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Pelangi Publishing Group Bhd.

2014 Annual Report

# 2014 Annual Report

**Pelangi Publishing Group Bhd.** ( 593649-H)
*( Incorporated in Malaysia )*

# CONTENTS

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirteenth 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, 20 March 2015 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 2014 together with the Directors' and Auditors' Reports thereon. — PLEASE REFER TO NOTE 1

2. To approve the payment of a single tier final dividend of 4% for the financial year ended 30 September 2014. — RESOLUTION 1

3. To approve the payment of Directors' fees for the financial year ended 30 September 2014. — RESOLUTION 2

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

   a) Ms Syahriza Binti Senan – Article 123 — RESOLUTION 3
   b) Mr Teh Hui Guan – Article 123 — RESOLUTION 4

5. To consider, and if thought fit, to pass the following resolution: — RESOLUTION 5
   "**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Mr Lee Kheng Hon be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting."

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. — RESOLUTION 6

**SPECIAL BUSINESS**

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

   **ORDINARY RESOLUTION 1**
   **AUTHORITY TO ALLOT SHARES – SECTION 132D** — RESOLUTION 7

   "**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

   **ORDINARY RESOLUTION 2**
   **CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR** — RESOLUTION 8

   "**THAT** the terms of office of Ms Syahriza binti Senan be remained as Independent Director of the Company in accordance with Malaysian Code On Corporate Governance 2012." — REFER TO EXPLANATORY NOTE II

**ORDINARY RESOLUTION 3**
**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed RSM")** RESOLUTION 9

"**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 25 February 2015 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 143(1) of the Companies Act, 1965, ("Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

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, 1965 and the Company's Articles of Association.

**NOTICE OF DIVIDEND ENTITLEMENT**
**SINGLE TIER FINAL DIVIDEND OF 4%**

**NOTICE IS HEREBY GIVEN THAT** subject to the approval of the shareholders at the Thirteenth Annual General Meeting, the single tier Final Dividend of 4% in respect of the financial year ended 30 September 2014 will be payable on 30 April 2015 to Depositors registered in the Record of Depositors at the close of business on 10 April 2015.

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 10 April 2015 in respect of transfer; and
b) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

CHIN NGEOK MUI (MAICSA NO. 7003178)
LEONG SIEW FOONG (MAICSA NO. 7007572)
HUAN CHUAN SEN @ AH LOY (MACS 01519)
Company Secretaries

Johor Bahru
25 February 2015

**NOTES:**

1. This Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.

   a. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and if he is not a Member of the Company, Section 149(1)(b) of the Companies Act, 1965 shall not be applicable. 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 account 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 Registered Office situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia not less than forty-eight hours before the time appointed for holding the Meeting and any adjournment thereof.

**EXPLANATORY NOTES ON SPECIAL BUSINESS:**

I. Ordinary Resolution 1

The Ordinary Resolution 1, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year’s Annual General Meeting.

The authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting.

The authority will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limiting to further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

II. Ordinary Resolution 2

Syahriza binti Senan is an Independent Director of the Company who has served the Company for more than nine years.

In line with the Malaysian Code on Corporate Governance 2012, the Nomination Committee has assessed her independence as defined in Bursa Securities Listing Requirements 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. To that, the Board recommends Ms 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.

III. Ordinary Resolution 3

The Proposed RSM under Ordinary Resolution 3 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 21 March 2014.

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 2014.

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

Pursuant to Paragraph 6.03 (3) of the Bursa Malaysia Securities Berhad Listing Requirements, appended hereunder is:

**ORDINARY RESOLUTION 1**
**AUTHORITY TO ALLOT SHARES - SECTION 132D**

The Ordinary Resolution 1, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting.

The authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting.

The authority will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limiting to further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**

SUM KOWN CHEEK
(Executive Chairman and Group Managing Director)

LEE KHENG HON
(Executive Director)

TEH HUI GUAN
(Executive Director)

VINCENT WONG SOON CHOY
(Independent Non-Executive Director)

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

SYAHRIZA BINTI SENAN
(Independent Non-Executive Director)

**AUDIT COMMITTEE**

VINCENT WONG SOON CHOY
Chairman

SYAHRIZA BINTI SENAN
Member

SAM YUEN @ SAM CHIN YAN
Member

**NOMINATION COMMITTEE**

VINCENT WONG SOON CHOY
Chairman

SYAHRIZA BINTI SENAN
Member

**REMUNERATION COMMITTEE**

VINCENT WONG SOON CHOY
Chairman

SYAHRIZA BINTI SENAN
Member

SUM KOWN CHEEK
Member

**SECRETARIES**

CHIN NGEOK MUI
LEONG SIEW FOONG
HUAN CHUAN SEN @ AH LOY

**AUDITORS**

ERNST & YOUNG
Chartered Accountants

**REGISTERED OFFICE**

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

**SHARE REGISTRAR**

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

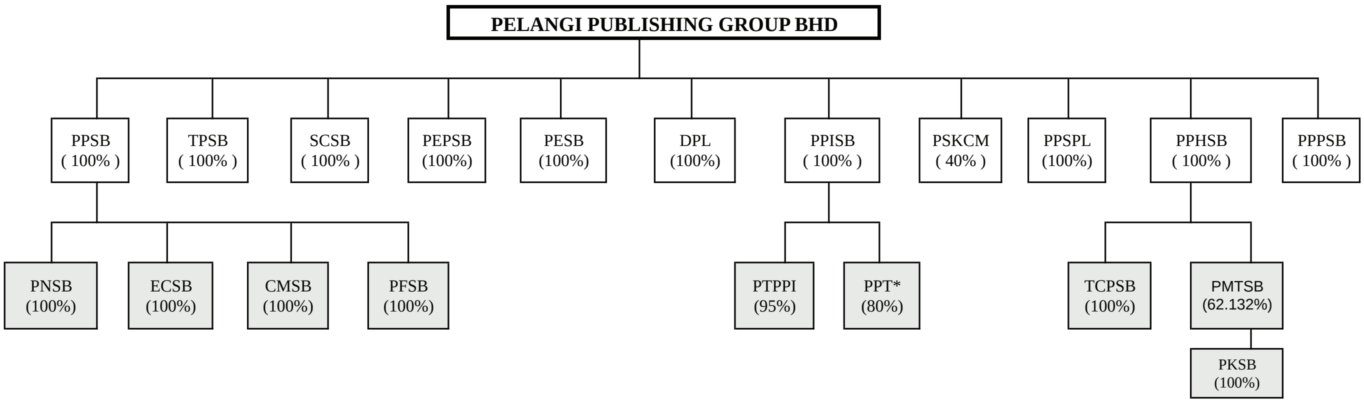
**PRINCIPAL BANKERS**

PUBLIC BANK BERHAD
MALAYAN BANKING BERHAD

**STOCK EXCHANGE**

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

# CORPORATE STRUCTURE




## Abbreviations

**PPSB** – Penerbitan Pelangi Sdn. Bhd. (89120-H)

**TPSB** – Tunas Pelangi Sdn. Bhd. (105652-A)

**SCSB** – Sutera Ceria Sdn. Bhd. (499589-M)

**PEPSB** – Pelangi ePublishing Sdn. Bhd. (939787-V)

**PESB** – Pelangi Education Sdn. Bhd. (458162-U)

**DPL** – Dickens Publishing Ltd. (7033325)

**PPISB** – Pelangi Publishing International Sdn. Bhd. (517605-P)

**PSKCM** – Pelangi Smart Kids Culture Media Pte. Ltd., Hebei (130100400003122) (now known as Hebei Culture Communication Ltd. Chunyu Rainbow)

**PPSPL** – Pelangi Publishing Singapore Pte. Ltd. (201112597C)

**PPHSB** – Pelangi Publishing Holdings Sdn. Bhd. (493518-H)

**PPPSB** – Pelangi Professional Publishing Sdn. Bhd. (1120680-A)

**PNSB** – Pelangi Novel Sdn. Bhd. (379269-A)

**ECSB** – Elite Corridor Sdn. Bhd. (431111-V)

**CMSB** – Comtech Marketing Sdn. Bhd. (104669-W)

**PFSB** – Pelangi Formpress Sdn. Bhd. (172005-U)

**PCSB** – Pelangi Comics Sdn. Bhd. (838313-U)#

**PTPPI** – PT. Penerbitan Pelangi Indonesia (02.379.621.2-416.000)

**PPT** – Pelangi Publishing (Thailand) Co. Ltd (0105547130710)

**TCPSB** – The Commercial Press, Sdn. Berhad (2390-V)

**PMTSB** – Pelangi Multimedia Technologies Sdn. Bhd. (585971-M)

**PMSB** – Pelangi Multimedia Sdn. Bhd. (345998-T)#

**PKSB** – Pelangi Kids Sdn. Bhd. (692155-U)

Remark
* Percentage calculated based on Ordinary Shares Issued.
# PCSB & PMSB had been placed under Members' Voluntary Winding-Up on 29 September 2014.

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Pelangi Publishing Group Berhad ("PPG"), I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 September 2014.

## FINANCIAL RESULTS

For the financial year ended 30 September 2014, the Group registered a revenue and pre-tax profit of RM64.4 million and RM8.3 million compared to a revenue and pre-tax profit of RM66.4 million and RM9.1 million respectively in the previous year, a decrease of 3.0% in revenue and 8.8% in pre-tax profit respectively.

The Publishing and Printing segments of the Group continue to be the major contributors towards the Group's revenue. The revenue recorded by the Publishing segment was RM58.2 million against RM58.6 million in the previous year while the Printing segment recorded RM13.8 million against RM15.1 million in the previous year. The lower revenue from the Printing segment was mainly due to challenging economic conditions.

