IDR/RM	- strengthened 1.19% / 0.06%	7,463	7,320
	- weakened 1.19% / 0.06%	(7,463)	(7,320)
GBP/RM	- strengthened 0.36% / 0.38%	(876)	(926)
	- weakened 0.36% / 0.38%	876	926

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.

35. **FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)**

Fair value hierarchy (cont'd)

As at reporting date, the Group disclosed the fair value of the following financial assets:-

2018	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial assets				
Short term investments	714	714	-	-
Investment properties	13,960,183	-	-	13,960,183
	13,960,897	714	-	13,960,183
2017				
Financial assets				
Short term investments	735	735	-	-
Investment properties	14,512,836	-	-	14,512,836
	14,513,571	735	-	14,512,836

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 2018 and 2017, there were no transfers between the hierarchy fair value measurement.

36. **RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	1 October RM	Cash flows RM	Others RM		30 September RM
Group					
Loan and borrowings					
- Borrowings	13,106,805	(862,447)	-		12,244,358
- Financial lease liabilities	606,881	(436,890)	1,003,731	^	1,173,722
Dividend paid	-	(1,931,950)	1,931,950	*	-
Interest paid	-	(653,957)	653,957	#	-
Total liabilities from financing activities	13,713,686	(3,885,244)	3,589,638		13,418,080
Company					
Amount due from subsidiaries	(854,583)	(671,410)	-		(1,525,993)
Amount due to subsidiaries	-	297,006	-		297,006
Dividend paid	-	(1,931,950)	1,931,950	*	-
Total liabilities from financing activities	(854,583)	(2,306,354)	1,931,950		(1,228,987)

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

^ Being purchase of motor vehicles under finance lease liabilities amounting to RM1,002,378 and effect of exchange rate changes amounting to RM1,353.
* Being dividend paid during the financial year.
# Being interest paid during the financial year.

37. 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 2018 and 2017.

The Group is not subject to any externally imposed capital requirements.

38. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 25 July 2017, the Company had made an announcement to Bursa Securities which the Company through its wholly-owned subsidiary, 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 claims pursuant to the Writ and Statement of Claim are 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 in pursuant to the several publishing agreements between PPSB and Majlis Peperiksaan Malaysia ("MPM") to control, among others, the reproduction, communication, distribution, and commercialisation of the Copyright Works.

On 11 September 2017, PPSB received a counterclaim from SSB to filed its defence against the claim and filed a counterclaim.

On 27 September 2017, PPSB has filed a reply to defence whereby PPSB challenged Sasbadi's counterclaims and put SSB to strict proof of the said claims, 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.

38. **SIGNIFICANT EVENT DURING THE FINANCIAL YEAR (CONT'D)**

On 16 April 2018, PPSB, MPM and SSB have entered into a settlement agreement whereby it has been agreed between the parties that PPSB will withdraw its claim in the Suit with no liberty to file afresh and no order as to costs and, simultaneously, SSB will withdraw its counterclaim in the Suit with no liberty to file afresh and no order as to costs.

39. **EVENT AFTER THE REPORTING PERIOD**

On 11 October 2018, the wholly-owned subsidiary, Penerbitan Pelangi Sdn. Bhd. ("PPSB") acquired 5 shares fully paid up in the capital of PT Penerbitan Pelangi Indonesia equivalent to five percent (5%) of its shareholding from Datuk Sum Kown Cheek at a total consideration of USD 5,000 equivalent to RM20,795.

40. **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
Company		
Statement of Cash Flows		
Cash flow from operating activities		
Changes in working capital:-		
-Trade and other receivables	173,600	3,000
Cash flow from financing activities		
-Advances to subsidiaries	-	170,600

Statement of **SHAREHOLDINGS**

As at 8 January 2019

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
80	Less than 100	3,471	0.00
73	100 to 1,000	36,147	0.04
939	1,001 to 10,000	2,893,512	3.00
285	10,001 to 100,000	8,905,445	9.22
55	100,001 to less than 5% of issued shares	44,344,170	45.90
3	5% and above of issued shares	40,414,755	41.84
1,435		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	27,914,755	28.90
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 Chung	3,437,465	3.56