Amidst the tough operating environment, the Group is able to maintain its pre-tax profit after discounting an isolated gain on disposal of a piece of property of RM1.0 million in the previous financial year.

## DIVIDEND

In appreciation to our shareholders, the Board has recommended a single tier final dividend of 4% for the financial year ended 30 September 2014 for the approval of shareholders at the forthcoming Annual General Meeting.

## SIGNIFICANT CORPORATE DEVELOPMENT

*Reclassification of Sector*

The Company's shares have been reclassified from "Industrial Products" to "Consumer Products" sector with effect from 8 December 2014. The Stock Number and Stock Short Name of the Company remain unchanged.

*Acquisition of leasehold land and building*

The Group has on 9 December 2014 announced on the completion of the acquisition of a parcel of leasehold industrial land together with all building erected thereon in the Mukim of Plentong, District of Johor Bahru, Johor, a total cash consideration of RM15.5 million.

The acquisition will enable the Group to enhance its recurrent income base by expanding into property letting and property management activities. The Group will benefit from a steady rental income stream from the tenanted lots for a period of three (3) years from December 2014 and the tenancy shall be automatically renewed every subsequent three (3) years up to a total period of nine (9) years.

*Acquisition of Pelangi Professional Publishing Sdn Bhd ('PPPSB')*

On 12 January 2015, PPG announced that a new subsidiary, PPPSB, a wholly-owned subsidiary of PPG has been acquired to undertake the publication and distribution of higher education books and its related reading material. The acquisition will enable the Group to penetrate into new market and the development of new product line pertaining to higher education.

## CORPORATE SOCIAL RESPONSIBILITY ('CSR')

During the year, PPG and its subsidiaries continued to support various CSR initiatives reaching out to different segments of the local community.

We contributed our time, knowledge and financial support to various local organizations striving for collective solutions. Our commitment is to create shared value for our business and society. In the course of developing business relationship we've methodically developed distinct, forward-looking goals. These goals will serve to focus on a long term view of society and environmental business imperatives that will help to shape our company brand awareness/goal.

During the FY2014, PPG has undertaken several initiatives with various non-profit and charity organisations:

1. Mosquitoes fogging for Aedes prevention in 10 schools, in conjunction of PPG's launch of movie MoKissU

2. Books Donation for Myanmar children in Myanmar Refugees School in Klang, Selangor

3. Books Donation for Budimas Charitable Foundation – Library project for Orang Asli Settlement in Negeri Sembilan

4. Library Set up and Books Donation for children at Orang Asli Village, Kg Layer, Ringlet, Cameron Highland

## CORPORATE GOVERNANCE

PPG is supportive towards the adoption of the principles and recommendations set out in the Malaysian Code of Corporate Governance 2012. Hence, we strive to ensure sound corporate governance in order to safeguard our stakeholders' interests and enhance shareholders' value.

## OUTLOOK AND PROSPECTS

Uncertain economic condition in 2015 has led to slowdown in the Malaysian consumer market in late 2014. Despite tougher economic landscape and stiff competition from other publishing industry players, PPG will continue to produce more innovative products in winning over market shares in Malaysia. More resources will be put in place for the upcoming textbook tender for Secondary School Form 1 as well.

Pelangi Thailand has continued its strong growth in 2014, and is expected to further strengthening its local market position, by expanding into other untapped sectors in Children books and introducing digital products for the Academic market.

Much focus will also be placed on Pelangi Indonesia, as PPG strengthens its staff strength in its Indonesian office in 2015 and is ready to roll out many new products into the market.

## APPRECIATION

On behalf of the Board, I wish to express our appreciation to the management, employees and agents for their dedication, hard work and commitment to ensure success of the Group.

We are also grateful to our customers, business associates, financiers and shareholders for their continuing support and trust in the Group.

To my fellow Directors, thank you for your invaluable guidance and contributions during these challenging times.

Sum Kown Cheek
Executive Chairman and Group Managing Director

# DIRECTORS' PROFILE

**SUM KOWN CHEEK**
Executive Chairman and Group Managing Director

Sum Kown Cheek, aged 62, Malaysian, 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.

Mr Sum graduated from Universiti Sains Malaysia in 1978 and entered the teaching profession in the same year. In 1993, he left the teaching profession to join Penerbitan Pelangi Sdn Bhd as the Managing Director. Under his guidance, he spearheaded the Company to achieve rapid growth by securing local school textbook projects, expanding its product range by entering into children's books via securing Walt Disney licensee which subsequently placed Penerbitan Pelangi Sdn Bhd into the international publishing map. The Company has been awarded with strings of prestigious awards including Enterprise 50 Award, SMI Recognition Award, Superbrands Award 2000 – 2002 (ranking 12th, 6th and 8th), Hall Of Fame – Golden Bull Award 2008, The Brandlaureate – Brand Personality Awards 2012 – 2013, Anugerah Buku Negara (National Book Award), The BrandLaureate – Corporate Branding Awards 2012 – 2013 and Best Brand Signature Award – Publishing Educational Product 2013 – 2014. 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 oversees all aspects of the Group's operation. He is an Exco Member of the Malaysian Book Publishers Association (MABOPA) since 2011. 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 Mdm Lai Swee Chiung, is a substantial shareholder of the Company. His elder brother, Mr Sam Yuen @ Sam Chin Yan, is a Director and substantial shareholder of PPG. Please refer to page 126 of this Annual Report for his securities holding.

**LEE KHENG HON**
Executive Director

Lee Kheng Hon, aged 70, Malaysian, was appointed as the Executive Director of the Company on 19 December 2003.

Mr Lee obtained his teaching qualification from the Regional Teacher Training Centre in 1966. He taught at the Petaling Garden Girls School, Selangor in 1967 before moving to teach at Maktab Sultan Abu Bakar, Johor Bahru (formerly known as English College) in 1973. He joined Penerbitan Pelangi Sdn Bhd in 1995 as the Personnel Manager. He is currently overseeing the printing operation of CMSB. He has no directorship in other public listed companies. Please refer to page 126 of this Annual Report for his securities holding.

**VINCENT WONG SOON CHOY**
Independent Non-Executive Director

Vincent Wong Soon Choy, aged 46, Malaysian, was appointed as an Alternate Director to Winston Paul Wong Chi-Huang of the Company on 10 January 2009. Subsequently, he became Independent Non-Executive Director on 1 January 2011. He is the Chairman of the Audit Committee, Nomination 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 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 accounts, corporate governance, corporate planning and restructuring. He is currently an Independent Non-Executive Director of Plastrade Technology Berhad, a company listed on the ACE Market of Bursa Securities. Please refer to page 126 of this Annual Report for his securities holding.

**SAM YUEN @ SAM CHIN YAN**
Non-Indepent Non-Executive Director

Sam Yuen @ Sam Chin Yan, aged 64, Malaysian, was appointed as Non-Independent Non-Executive Director of the Company on 14 January 2008. He is a member of the Audit Committee.

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

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

He is the elder brother of Mr Sum Kown Cheek, the Executive Chairman and Managing Director of the Company. Please refer to page 126 of this Annual Report for his securities holding.

**SYAHRIZA BINTI SENAN**
Independent Non-Executive Director

Syahriza Binti Senan, aged 37, Malaysian, was appointed as an Independent Non-Executive Director of the Company on 19 December 2003. She is a member of the Audit Committee, Nomination Committee and Remuneration 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) of CPA Australia.

Prior to joining Great Eastern Takaful, Syahriza was attached to Prudential, American International Assurance, Malaysia Mining Corporation and a local audit firm, Khairuddin, Hasyudeen & Razi (KHR). She has fifteen 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 126 of this Annual Report for her securities holding.

**TEH HUI GUAN**
Executive Director

Teh Hui Guan, aged 51, Malaysian, was appointed as an Executive Director of the Company on 1 February 2012.

Upon completing his studies in 1980, Mr Teh assisted in the management of his family's business which is involved in trading of sundry products. Mr Teh became involved in the processed paper business when he was subsequently engaged as a sales executive in Springfield Corp. Sdn. Bhd., a paper trading company from 1987 to 1992. He subsequently founded Top Win Enterprise which is also involved in paper trading. Subsequently, in 1994, together with Wang-Zheng Corporation, Mr Teh founded New Top Win Corporation Sdn. Bhd. With his extensive experience in the processed paper business, Mr Teh is the primary force in the transformation of New Top Win Corporation Sdn. Bhd, from a small paper trading company to become one of the top five (5) paper importers, converters and distributors in Malaysia.

He does not have any directorship in other public company, family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. Please refer to page 126 of this Annual Report for his securities holding.

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

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

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

# STATEMENT ON CORPORATE GOVERNANCE

## POLICY ON CORPORATE GOVERNANCE OF PELANGI PUBLISHING GROUP BHD

The Board of Directors ("the Board") of Pelangi Publishing Group Bhd ("PPG") remains committed to ensure that the highest standards of corporate governance are practised throughout PPG and its subsidiary companies ("the Group"). 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 2012 ("the Code"). The manner and extent of compliance are stated as follows:-

## SECTION 1: THE BOARD OF DIRECTORS

### Composition of the Board

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

PPG is in compliance with the Main Market Listing Requirements ("MMLR") 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. PPG also complies with the gender requirement in Recommendation 2.2 of the Code as Ms Syahriza binti Senan is the female Independent Director.

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 10 to 12 of the Annual Report.

### Roles and Responsibilities of the Board

The roles of Chairman and Group Managing Director (GMD) are currently held by Mr Sum Kown Cheek. The Board is aware that it is not compliance with the best practices of the Code on the separation of the roles of the Chairman and GMD.