9.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN For DBS Bank Ltd (SFS)	3,302,600	3.42
10.	Lim Keh Kuan	1,547,000	1.60
11.	Teo Kwee Hock	1,512,600	1.57
12.	Lim Kah Eng	1,027,875	1.06
13.	Ang Hwi Lin	1,024,237	1.06
14.	Yee Tan Fatt	950,875	0.98
15.	Chin Khuan Meng	865,625	0.90
16.	Lau Siew Hin	772,200	0.80
17.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Chang Joon	740,000	0.77
18.	Teh Hui Guan	702,400	0.73
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.	Lai Chin Heng	607,662	0.63
22.	Chung Shan Meng	500,000	0.52
23.	Chung Soo Cheng	500,000	0.52
24.	Lee Wee Ling	500,000	0.52
25.	Cheah Swee Kit	492,500	0.51
26.	Sam Mok Sang	479,575	0.50
27.	Wong Teck Sing	438,125	0.45
28.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Geok Tin @ Lee Nui Eng	423,700	0.44
29.	Maybank Nominees (Tempatan) Sdn Bhd Lim Kah Eng	390,500	0.40
30.	Lam Oi Kam	312,500	0.32

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	27,914,755	28.90	3,437,465[a]	3.56
Datin Lai Swee Chiung	3,437,465	3.56	27,914,755[a]	28.90
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]	7.51
Yeo Seng Chong	625,000	0.65	7,474,750[e]	7.74
Lim Mee Hwa	-		8,099,750[e]	8.39

(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	27,914,755	28.90	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	-	-	-	-
Datin Dr Norrizan Binti Razali	-	-	-	-
Wong Tuck Cheong	-	-	-	-

(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 Seventeenth 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, 15 March 2019 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 2018 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of a final single tier dividend of 0.50 sen per ordinary share for the financial year ended 30 September 2018. ORDINARY RESOLUTION 1

3. To approve the payment of the Non-Executive Directors' Fees of RM80,500.00 and Benefits of RM10,000.00 for the financial year ended 30 September 2018. ORDINARY RESOLUTION 2

4. To approve the payment of the Non-Executive Directors' Fees of RM101,916.67 and Benefits of RM12,400.00 for the financial year ending 30 September 2019. ORDINARY RESOLUTION 3

5. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:

   a) Syahriza binti Senan – Article 123 ORDINARY RESOLUTION 4

   b) Vincent Wong Soon Choy – Article 123 ORDINARY RESOLUTION 5

   c) Datin Dr. Norrizan Binti Razali – Article 128 ORDINARY RESOLUTION 6

   d) Wong Tuck Cheong – Article 128 ORDINARY RESOLUTION 7

6. To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company and authorise the Directors to fix their remuneration. ORDINARY RESOLUTION 8

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following Resolutions:

   AUTHORITY TO ALLOT SHARES – SECTION 75 and 76 ORDINARY RESOLUTION 9

   "**THAT** pursuant to Section 75 and 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."

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
("Proposed Renewal Of Share Buy-Back Authority")

ORDINARY RESOLUTION 10

"**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 RM9,405,825 as at 30 September 2018.

(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."

CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR — ORDINARY RESOLUTION 11

"**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."

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed RSM") — ORDINARY RESOLUTION 12

"**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 29 January 2019 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."

PROPOSED ALTERATION OF AMENDMENT OF CONSTITUION OF THE COMPANY — SPECIAL RESOLUTION 1

"**THAT** approval be and is hereby given to alter or amend the existing Constitution of the Company by replacing it entirely with a new Constitution of the Company as set out in Appendix II with immediate effect **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

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 0.50 SEN PER ORDINARY SHARE

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Seventeenth Annual General Meeting, the final single tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 30 September 2018 will be payable on 26 April 2019 to Depositors registered in the Record of Depositors at the close of business on 05 April 2019.

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 05 April 2019 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)

Company Secretaries

Johor Bahru
Dated: 29 January 2019

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 ORDINARY BUSINESS:

Audited Financial Statements for financial year ended 30 September 2018

This Agenda item is meant for discussion only as the audited financial statements do not require formal approval of shareholders pursuant to 340 (1)(a) of the Companies Act, 2016. Hence, the matter will not be put for voting.

Directors' remuneration

The Board recommended to shareholders for approval the following two (2) separate resolutions in accordance with Section 230 Companies Act 2016:-

- Ordinary Resolution 2 on payment of Non-Executive Directors' fees and benefits in respect of the financial year ended 30 September 2018; and
- Ordinary Resolution 3 on payment of Non-Executive Directors' fees and benefits in respect of the financial year ending 30 September 2019 and until the next AGM ("Relevant Period").

Directors' fees

The Board decided that the Non-Executive Directors' fees for financial year ended 30 September 2018 be maintained as the previous FY subject to the performance of the Company and the current global economy. The detailed Non-Executive Directors' fees are contained in page 35of Corporate Governance Overview.

Directors' remuneration (excluding Directors' fees)

The Directors' remuneration (excluding Directors' fees) comprises the allowances and other emoluments payable to Non-Executive Directors. Benefits of RM10,000.00 are to reimburse Non-Executive Directors' travelling expenses to attend meetings of Company. Payment of benefits to the NEDs will be made by the Company as and when incurred, after they have discharged their responsibilities and rendered their services to the Company of the Relevant Period, based on the proposed benefits, if the proposed Ordinary Resolutions 2 and 3 are passed at the forthcoming Annual General Meeting.