However, the Board considers this combined position to be in the best interests of the Group in view of Mr Sum's entrepreneurship, business acumen and vast experience in the publishing industry. 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 significant contributions of the independent directors in the decision making process are evidenced in their participation as members of the various committees of the Board.

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 Chairman of the Board is responsible for overall management of Board activities and ensuring that the Board discharges its previously defined responsibilities.

<u>Roles and Responsibilities of the Chairman/GMD</u>

The Chairman/GMD will chair all Board meetings and general meetings for the Company. The 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, including strategic investments, succession planning and potential asset acquisitions. Matters brought up during this financial year include purchase of property in Pasir Gudang and setting up of subsidiary company, Pelangi Professional Publishing Sdn. Bhd.

<u>Roles and Responsibilities of the Board</u>

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

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

Company Secretary
The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR; Companies Act, 1965; and other relevant laws and regulations. In performing this duty, the Company Secretary carries out, among others, the following tasks:

1. Carrying out statutory duties as specified under the Companies Act, 1965 and MMLR;
2. Attending Board and Board Committee meetings and ensuring that the Board meetings are properly convened and proceedings are properly recorded;
3. Ensuring timely communication of Board level decisions to Management;
4. Ensuring that all appointments to the Board and Committees are properly made;
5. Maintaining records for the purposes of meeting statutory obligations;
6. Facilitating the provision of information as may be requested by the Directors from time to time; and
7. Supporting the Board in ensuring adherence to Board policies and procedures.

**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 website www.pelangipublishing.com.

**Board Balance and Board Effectiveness**

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

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

The Nomination Committee constantly reviews the core competencies and experience of the Directors in order to enhance the Directors' participation in the Board to suit the ever-changing standards of corporate governance. The Nomination Committee also provides feedback of the assessment during Board Meetings and recommends any suitable action to all Board members. In this financial year, the Nomination Committee recommends better communication of the Company's strategic goals to management team.

## Board Membership

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

The PPG's Articles of Association require all Directors to retire from office at least once in three (3) years and the retiring Directors are eligible for re-election at the AGM. Directors who are appointed by the Board during the year are subject to re-election at the next AGM following their appointments.

The Code 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. In this financial year, Ms Syahriza binti Senan has served the Board for more than nine years. A resolution with justification is put forth at the forthcoming Annual General Meeting for shareholders' approval to extend her tenure as an Independent Director of the Company.

## Supply of Information

The Directors are provided with an agenda and a compilation of Board papers prior to the due date of 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.

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

The Board has the liberty to seek external independent professional advice if so required.

## Board Meetings

The Board met five (5) times during the financial year 2014 during where it reviewed and approved various issues including the quarterly financial results of the Group for announcement to Bursa Securities, corporate announcements of the Group's business plan and strategy, and also the performance of the Group. The Board also reviewed the adequacy of the Group's internal control system.

Additional Board Meetings are held as and when required. When it is not possible to hold any meeting, a circular resolution will be passed by the Board. As at to date, all Directors have complied with the requirements in respect of Board Meeting attendance in accordance with the provision of PPG's Articles of Association. Details of the attendance of each Director at the Board Meetings held during the financial year 2014 are set out below:

| Directors | Attendance |
|---|---|
| Sum Kown Cheek | 5/5 |
| Lee Kheng Hon | 5/5 |
| Teh Hui Guan | 5/5 |
| Vincent Wong Soon Choy | 5/5 |
| Sam Yuen @ Sam Chin Yan | 5/5 |
| Syahriza Binti Senan | 5/5 |

**Appointments of the Board and Re-election**

**Nomination Committee**

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

The Nomination Committee comprises two (2) Independent Non-Executive Directors. For 2014, the members of the Committee are as follow:

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

There was one (1) meeting held during the financial year, which was attended by all the Committee members as mentioned below:

| Chairman | Attendance |
|---|---|
| Vincent Wong Soon Choy | 1/1 |
| **Member** | |
| Syahriza Binti Senan | 1/1 |

The Committee has carried out assessment in respect of its board, committees and individual directors with criteria used in accordance with the Code, amongst others, board process; standard of conducts; strategy and objectives; and board accountability. Outcome of the assessment and relevant recommendation improvements would be immediately made known to the Board.

The Committee has undertaken the following activities for year 2014:-

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 to The Code.
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 Annual General Meeting are disclosed in page 1 of this Annual Report and the Directors' profiles are disclosed separately on pages 10 to 12 of this Annual Report. The detailed Terms of Reference of the Nomination Committee are available for reference at the Company's website www.pelangipublishing.com and it will be reviewed from time to time.

**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. Therefore, the 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 follow:

| Directors | | Training Programmes |
|---|---|---|
| Sum Kown Cheek | – | Seoul International Book Fair, Tokyo International Book Fair, Beijing International Book Fair, Myanmar International Book Fair, Indonesia International Book Fair, Thailand International Book Fair and Manila International Book Fair |
| Sam Yuen @ Sam Chin Yan | – | Audit Committee Expanded Governance Role which organized by Bursa Malaysia in Kuala Lumpur |
| Lee Kheng Hon | – | Mobile Apps Development Training |
| Teh Hui Guan | –<br>– | Risk Management Training<br>GST Seminar |
| Vincent Wong Soon Choy | – | Post Budget 2015 – Tax Planning & Latest Development |
| Syahriza Binti Senan | – | CPA Congress 2014 |

**SECTION 2: DIRECTORS' REMUNERATION**

**Remuneration Policy and Procedure**

The Remuneration Committee comprises two (2) Independent Non-Executive Directors and one (1) Executive Chairman cum Group Managing Director. In 2014, the members of the Committee are as follow:

| | Name of Member | Directorship |
|---|---|---|
| **Chairman** | Vincent Wong Soon Choy | Independent Non-Executive Director |
| **Members** | Syahriza Binti Senan | Independent Non-Executive Director |
| | Sum Kown Cheek | Executive Chairman cum Group Managing Director |

There was one (1) meeting held during the financial year, which were attended by all the members as mentioned below:

| Chairman | Attendance |
|---|---|
| Vincent Wong Soon Choy | 1/1 |
| **Members** | |
| Syahriza Binti Senan | 1/1 |
| Sum Kown Cheek | 1/1 |

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.

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

**Directors' Remuneration**

The details of the total remuneration accrued for the Directors of the Company during the financial year 2014 are as disclosed in Note 9 to the financial statements.

## SECTION 3: SHAREHOLDERS

**Annual General Meeting**

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

Besides the usual agenda for the Annual General Meeting, the Board 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 the shareholders during the meeting.

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

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

## SECTION 4: ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board is responsible to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

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

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act 1965 is set out on page 35 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 pages 23 to 25 of this Annual Report provides an overview of the state of internal control within the Group.

## RELATIONSHIP WITH AUDITORS

### With the Internal Audit

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

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

In 2014, Production Management, Inventory Management and Publishing Management have been carried out and the Audit Committee is briefed on the findings raised by the Internal Audit.

### With the External Auditors

The Group through the Audit Committee has established a transparent and good working relationship with its External Auditors. The External Auditors, Messrs Ernst & Young, have continued to highlight to the Group their key findings and matters that require the Committee's attention with respect to each year's audit on the statutory financial statement. The role of the Audit Committee in relation to the external auditors is outlined in the Audit Committee Report set out on pages 26 to 27 of this Annual Report.

## OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

**(a) Utilisation of Proceeds**
No proceed was raised by the Company from any corporate exercise during the financial year.

**(b) Share Buybacks**
The Company did not exercise any Share Buybacks during the financial year.

**(c) Options, Warrants or Convertible Securities**
The Company did not issue any options, warrants or convertible securities during the financial year.

**(d) Depository Receipt Programme**
During the financial year, the Company did not sponsor any Depository Receipt Programme.

**(e) Imposition of Sanctions and Penalties**
There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

**(f) Material Contracts**
To the best of the Board's knowledge, there were no material contracts involving the Group with any of the substantial shareholders nor Directors in office as at 30 September 2014 except those disclosed under Recurrent Related Party Transactions.

**(g) Material Contracts Relating to Loans**
There were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest.

**(h) Non-Audit Fees**
The amount of non-audit fees for services provided by the external auditors to the Group for the financial year 2014 was amounted to RM5,000.

**(i) Variance between Audited Results and Previously Announced Unaudited Results**
There was no variance of 10% or more for the audited results of the Group deviating from the unaudited results as announced on 25 November 2014.

**(j) Profit Guarantee**
During the financial year, there were no profit guarantees given by the Company.

**(l) Recurrent Related-Party Transactions**
Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 27 to the Financial Statements and Circular dated 25 February 2015.

Sum Kown Cheek
Executive Chairman and Group Managing Director

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year. The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is stated on page 35 of this Annual Report.

The Directors are of the view that, in preparing the financial statements of the Company and the Group for the year ended 30 September 2014, the Company 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 accounting standards have been followed during the preparation of audited financial statements.

The Directors are responsible for ensuring that the Company keeps adequate accounting records that disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

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

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL INTRODUCTION

The Board of Directors ("the Board") of Pelangi Publishing Group Berhad ("the Group") acknowledges the importance of maintaining a good risk management and internal control system in the Group and committed to maintain and ensure that a system of internal control exists and operating effectively across the Group. The Board is pleased to provide this statement outlining the nature and scope of risk management and internal control of the Group for the financial year ended 30 September 2014 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 and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

## BOARD RESPONSIBILITIES

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

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

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

## THE RISK AND CONTROL MANAGEMENT FRAMEWORK

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 in order to manage key business risks faced by the Group effectively. The responsibility for the identification, assessment and management of the key business risk lies with the Executive Board with such duties delegated to the Senior Management and Risk Management Committee. The Executive Board and the Senior Management manage key business risks faced by the Group through constant communication among themselves and changes in the key business risks faced by the Group or emergence of new key business risks are highlighted to the Board, if any.

On strategic level, business plans and business strategies are formulated by the Senior Management and presented to the Board for review to ensure proposed plans and strategies are in line with the Group's risk appetite. On daily basis, the respective Head of Departments are responsible for managing the risk of their department. Changes in the key business risks faced by the Group or emergence of new key business risks and the corresponding internal controls to mitigate the risks are discussed during internal meetings.

## INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's 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 internal control. Internal audit plan in respect of financial year ended 30 September 2014 was drafted, after taking into consideration existing and emergent key business risks identified during the update exercise of key risk profile of the Group and the Senior Management's opinion, and was reviewed and approved by the Audit Committee prior to execution.

During financial year ended 30 September 2014, the independent service provider conducted two (2) cycles of internal control reviews on key business processes in accordance to the internal Audit Plan. Upon the completion of the internal audit field work, 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. 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.

## INTERNAL CONTROL SYSTEM

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

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

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

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

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

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

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

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

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

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

  The monitoring of compliance with ISO certification is further enhanced by audit carried out by internal ISO auditors and surveillance audit by independent consultants engaged by the Group.

  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.

## ASSURANCE PROVIDED BY THE GROUP MANAGING DIRECTOR AND SENIOR FINANCE MANAGER

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

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

## CONCLUSION

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.

# AUDIT COMMITTEE REPORT

| |
|---|
| **MEMBERS OF THE AUDIT COMMITTEE**<br>The Audit Committee consists of three [3] Directors as indicated below: |
| **Vincent Wong Soon Choy – Chairman**<br>[Independent Non-Executive Director] |
| **Sam Yuen @ Sam Chin Yan – Member**<br>[Non-Independent Non-Executive Director] |
| **Syahriza Binti Senan – Member**<br>[Independent Non-Executive Director] |

**AUDIT COMMITTEE DIARY**

| **Chairman** | **Attendance** |
|---|---|
| Vincent Wong Soon Choy | 5/5 |
| **Members** | |
| Syahriza Binti Senan | 5/5 |
| Sam Yuen @ Sam Chin Yan | 5/5 |

During the year 2014, the Audit Committee convened five (5) meetings, which were attended by all the members as mentioned above.

For year 2014, the Audit Committee has carried out its duties in accordance with its Terms of Reference in the following:

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

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

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

(d) Ensured the preparation of the Audited Financial Statements was in compliance with the applicable Financial Reporting Standards [“FRS”] and provisions of the Companies Act, 1965 before submission for approval by the Board.

(e) Monitored the compliance requirements in line with the new updates of Bursa Malaysia Securities Berhad, Securities Commission, FRS, legal and regulatory bodies.

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

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

(h) Reviewed the External Auditor's Plan, and Fees for year end audit 2014 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.

**INTERNAL AUDIT FUNCTIONS**

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. Production Management, Inventory Management and Publishing Management.

The cost incurred in maintaining the internal audit function for the financial year ended 30 September 2014 was RM26,000.

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

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.

# Financial Statements

## Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2014.

### Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are as disclosed in Note 14 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 net of tax | 4,962,827 | 264,427 |
| Profit attributable to owners of the parent | 4,687,860 | 264,427 |

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

### Dividends

The amount of dividend paid by the Company since 30 September 2013 was as follows:

| | RM |
|---|---|
| In respect of the financial year ended 30 September 2013: | |
| Single tier final dividend of 4.0% on 96,728,900 ordinary shares (2.0 sen per ordinary share) declared on 22 January 2014 and paid on 30 April 2014 | 1,934,578 |

**Dividends (cont'd)**

At the forthcoming Annual General Meeting ("AGM"), a single tier final dividend in respect of the financial year ended 30 September 2014, of 4.0% on 96,728,900 ordinary shares, amounting to a dividend payable of RM1,934,578 (2.0 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2014.

**Directors**

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

Sum Kown Cheek
Lee Kheng Hon
Vincent Wong Soon Choy
Sam Yuen @ Sam Chin Yan
Syahriza Binti Senan
Teh Hui Guan

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

**Directors' interests**

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

| | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|
| **The Company** | **1 October 2013** | **Acquired** | **Sold** | **30 September 2014** |
| **Direct interest :** | | | | |
| Sum Kown Cheek | 22,358,693 | 497,875 | - | 22,856,568 |
| Lee Kheng Hon | 3,434,965 | - | 2,149,000 | 1,285,965 |
| Sam Yuen @ Sam Chin Yan | 1,589,762 | - | - | 1,589,762 |
| Teh Hui Guan | 575,500 | - | - | 575,500 |
| **Deemed interest :** | | | | |
| Sum Kown Cheek | 3,437,465 | - | - | 3,437,465 |
| Sam Yuen @ Sam Chin Yan | 5,682,500 | - | - | 5,682,500 |
| Syahriza Binti Senan | 13,750 | - | - | 13,750 |

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| **Subsidiary - Pelangi Comics Sdn. Bhd.** | **1 October 2013** | **Acquired** | **Sold** | **30 September 2014** |
| **Direct interest** | | | | |
| Sum Kown Cheek | 3,500 | - | - | 3,500 |

| | Number of ordinary shares of USD1,000 each | | | |
|---|---|---|---|---|
| **Subsidiary - P.T. Penerbitan Pelangi Indonesia** | **1 October 2013** | **Acquired** | **Sold** | **30 September 2014** |
| **Direct interest** | | | | |
| Sum Kown Cheek | 5 | - | - | 5 |

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

**Treasury shares**

The Company did not repurchase any of its issued ordinary shares from the open market during the financial year.

As at 30 September 2014, the Company held as treasury shares a total of 3,271,100 of its 100,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,407,602 and further relevant details are disclosed in Note 24 to the financial statements.

**Other statutory information**

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps :

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

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**Other statutory information (cont'd)**

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

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

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

(f) In the opinion of the directors :

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**Auditors**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 January 2015.

Sum Kown Cheek

Lee Kheng Hon

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

We, Sum Kown Cheek and Lee Kheng Hon, being two of the directors of Pelangi Publishing Group Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 39 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act,1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2014 and of their financial performance and cash flows for the year then ended.

The information set out in Note 36 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 January 2015.

Sum Kown Cheek

Lee Kheng Hon

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

I, Sum Kown Cheek, being the director primarily responsible for the financial management of Pelangi Publishing Group Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 39 to 117 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )
the abovenamed Sum Kown Cheek )
at Johor Bahru in the State of Johor )
Darul Ta'zim on 23 January 2015 )

Sum Kown Cheek

Before me,

**Independent auditors' report to the members of**
**Pelangi Publishing Group Bhd.**
**(Incorporated in Malaysia)**

**Report on the financial statements**

We have audited the financial statements of Pelangi Publishing Group Bhd., which comprise the statements of financial position as at 30 September 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 116.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements 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, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

**Independent auditors' report to the members of Pelangi Publishing Group Bhd. (cont'd) (Incorporated in Malaysia)**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on other legal and regulatory requirement**

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Independent auditors' report to the members of**
**Pelangi Publishing Group Bhd. (cont'd)**
**(Incorporated in Malaysia)**

**Other reporting responsibilities**

The supplementary information set out in Note 36 to the financial statements on page 117 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other matters**

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

Ernst & Young
AF 0039
Chartered Accountants

Wun Mow Sang
1821/12/16(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 23 January 2015

**Statements of comprehensive income**
**For the financial year ended 30 September 2014**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| **Revenue** | 4 | 64,370,096 | 66,421,358 | 1,200,000 | - |
| Cost of sales | | (35,982,552) | (42,206,906) | - | - |
| **Gross profit** | | 28,387,544 | 24,214,452 | 1,200,000 | - |
| **Other item of income** | | | | | |
| Other operating income | 5 | 477,280 | 1,782,198 | 18,050 | 33,401 |
| **Other items of expenses** | | | | | |
| Administration expenses | | (10,539,449) | (8,833,150) | (342,304) | (304,980) |
| Selling expenses | | (6,385,908) | (5,035,471) | - | - |
| Other expenses | | (3,322,470) | (2,745,110) | (401,089) | (133,734) |
| Finance costs | 6 | (193,942) | (335,419) | - | - |
| Share of results of associates | | (113,684) | 29,603 | - | - |
| **Profit/(loss) before tax** | 7 | 8,309,371 | 9,077,103 | 474,657 | (405,313) |
| Income tax expenses | 10 | (3,346,544) | (2,486,425) | (210,230) | (10,600) |
| **Profit/(loss) net of tax** | | 4,962,827 | 6,590,678 | 264,427 | (415,913) |
| **Other comprehensive income:** | | | | | |
| Gain on fair value changes of other investment | | 87 | 3 | - | - |
| Foreign currency translation | | 100,741 | 326,167 | - | - |
| **Other comprehensive income for the year, net of tax** | | 100,828 | 326,170 | - | - |
| **Total comprehensive income/(loss) for the year** | | 5,063,655 | 6,916,848 | 264,427 | (415,913) |
| **Profit/(loss) attributable to:** | | | | | |
| Owners of the parent | | 4,687,860 | 6,382,409 | 264,427 | (415,913) |
| Non-controlling interests | | 274,967 | 208,269 | - | - |
| | | 4,962,827 | 6,590,678 | 264,427 | (415,913) |