The benefits payable to the Directors (excluding Directors' Fees) comprises meeting allowances payable to all the Directors. The Board is of the view that it is just and equitable for the Directors to be paid the Directors' benefits (excluding Directors' fees) as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company for year ended 30 September 2018.

Re-election of Directors who retire in accordance with Article 123 and Article 128 of the Company's Articles of Association ("AA")

Article 123 of the AA provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company while for the Article 128 provides that the Board shall have the power to appoint any person to be a Director to fill a casual vacancy or as an addition to the existing Board, and that any Director so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

With the current Board size of seven (7), two (2) Directors are to retire in accordance with Article 123 and another two (2) Directors are to retire in accordance with Article 128 of the AA.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 17th AGM, the Nominating Committee ("NC") has considered the following:

(1) The assessment of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities; and

(2) The level of independence demonstrated by each of the Non-Executive Directors ("NEDs"), and their ability to act in the best interests of the Company in decision-making, to ensure that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.

In line with the Malaysian Code on Corporate Governance ("MCCG"), the Board has conducted an assessment of independence of the NEDs, and also other criteria i.e. character, integrity, competence, experience and time commitment in effectively discharging their respective roles as Directors of the Company. The individual Directors were assessed based on performance criteria set in the areas of Board dynamics and participation, competency and capability, independence and objectivity, probity and personal integrity, contribution and performance together with their ability to make analytical inquiries and offer advice and guidance. Each of the NEDs has also provided his/her annual declaration/confirmation of independence.

The Board accepted the NC's recommendation that the Directors who retire in accordance with Article 123 and Article 128 of the AA are eligible to stand for re-election. All these retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board meeting.

Appointment of Auditors

Pursuant to Section 273(b) of the Act, the term of office of the present Auditors, Messrs Grant Thornton Malaysia, shall lapse at the conclusion of this AGM unless they are re-appointed by the shareholders to continue in office. Messrs Grant Thornton Malaysia, have indicated their willingness to continue their service until the conclusion of the 18th AGM. The re-appointment of Messrs Grant Thornton Malaysia as Auditors has been considered against the relevant criteria prescribed by Paragraph 15.21 of the MMLR. This proposed Ordinary Resolution 8, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 Of The Companies Act 2016

The Ordinary Resolution 9, 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.

Proposed Renewal Of Share Buy-Back Authority

The Ordinary Resolution 10, 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 29 January 2019.

Continuation of terms of office as Independent Director

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, the Nomination Committee has assessed her 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. Hence, the Board recommends Syahriza Binti Senan to continue her office as an Independent Director 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.

Proposed Renewal Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed RSM")

The Proposed RSM under Ordinary Resolution 12 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 16 March 2018.

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 2018.

Proposed alteration or amendment of the Constitution of the Company

The Memorandum and Articles of Association of the Company shall have effect and enforceable under Companies Act 2016 pursuant to Section 619(3) of Companies Act 2016. The Company is proposing a new Constitution to replace its existing Memorandum & Articles of Association (deemed as Constitution by Companies Act 2016) in order to bring the Constitution in line with Companies Act 2016 and Bursa Securities Malaysia Berhad Listing Requirement besides to enhance administrative efficiency. The proposed new Constitution is attached hereto and identified as Appendix II. The Appendix II on the Proposed alteration or amendment of the Constitution of the Company which is circulated together with the Notice of 17th Annual General Meeting (AGM) dated 29 January 2019, shall take effect once the Proposed Special Resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the said AGM.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, appended hereunder are:

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS

DATIN DR. NORRIZAN BINTI RAZALI

Malaysian, Female, Age 56
Independent Non-Executive Director
Member of Audit Committee and Member of Nomination Committee

Qualification & Membership

Doctorate of Education (Sociolinguistics), University of Pennsylvania, U.S.A
Masters of Teaching English as Second Language, San Francisco State University, U.S.A
Degree of Education, Southeast Missouri State University, U.S.A
Professional Qualification of State of Missouri High School Teaching Certificate, Southeast Missouri State University, U.S.A

Working Experience & occupation

1. Founder / Managing Director of Tech Capacity, Kuala Lumpur, Malaysia (2018 - present)
   Ideated and established Tech Capacity (educators and education leaders' capacity building company). Heads the operations and the company's overall performance.

2. Chairman of the Board of Governors in GEMS International School at Pearl City, Penang, Malaysia (2018 - present)
   Chair annual board meetings, lead stakeholders' site visits and develop strategies.