**Statements of comprehensive income (cont'd)**
**For the financial year ended 30 September 2014**

| | Note | Group 2014 RM | Group 2013 RM | Company 2014 RM | Company 2013 RM |
|---|---|---|---|---|---|
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the parent | | 4,787,857 | 6,687,071 | 264,427 | (415,913) |
| Non-controlling interests | | 275,798 | 229,777 | - | - |
| | | 5,063,655 | 6,916,848 | 264,427 | (415,913) |
| **Earnings per share attributable to owners of the parent (sen per share)** | | | | | |
| Basic | 11 | 4.75 | 6.46 | | |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statements of financial position as at 30 September 2014

| | Note | Group 2014 RM | Group 2013 RM | Company 2014 RM | Company 2013 RM |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | 57,842,649 | 39,309,845 | - | - |
| Investment properties | 13 | 1,952,980 | 1,952,980 | - | - |
| Investment in subsidiaries | 14 | - | - | 32,972,313 | 33,337,797 |
| Investment in associates | 15 | 1 | 113,704 | 369,907 | 369,907 |
| Other investments | 16 | 26,674 | 26,587 | - | - |
| Intangible assets | 17 | - | - | - | - |
| Deferred tax assets | 23 | 3,236,036 | 3,291,874 | - | - |
| | | 63,058,340 | 44,694,990 | 33,342,220 | 33,707,704 |
| **Current assets** | | | | | |
| Inventories | 18 | 31,614,852 | 28,160,029 | - | - |
| Trade and other receivables | 19 | 12,602,534 | 12,690,230 | 17,572,959 | 17,171,558 |
| Prepayment | | 435,637 | 643,260 | 318 | - |
| Tax recoverable | | 482,755 | 1,485,691 | - | 13,827 |
| Cash and bank balances | 20 | 20,300,060 | 30,077,314 | 1,214,115 | 1,707,537 |
| | | 65,435,838 | 73,056,524 | 18,787,392 | 18,892,922 |
| **Total assets** | | 128,494,178 | 117,751,514 | 52,129,612 | 52,600,626 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Loans and borrowings | 21 | 804,615 | 1,154,551 | - | - |
| Trade and other payables | 22 | 30,863,581 | 22,846,573 | 1,209,005 | 189,041 |
| Income tax payable | | 869,993 | 404,884 | 179,173 | - |
| | | 32,538,189 | 24,406,008 | 1,388,178 | 189,041 |
| **Net current assets** | | 32,897,649 | 48,650,516 | 17,399,214 | 18,703,881 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 21 | 1,944,088 | 2,236,620 | - | - |
| Deferred tax liabilities | 23 | 1,210,779 | 1,436,841 | - | - |
| | | 3,154,867 | 3,673,461 | - | - |
| **Total liabilities** | | 35,693,056 | 28,079,469 | 1,388,178 | 189,041 |
| **Net assets** | | 92,801,122 | 89,672,045 | 50,741,434 | 52,411,585 |

## Statements of financial position as at 30 September 2014 (cont'd)

| | Note | Group 2014 RM | Group 2013 RM | Company 2014 RM | Company 2013 RM |
|---|---|---|---|---|---|
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 24 | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| Treasury shares | 24 | (1,407,602) | (1,407,602) | (1,407,602) | (1,407,602) |
| Fair value reserve | 25 | 184 | 97 | - | - |
| Foreign exchange reserve | 25 | 448,458 | 348,548 | - | - |
| Retained earnings | 26 | 43,496,389 | 40,743,107 | 2,149,036 | 3,819,187 |
| | | 92,537,429 | 89,684,150 | 50,741,434 | 52,411,585 |
| **Non-controlling interests** | | 263,693 | (12,105) | - | - |
| **Total equity** | | 92,801,122 | 89,672,045 | 50,741,434 | 52,411,585 |
| **Total equity and liabilities** | | 128,494,178 | 117,751,514 | 52,129,612 | 52,600,626 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Statements of changes in equity**
**For the financial year ended 30 September 2014**

| | | | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Non-Distributable | | | | Distributable | |
| **Group** | **Note** | **Total Equity RM** | **Share capital RM** | **Treasury shares RM** | **Fair value reserve RM** | **Foreign exchange reserve RM** | **Retained earnings RM** | **Non-controlling interests RM** |
| **Opening balance at 1 October 2013** | | 89,672,045 | 50,000,000 | (1,407,602) | 97 | 348,548 | 40,743,107 | (12,105) |
| **Total comprehensive income** | | 5,063,655 | - | - | 87 | 99,910 | 4,687,860 | 275,798 |
| **Transactions with owners** | | | | | | | | |
| Dividends on ordinary shares | 33 | (1,934,578) | - | - | - | - | (1,934,578) | - |
| **Total transactions with owners** | | (1,934,578) | - | - | - | - | (1,934,578) | - |
| **Closing balance at 30 September 2014** | | 92,801,122 | 50,000,000 | (1,407,602) | 184 | 448,458 | 43,496,389 | 263,693 |

**Statements of changes in equity (cont'd)**
**For the financial year ended 30 September 2014**

| | Note | Total Equity RM | Share capital RM | Treasury shares RM | Fair value reserve RM | Foreign exchange reserve RM | Retained earnings RM | Non-controlling interests RM |
|---|---|---|---|---|---|---|---|---|
| | | | ← Attributable to owners of the parent | | | | → | |
| | | | ← Non-Distributable | | | → | Distributable | |
| **Opening balance at 1 October 2012** | | 84,689,775 | 50,000,000 | (1,407,602) | 94 | 43,889 | 36,295,276 | (241,882) |
| **Total comprehensive income** | | 6,916,848 | - | - | 3 | 304,659 | 6,382,409 | 229,777 |
| **Transactions with owners** | | | | | | | | |
| Dividends on ordinary shares | 33 | (1,934,578) | - | - | - | - | (1,934,578) | - |
| **Total transactions with owners** | | (1,934,578) | - | - | - | - | (1,934,578) | - |
| **Closing balance at 30 September 2013** | | 89,672,045 | 50,000,000 | (1,407,602) | 97 | 348,548 | 40,743,107 | (12,105) |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Statements of changes in equity (cont'd)**
**For the financial year ended 30 September 2014**

| | | | Non-Distributable | | Distributable |
|---|---|---|---|---|---|
| **Company** | **Note** | **Total Equity RM** | **Share capital RM** | **Treasury shares RM** | **Retained earnings RM** |
| **Opening balance at 1 October 2013** | | 52,411,585 | 50,000,000 | (1,407,602) | 3,819,187 |
| **Total comprehensive income** | | 264,427 | - | - | 264,427 |
| **Transactions with owners** | | | | | |
| Dividends on ordinary shares | 33 | (1,934,578) | - | - | (1,934,578) |
| **Total transactions with owners** | | (1,934,578) | - | - | (1,934,578) |
| **Closing balance at 30 September 2014** | | 50,741,434 | 50,000,000 | (1,407,602) | 2,149,036 |
| **Opening balance at 1 October 2012** | | 54,762,076 | 50,000,000 | (1,407,602) | 6,169,678 |
| **Total comprehensive loss** | | (415,913) | - | - | (415,913) |
| **Transactions with owners** | | | | | |
| Dividends on ordinary shares | 33 | (1,934,578) | - | - | (1,934,578) |
| **Total transactions with owners** | | (1,934,578) | - | - | (1,934,578) |
| **Closing balance at 30 September 2013** | | 52,411,585 | 50,000,000 | (1,407,602) | 3,819,187 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Statements of cash flows**
**For the financial year ended 30 September 2014**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **RM** | **RM** | **RM** | **RM** |
| **Cash flows from operating activities** | | | | |
| Profit/(loss) before tax | 8,309,371 | 9,077,103 | 474,657 | (405,313) |
| Adjustments for : | | | | |
| Bad debts written off | 81,396 | 5,548 | 4,018 | - |
| Depreciation of property, plant and equipment | 2,232,999 | 2,315,117 | - | - |
| Dividend income | (24) | (24) | (1,200,000) | - |
| Finance costs | 193,942 | 335,419 | - | - |
| Gain on disposal of property, plant and equipment | (4,282) | (1,030,695) | - | - |
| Impairment of investment in subsidiary | - | - | 365,484 | - |
| Impairment loss on receivables | | | | |
| - Trade receivables | 960,936 | 258,205 | - | - |
| - Other receivables | 47 | 515 | - | 51,410 |
| Reversal of impairment loss on trade receivables | (464,032) | (1,837,312) | - | - |
| Interest income | (288,999) | (463,785) | (18,050) | (33,401) |
| Property, plant and equipment written off | 3,148 | 2,520 | - | - |
| Share of results of associates | 113,684 | (29,603) | - | - |
| Unrealised foreign exchange loss | 37,828 | 103,258 | - | - |
| **Operating profit/(loss) before working capital changes** | 11,176,014 | 8,736,266 | (373,891) | (387,304) |
| Changes in working capital | | | | |
| Inventories | (3,454,823) | 753,586 | - | - |
| Trade and other receivables | (490,651) | 4,441,294 | (405,419) | (2,007,765) |
| Prepayment | 207,623 | 114,923 | (318) | - |
| Trade and other payables | 7,986,511 | 5,135,009 | 1,019,964 | 35,035 |
| **Cash generated from/(used in) operations** | 15,424,674 | 19,181,078 | 240,336 | (2,360,034) |
| Tax paid | (2,410,600) | (3,724,917) | - | - |
| Interest paid | (193,942) | (335,419) | - | - |
| Tax refunded | 389,508 | - | 32,770 | 25,452 |
| **Net cash generated from/ (used in) operating activities** | 13,209,640 | 15,120,742 | 273,106 | (2,334,582) |

**Statements of cash flows (cont'd)**
**For the financial year ended 30 September 2014**

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| **Cash flows from investing activities** | | | | |
| Dividend received | 24 | 24 | 1,150,000 | 4,500,000 |
| Interest received | 288,999 | 463,785 | 18,050 | 33,401 |
| Purchase of property, plant and equipment | (20,126,120) | (10,080,539) | - | - |
| Proceeds from disposal of property, plant and equipment | 7,831 | 1,430,675 | - | - |
| **Net cash (used in)/generated from investing activities** | (19,829,266) | (8,186,055) | 1,168,050 | 4,533,401 |
| **Cash flows from financing activities** | | | | |
| Dividend paid on ordinary shares | (1,934,578) | (1,934,578) | (1,934,578) | (1,934,578) |
| Repayment of obligation under finance leases | (639,481) | (457,720) | - | - |
| Proceeds from finance leases | 253,975 | 246,400 | - | - |
| Repayment of term loans | (1,312,861) | (3,061,294) | - | - |
| Proceed from term loans | 400,000 | - | - | - |
| **Net cash used in financing activities** | (3,232,945) | (5,207,192) | (1,934,578) | (1,934,578) |
| **Net (decrease)/increase in cash and cash equivalents** | (9,852,571) | 1,727,495 | (493,422) | 264,241 |
| **Effect of exchange rate changes on cash and cash equivalents** | 75,317 | 339,112 | - | - |
| **Cash and cash equivalents at beginning of the year** | 29,877,314 | 27,810,707 | 1,707,537 | 1,443,296 |
| **Cash and cash equivalents at end of the year (Note 20)** | 20,100,060 | 29,877,314 | 1,214,115 | 1,707,537 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Notes to the financial statements**
**For the financial year ended 30 September 2014**

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad. The principal places of business of the Company are located at Lot 8, Jalan P10/10, Kawasan Perusahaan Bangi, Bandar Baru Bangi, 43650 Bangi, Selangor Darul Ehsan and 66, Jalan Pingai, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim. 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 the subsidiaries are as disclosed in Note 14. There have been no significant changes in nature of the Group's activities during the financial year.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

These financial statements for the year ended 30 September 2014 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have also been prepared on the historical cost basis except as disclosed in accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies

In the current financial year, the Group and the Company adopted all the below new and revised MFRS and IC Interpretations and amendments to MFRS and IC Interpretations issued by Malaysian Accounting Standard Board that are relevant to their operations and effective for the annual financial periods beginning on or after 1 October 2013.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle) | 1 July 2013 |
| MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) | 1 January 2013 |
| MFRS 10 Consolidated Financial Statements | 1 January 2013 |
| MFRS 11 Joint Arrangements | 1 January 2013 |
| MFRS 12 Disclosure of interests in Other Entities | 1 January 2013 |
| MFRS 13 Fair Value Measurement | 1 January 2013 |
| MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011) | 1 January 2013 |
| MFRS 127 Separate Financial Statements (IAS 27 as revised by IASB in December 2003) | 1 January 2013 |
| MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003) | 1 January 2013 |
| MFRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011) | 1 January 2013 |
| Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to MFRSs (2012)) | 1 January 2013 |
| IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans | 1 January 2013 |
| Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 cycle) | 1 January 2013 |
| Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 cycle) | 1 January 2013 |
| Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 cycle) | 1 January 2013 |
| Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 cycle) | 1 January 2013 |
| Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 11: Joint Arrangements: Transition Guidance | 1 January 2013 |
| Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Company except for those discussed below:

**Amendments to MFRS 101 - Presentation of items of other comprehensive income**

These amendments require that items of other comprehensive income must be grouped into two sections:

(i) Those that are or may be reclassified into profit or loss; and
(ii) Those that will not be reclassified into profit and loss.

The Group has changed the presentation of the statements of profit or loss and other comprehensive income according to these amendments, there is no material impact upon the adoption of these amendments during the financial year.

**MFRS 10 - Consolidated Financial Statements**

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders. There is no impact upon adoption of this Standard during the financial year.

## 2. Summary of significant accounting policies (cont'd)

## 2.2 Changes in accounting policies (cont'd)

**MFRS 11 - Joint Arrangement**

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities (“JCE”) using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

There is no material impact upon the adoption of this Standard during the financial year.

**MFRS 12 - Disclosure of interest in other entities**

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

**MFRS 13 - Fair value measurement**

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materiality impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

**MFRS 127 - Separate Financial Statements**

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements of the Company.

**MFRS 128 - Investments in Associates and Joint Ventures**

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

**Amendments to MFRS 7 Disclosures - Offsetting financial assets and financial liabilities**

The amendments require disclosures that would enable users of the financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the financial position of the Group. There is no material impact upon the adoption of these amendments during the financial year.

### 2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 132: Financial Instruments Presentation - Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities | 1 January 2014 |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| IC Interpretation 21 Levies | 1 January 2014 |
| Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions | 1 July 2014 |
| Annual Improvements to MFRSs 2010-2012 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2011-2013 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2012-2014 Cycle | 1 January 2016 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint operations | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2017 |
| MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation (cont'd)

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

### 2.5 Business combinations

Acquisitions of subsidiaries 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 interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

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.

## 2. Summary of significant accounting policies (cont'd)

### 2.5 Business combinations (cont'd)

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.

### 2.6 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for 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.

### 2.7 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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.

## 2. Summary of significant accounting policies (cont'd)

### 2.8 Foreign currency

### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**2. Summary of significant accounting policies (cont'd)**

**2.8 Foreign currency (cont'd)**

**(c) Foreign operations**

The assets and liabilities of foreign operations are translated into Ringgit Malaysia ("RM") at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates used for every unit of foreign currency ruling at the reporting date are as follows:

| | 2014<br>RM | 2013<br>RM |
|---|---|---|
| 100 Thai Bath | 9.8937 | 9.6362 |
| 100 Indonesian Rupiah | 0.0372 | 0.0358 |
| 100 Hong Kong Dollars | - | 42.0097 |
| 1 Great Britain Pound | 5.3193 | 5.2666 |
| 1 Chinese Renminbi | 0.5323 | 0.5324 |

**2.9 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land is measured at cost less impairment losses.

## 2. Summary of significant accounting policies (cont'd)

### 2.9 Property, plant and equipment (cont'd)

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other assets as follows:

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

### 2.10 Intangible assets

#### (a) 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.

**2. Summary of significant accounting policies (cont'd)**

**2.10 Intangible assets (cont'd)**

**(a) Goodwill (cont'd)**

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 2.8.

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.

**(b) 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.

**2.11 Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment loss.

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

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

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. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for 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.

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, Group and the Company become a party to the contractual provisions of the financial instrume

When financial assets are recognised initially, they are measured at fair value, plus, in the c of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of its financial assets at in recognition and the categories include loans and receivables and available-for-sale finan assets.

**(a) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an ac market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised c using the effective interest method. Gains and losses are recognised in profit or loss wl the loans and receivables are derecognised or impaired, and through the amortisa process.

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

**(b) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available fo sale or are not classified in the preceding category.

After initial recognition, available-for-sale financial assets are measured at fair value. A gains or losses from changes in fair value of the financial assets are recognised in ot comprehensive income, except that impairment losses, foreign exchange gains and los on monetary instruments and interest calculated using the effective interest method recognised in profit or loss. The cumulative gain or loss previously recognised in ot comprehensive income is reclassified from equity to profit or loss as a reclassifica adjustment when the financial asset is derecognised. Interest income calculated using effective interest method is recognised in profit or loss. Dividends on an available-for-s equity instrument are recognised in profit or loss when the Group and the Company's r to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured measured at cost less impairment loss.

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

**2. Summary of significant accounting policies (cont'd)**

**2.14 Financial assets (cont'd)**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned, all regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

**2.15 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**(a) Trade and other receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.15 Impairment of financial assets (cont'd)

**(b) Unquoted and other investments carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

**(c) Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

### 2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

## 2. Summary of significant accounting policies (cont'd)

### 2.17 Inventories

Inventories 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.

- 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 first-in first-out 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.

### 2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date 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. If the effect of the time value of money is material, provisions are 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.

### 2.19 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.19 Financial liabilities (cont'd)

#### (b) Other financial liabilities

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

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and 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 reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Employee benefits

#### (a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### 2.22 Leases

#### (a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the 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 charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

## 2. Summary of significant accounting policies (cont'd)

### 2.22 Leases (cont'd)

#### (b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

### 2.23 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.

#### (a) 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.

#### (b) 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.

#### (c) Dividend income

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

### 2.24 Income tax

#### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

## 2. Summary of significant accounting policies (cont'd)

### 2.24 Income tax (cont'd)

### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

## 2. Summary of significant accounting policies (cont'd)

### 2.24 Income tax (cont'd)

#### (ii) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

### 2.26 Share capital and share issuance expenses

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.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.27 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideraion paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

## 2. Summary of significant accounting policies (cont'd)

### 2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events a whose existence will be confirmed only by the occurrence or non-occurrence of uncertain fut event(s) not wholly within the control of the Group.

Contingent assets are not recognised in the statement of financial position of the Group.

### 2.29 Current versus non-current classification

Assets and liabilities in the statement of financial position are presented based on current/n current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liab for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twe months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.30 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. The fair va measurement is based on the presumption that the transaction to sell the asset or transfer 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 asse liability.

The principal or the most advantageous market must be accessible to by the Group.

## 2. Summary of significant accounting policies (cont'd)

### 2.30 Fair value 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 asset 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.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used 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 the 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 the fair value measurement is directly or indirectly observable

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

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

## 3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 3.1 Judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) Useful lives of plant and machinery**

The cost of plant and machinery of the Group is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be between 5 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 12.

**(b) 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.

## 3. Significant accounting judgements and estimates (cont'd)

### 3.2 Key sources of estimation uncertainty (cont'd)

#### (c) 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.

When there is objective evidence of impairment, the amount and the timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 19.

#### (d) 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 taxable profit 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.