3. Chairman of the Board of Governors in GEMS International School at Tropicana Metropark, Selangor, Malaysia (2018 - present)
   Chair annual board meetings, lead stakeholders' site visits and develop strategies.

4. Adjunct Faculty in INTI International University, Subang, Selangor, Malaysia (2018 - present)
   Lecture on selected topics of leadership and the industry and mentoring groups of students on Design Thinking projects.

5. Business Development Manager in Apple, Kuala Lumpur, Malaysia (2016 - 2018)
   Led the sales operation for the education business covering private and public segments of K 12 and higher education institutions.

6. Education Director in Microsoft, Kuala Lumpur, Malaysia (2013 - 2016)
   Led the sales operation for the education business covering private and public segments of K 12 and higher education institutions.

7. Senior Manager in Multimedia Development Corporation, Cyberjaya, Selangor, Malaysia (2001 - 2013)
   Headed the education development team responsible for policy formulation and program management of the Multimedia Super Corridor smart school and digital education projects.

8. Senior Analyst in Institute of Strategic and International Studies, Kuala Lumpur, Malaysia (1995 - 2000)
   Project managed and provided consultancy for multilateral agency-funded education projects and formulated education policies.

9. Lecturer in National University of Malaysia, Bangi, Selangor, Malaysia (1987 - 1995) (Scholarly leave for PH.D 1988-1992)

Date Appointed to the Board

She was appointed as an Independent Non-Executive Director on 30 November 2018.

Directorships in other Public Listed Companies.

Currently, she has no any other directorships in public listed companies.

Interest in securities of the Company and its subsidiaries
She does not hold any shares of the Company.

Family relationship with any Directors / Major Shareholders
She has no family relationship with any Director or Major Shareholder of the Company.

Conflict of interest with the Group
She has declared that she has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

Number of Board Meeting attended in the financial year
Nil as she was appointed on 30 November 2018.

MR WONG TUCK CHEONG

Malaysian, Male, Age 34
Non-Independent Non-Executive Director
Member of Audit Committee

Qualification & Membership
Member of Malaysian Institute of Accountants (MIA)
Member of Association of Chartered Certified Accountants (ACCA), United Kingdom

Working Experience & occupation
He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), ASEAN Chartered Professional Accountant (ACPA) and a Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom.

He has more than 9 years of experience in audit and finance. He started his career as an auditor in a public accounting firm and is currently attached to Baker Tilly Malaysia in Kuala Lumpur.

In addition to his professional career as a Chartered Accountant, he has broad ranging corporate experience having held various senior positions including Accountant, Executive Director and Corporate Adviser of a privately held group of companies with interest in education, retailing (tyres), food & beverage and investment holdings since 2011.

Date Appointed to the Board
He was appointed as Non-Independent Non-Executive Director on 30 November 2018.

Directorships in other Public Listed Companies.
Currently, he has no any other directorships in public listed companies.

Interest in securities of the Company and its subsidiaries
He does not hold any shares of the Company.

Family relationship with any Directors / Major Shareholders
He is son-in-law of Datuk Sam Yuen @ Sam Chin Yan.

Conflict of interest with the Group
He has declared that he has no conflict of interest with the Company / Group.

List of Conviction for Offences within the past 5 years other than traffic offences
None.

Number of Board Meeting attended in the financial year
Nil as he was appointed on 30 November 2018.

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 Seventeenth 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, 15 March, 2019** 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.	ORDINARY RESOLUTION	FOR	AGAINST
1.	Approval of Final Dividend.		
2.	Approval of the payment of the Non-Executive Directors' Fees of RM80,500.00 and Benefits of RM10,000.00 for the financial year ended 30 September 2018.		
3.	Approval of the payment of the Non-Executive Directors' Fees of RM101,916.67 and Benefits of RM12,400.00 for the financial year ending 30 September 2019.		
4.	Re-election of Ms Syahriza binti Senan as Director.		
5.	Re-election of Mr Vincent Wong Soon Choy as Director.		
6.	Re-election of Datin Dr. Norrizan Binti Razali as Director.		
7.	Re-election of Mr Wong Tuck Cheong as Director.		
8.	Re-appointment of Messrs Grant Thornton Malaysia as Auditors of the Company.		
9.	Authority to Allot Shares - Section 75 and 76.		
10.	Approval for the Proposed Renewal Shareholders' Mandate For Share Buy-Back Authority		
11.	Approval of the continuation of terms of office of Syahriza Binti Senan as Independent Director.		
12.	Approval for the Proposed Renewal Shareholders' Mandate For Recurrent Related Parties Transactions.		
	SPECIAL RESOLUTION		
1.	Proposed Alteration of Amendment of Constitution of the Company.		

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 ____________________ 2019.

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.