#### (e) 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.

## 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Sale of goods | 63,955,256 | 66,070,454 | - | - |
| Rental income | 414,840 | 350,904 | - | - |
| Dividend income from subsidiaries | - | - | 1,200,000 | - |
| | 64,370,096 | 66,421,358 | 1,200,000 | - |

## 5. Other operating income

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Allowance for impairment of non trade receivables written back | - | 27,769 | - | - |
| Dividend income | 24 | 24 | - | - |
| Gain on disposal of property, plant and equipment | 4,282 | 1,030,695 | - | - |
| Interest income | 288,999 | 463,785 | 18,050 | 33,401 |
| Income on disposal of printing plates | 8,590 | 2,679 | - | - |
| Income on disposal of scrap papers | 32,455 | 41,122 | - | - |
| Rental income of premises | 34,687 | 23,945 | - | - |
| Sundry income | 108,243 | 192,179 | - | - |
| | 477,280 | 1,782,198 | 18,050 | 33,401 |

## 6. Finance costs

| | Group | |
|---|---|---|
| | 2014 RM | 2013 RM |
| Term loan interest | 167,113 | 303,618 |
| Finance lease interest | 26,829 | 31,801 |
| | 193,942 | 335,419 |

## 7. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| Auditors' remuneration | | | | |
| - Auditors' of the Company | | | | |
| - statutory audits | | | | |
| - current year | 112,000 | 129,000 | 40,000 | 40,000 |
| - prior year | - | 35,000 | - | 22,000 |
| - other services | 23,000 | 59,200 | 11,000 | 10,500 |
| - Other auditors | | | | |
| - statutory audits | 106,200 | 86,013 | - | - |
| - prior year | 1,000 | - | - | - |
| Bad debts written off | 81,396 | 5,548 | 4,018 | - |
| Bad debts recovered | (44,471) | (94,634) | - | - |
| Depreciation of property, plant and equipment (Note 12) | 2,232,999 | 2,315,117 | - | - |
| Impairment loss on receivables | | | | |
| - Trade receivables (Note 19) | 960,936 | 258,205 | - | - |
| - Other receivables | 47 | 515 | - | 51,410 |
| Reversal of impairment loss on trade receivables (Note 19) | (464,032) | (1,837,312) | - | - |
| Loss/(gain) on foreign exchange | | | | |
| - Realised | 690,658 | (78,543) | (15) | - |
| - Unrealised | 37,828 | 103,258 | - | - |
| Property,plant and equipment written off | 3,148 | 2,520 | - | - |
| Provision for dimunition in investment in subsidiary companies | - | - | 365,484 | - |
| Rental | | | | |
| - Land and building | 387,310 | 282,413 | - | - |
| - Plant and equipment | 22,913 | 21,176 | - | - |
| Non-executive directors' remuneration (Note 9) | 76,000 | 69,000 | 76,000 | 69,000 |
| Employee benefits expense (Note 8) | 14,543,292 | 13,488,831 | - | - |

## 8. Employee benefits expenses

The employee benefits expenses, excluding directors' fees, are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Wages, salaries and bonus | 13,201,575 | 12,009,490 |
| Contributions to defined contribution plan | 1,262,694 | 1,281,433 |
| Social security contributions | 156,421 | 145,131 |
| (Reversal of)/provision for unutilised annual leave | (77,398) | 52,777 |
| | 14,543,292 | 13,488,831 |

Included in employee benefits expense of the Group are executive directors' remuneration amounting to RM574,215 (2013 : RM579,186).

## 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 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| **Directors of the Company** | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 477,360 | 456,456 | - | - |
| Bonus | 64,406 | 62,500 | - | - |
| Defined contribution plan | 32,006 | 59,787 | - | - |
| Social security contribution | 443 | 443 | - | - |
| | 574,215 | 579,186 | - | - |
| Fees | | | | |
| - current year | 185,500 | 182,500 | 38,500 | 38,500 |
| - prior year | - | 14,500 | - | - |
| | 759,715 | 776,186 | 38,500 | 38,500 |
| Non-Executive: | | | | |
| Fees | | | | |
| - current year | 72,500 | 69,000 | 72,500 | 69,000 |
| - prior year | 3,500 | - | 3,500 | - |
| | 76,000 | 69,000 | 76,000 | 69,000 |
| | 835,715 | 845,186 | 114,500 | 107,500 |

## 9. Directors' remuneration (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| **Directors of subsidiaries** | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 400,729 | 275,543 | - | - |
| Fees | | | | |
| - current year | 28,500 | 31,500 | - | - |
| - overprovision in prior year | (2,500) | (3,494) | - | - |
| Bonus | | | | |
| - current year | 64,900 | 33,106 | - | - |
| - underprovision in prior year | 2,866 | - | - | - |
| Defined contribution plan | 107,660 | 78,068 | - | - |
| Social security contribution | 1,436 | 1,879 | - | - |
| | 603,591 | 416,602 | - | - |
| Total directors' remuneration | 1,439,306 | 1,261,788 | 114,500 | 77,200 |

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 | |
|---|---|---|
| | 2014 | 2013 |
| Executive directors: | | |
| RM200,000 and below | 1 | 1 |
| RM200,001 - RM250,000 | 1 | 1 |
| RM500,001 - RM550,000 | 1 | 1 |
| Non-Executive directors: | | |
| RM50,000 and below | 3 | 3 |

## 10. Income tax expense

The major components of income tax expense for the years ended 30 September 2014 and 2013 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | RM | RM | RM | RM |
| **Statements of comprehensive income:** | | | | |
| Current income tax | | | | |
| - Malaysian income tax | 3,425,935 | 2,269,345 | 243,000 | 1,500,000 |
| - Under/(over)provision in respect of previous year | 99,809 | (36,444) | (32,770) | 10,600 |
| | 3,525,744 | 2,232,901 | 210,230 | 1,510,600 |
| Deferred income tax (Note 23) | | | | |
| - Origination and reversal of temporary differences | (256,628) | 226,924 | - | (1,500,000) |
| - Underprovision in respect of previous year | 77,428 | 26,600 | - | - |
| | (179,200) | 253,524 | - | (1,500,000) |
| Income tax expense recognised in profit or loss | 3,346,544 | 2,486,425 | 210,230 | 10,600 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% effective year of assessment 2016. The computation of deferred tax as at 30 September 2014 has reflected this change.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 10. Income tax expense (cont'd)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 September 2014 and 2013 are as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Profit/(loss) before tax | 8,309,371 | 9,077,103 | 474,657 | (405,313) |
| Taxation at Malaysian statutory tax rate of 25% (2013 : 25%) | 2,077,343 | 2,269,276 | 118,664 | (101,328) |
| Different tax rates in other countries | (45,930) | (37,505) | - | - |
| Adjustments: | | | | |
| Non-deductible expenses | 901,852 | 443,676 | 124,336 | 101,328 |
| Income not subject to taxation | (133,709) | (168,560) | - | - |
| Utilisation of current year's reinvestment allowances | (92,498) | (75,639) | - | - |
| Utilisation of unrecognised deferred tax assets | - | (47,201) | - | - |
| Utilisation of previously unrecognised capital allowances | (120,500) | - | - | - |
| Utilisation of previously unrecognised reinvestment allowances | (16,500) | - | - | - |
| Deferred tax assets not recognised | 599,250 | 119,624 | - | - |
| Share of results of associates | - | (7,402) | - | - |
| Under/(over)provision of income tax in respect of previous year | 99,808 | (36,444) | (32,770) | 10,600 |
| Underprovision of deferred tax in respect of previous year | 77,428 | 26,600 | - | - |
| Income tax expense recognised in profit or loss | 3,346,544 | 2,486,425 | 210,230 | 10,600 |

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

## 10. Income tax expense (cont'd)

Tax savings during the financial year arising from:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Utilisation of reinvestment allowances | 92,498 | 75,639 |
| Utilisation of previously unrecognised capital allowances | 120,500 | - |
| Utilisation of previously unrecognised reinvestment allowances | 16,500 | - |
| Utilisation of previously unrecognised tax losses | - | 47,201 |

## 11. 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 | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Profit net of tax attributable to owners of the parent (RM) | 4,687,860 | 6,382,409 |
| Weighted average number of ordinary shares in issue | 98,743,968 | 98,743,968 |
| Basic earnings per share (sen) | 4.75 | 6.46 |

The diluted earnings per share are not presented as there were no potential dilutive ordinary shares outstanding at reporting date.

## 12. 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 2012** | 9,099,177 | 5,454,623 | 15,924,332 | 737,313 | 13,207,246 | 3,270,249 | 90,522 | 7,627,027 | 55,410,489 |
| Additions | - | 8,529,546 | - | 112,219 | 193,624 | 390,260 | 367,555 | 668,713 | 10,261,917 |
| Disposals | - | (161,000) | (213,645) | - | (610,000) | (312,139) | - | (172,896) | (1,469,680) |
| Write off | - | - | - | - | (36,380) | - | - | (95,185) | (131,565) |
| Exchange differences | - | - | - | 1,133 | - | (9,294) | - | (18,834) | (26,995) |
| **At 30 September 2013** | 9,099,177 | 13,823,169 | 15,710,687 | 850,665 | 12,754,490 | 3,339,076 | 458,077 | 8,008,825 | 64,044,166 |
| **At 1 October 2013** | 9,099,177 | 13,823,169 | 15,710,687 | 850,665 | 12,754,490 | 3,339,076 | 458,077 | 8,008,825 | 64,044,166 |
| Additions | 8,095,514 | 8,960 | 9,494,957 | 414,606 | 450,296 | 253,975 | 433,889 | 1,627,898 | 20,780,095 |
| Disposals | - | - | - | - | - | (43,766) | - | (41,798) | (85,564) |
| Write off | - | - | - | (12,280) | (171,734) | - | - | (260,494) | (444,508) |
| Transfer | - | - | 749,444 | - | - | - | (749,444) | - | - |
| Exchange differences | - | - | - | (1,891) | - | (9,067) | - | (15,896) | (26,854) |
| **At 30 September 2014** | 17,194,691 | 13,832,129 | 25,955,088 | 1,251,100 | 13,033,052 | 3,540,218 | 142,522 | 9,318,535 | 84,267,335 |

12. **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 2012** | 1,178,667 | - | 3,163,022 | 618,245 | 10,138,389 | 2,378,833 | - | 6,165,339 | 23,642,495 |
| Charge for the year (Note 7) | 91,951 | - | 304,778 | 40,029 | 857,802 | 492,931 | - | 527,626 | 2,315,117 |
| Disposals | - | - | (81,541) | - | (519,000) | (311,265) | - | (157,894) | (1,069,700) |
| Write off | - | - | - | - | (36,380) | - | - | (92,665) | (129,045) |
| Exchange differences | - | - | - | 562 | - | (5,843) | - | (19,265) | (24,546) |
| **At 30 September 2013** | 1,270,618 | - | 3,386,259 | 658,836 | 10,440,811 | 2,554,656 | - | 6,423,141 | 24,734,321 |
| **At 1 October 2013** | 1,270,618 | - | 3,386,259 | 658,836 | 10,440,811 | 2,554,656 | - | 6,423,141 | 24,734,321 |
| Charge for the year (Note 7) | 113,030 | | 346,498 | 84,113 | 600,612 | 356,396 | - | 732,350 | 2,232,999 |
| Disposals | - | - | - | - | - | (43,766) | - | (38,249) | (82,015) |
| Write off | - | - | - | (12,280) | (171,734) | - | - | (257,346) | (441,360) |
| Exchange differences | - | - | (413) | (280) | - | (4,498) | - | (14,068) | (19,259) |
| **At 30 September 2014** | 1,383,648 | - | 3,732,344 | 730,389 | 10,869,689 | 2,862,788 | - | 6,845,828 | 26,424,686 |
| **Net carrying amount :** | | | | | | | | | |
| At 30 September 2013 | 7,828,559 | 13,823,169 | 12,324,428 | 191,829 | 2,313,679 | 784,420 | 458,077 | 1,585,684 | 39,309,845 |
| At 30 September 2014 | 15,811,043 | 13,832,129 | 22,222,744 | 520,711 | 2,163,363 | 677,430 | 142,522 | 2,472,707 | 57,842,649 |

* 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.

## 12. Property, plant and equipment (cont'd)

Assets held under finance leases
During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM20,780,095 (2013: RM10,261,917) of which RM253,975 (2013: RM181,378) and RM400,000 (2013: RM Nil) were by means of finance leases and term loans respectively.

Subsequent to year end, the Group obtained a bank loan of RM13,950,000 to finance the acquisition of leasehold land and building.

The carrying amounts of property, plant and equipment held under finance leases at the reporting date were as follows:

| | Group | |
|---|---|---|
| | **2014 RM** | **2013 RM** |
| Motor vehicles | 407,581 | 336,209 |
| Plant and machinery | 239,933 | 551,752 |
| | 647,514 | 887,961 |

Leased assets are pledged as security for the related finance lease liabilities (Note 21).

Assets pledged as security
Save for the assets held under finance lease, the net carrying amount of property, plant and equipment pledged for borrowings as referred to in Note 21, is as follow:

| | Group | |
|---|---|---|
| | **2014 RM** | **2013 RM** |
| Freehold land | 1,370,680 | 4,179,534 |
| Leasehold land | 146,740 | 7,467,881 |
| Buildings | 10,435,448 | 10,226,310 |
| | 11,952,868 | 21,873,725 |

Subsequent to year end, leasehold land and building with net carrying amount of RM16,274,697 was pledged for additional borrowings as referred to in Note 21.

## 13. Investment properties

| | Group | |
|---|---|---|
| | **2014 RM** | **2013 RM** |
| **Cost** | | |
| At 1 October and 30 September | | |
| Freehold land | 1,952,980 | 1,952,980 |
| Fair value of investment properties | 2,945,000 | 2,945,000 |

The investment properties are pledged to financial institutions for bank borrowings as referred to in Note 21.

## 14. Investment in subsidiaries

| | Company 2014 RM | Company 2013 RM |
|---|---|---|
| Unquoted shares, at cost | | |
| In Malaysia | 33,598,038 | 33,598,038 |
| Outside Malaysia | 12,217 | 12,217 |
| | 33,610,255 | 33,610,255 |
| Impairment losses | (637,942) | (272,458) |
| | 32,972,313 | 33,337,797 |

| Name | Country of incorporation | Principal activities | Proportion (%) of ownership interest 2014 | Proportion (%) of ownership interest 2013 |
|---|---|---|---|---|
| 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 Holding 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 | Educational services. | 100 | 100 |
| Cai Hong (Hong Kong) Investment Private Limited * | Hong Kong | Deregistered | - | 100 |
| Dickens Publishing Ltd * | England | Publishing and distribution of books and other educational materials. | 100 | 100 |

**14. Investment in subsidiaries (cont'd)**

| Name | Country of incorporation | Principal activities | Proportion (%) of ownership interest 2014 | 2013 |
|---|---|---|---|---|
| Pelangi Publishing Singapore Pte Ltd * | Singapore | Publishing and distribution of books and other educational materials. | 100 | 100 |
| Pelangi Epublishing Sdn. Bhd. * | Malaysia | Distribution and provider of e-learning material, equipment and multimedia related products. | 100 | 100 |
| **Held through Penerbitan Pelangi Sdn. Bhd.:** | | | | |
| Comtech Marketing Sdn. Bhd.* | Malaysia | Provision of typesetting and printing services. | 100 | 100 |
| Pelangi Formpress Sdn. Bhd.* | Malaysia | Printing of computer forms and other types of printing services. | 100 | 100 |
| Pelangi Comics Sdn. Bhd. * # | Malaysia | Publishing of educational comics books. | 63 | 63 |
| Pelangi Novel Sdn. Bhd. * | Malaysia | Publishing and distribution of novel books. | 100 | 100 |
| Elite Corridor Sdn. Bhd. * | Malaysia | Investment holding, property letting and property management. | 100 | 100 |
| **Held through Pelangi Publishing Holding Sdn. Bhd.:** | | | | |
| The Commercial Press Sdn. Bhd. * | 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 |

**14. Investment in subsidiaries (cont'd)**

| Name | Country of incorporation | Principal activities | Proportion (%) of ownership interest 2014 | 2013 |
|---|---|---|---|---|
| **Held through Pelangi Publishing International Sdn. Bhd.:** | | | | |
| P.T. 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. | 80 | 80 |

* Audited by firms of auditors other than Ernst & Young
@ Effective interest computed based on ordinary shares
\# Placed under member's winding-up during the financial year

**Winding-up of Cai Hong (Hong Kong) Investment Private Limited**
On 8 January 2014, the winding up proceedings was fully completed. The winding up of Cai Hong (Hong Kong) Investment Private Limited does not have any material effect on the earnings, net tangible assets or substantial shareholdings of the Group and of the Company.

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

| | Proportion (%) of ownership held by non-controlling 2014 % | 2013 % |
|---|---|---|
| P.T. Penerbitan Pelangi Indonesia | 5 | 5 |
| Pelangi Publishing (Thailand) Co. Ltd | 20 | 20 |
| Pelangi Multimedia Technologies Sdn. Bhd. | 38 | 38 |
| Pelangi Comics Sdn. Bhd. | 37 | 37 |

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.

**14. Investment in subsidiaries (cont'd)**

(i) Summarised statements of financial position

| 2014 | P.T. Penerbitan Pelangi Indonesia RM | Pelangi Publishing (Thailand) Co. Ltd RM | Pelangi Multimedia Technologies Sdn. Bhd. RM | Pelangi Comics Sdn. Bhd. RM | Total RM |
|---|---|---|---|---|---|
| Non-current assets | 1,569,019 | 260,165 | 28,785 | - | 1,857,969 |
| Current assets | 4,579,978 | 5,267,287 | 527,977 | 21,059 | 10,396,301 |
| Total assets | 6,148,997 | 5,527,452 | 556,762 | 21,059 | 12,254,270 |
| Non-current liabilities | - | 55,134 | - | - | 55,134 |
| Current liabilities | 10,317,138 | 2,052,161 | 1,642,862 | 5,129 | 14,017,290 |
| Total liabilities | 10,317,138 | 2,107,295 | 1,642,862 | 5,129 | 14,072,424 |
| Total net (liabilities)/assets | (4,168,141) | 3,420,157 | (1,086,100) | 15,930 | (1,818,154) |

**14. Investment in subsidiaries (cont'd)**

(i) Summarised statements of financial position (cont'd)

| **2013** | **P.T. Penerbitan Pelangi Indonesia RM** | **Pelangi Publishing (Thailand) Co. Ltd RM** | **Pelangi Multimedia Technologies Sdn. Bhd. RM** | **Pelangi Comics Sdn. Bhd. RM** | **Total RM** |
|---|---|---|---|---|---|
| Non-current assets | 14,877 | 270,810 | 48,068 | 7,179 | 340,934 |
| Current assets | 4,945,558 | 5,093,670 | 662,071 | 135,721 | 10,837,020 |
| Total assets | 4,960,435 | 5,364,480 | 710,139 | 142,900 | 11,177,954 |
| Non-current liabilities | - | 87,356 | - | - | 87,356 |
| Current liabilities | 7,299,171 | 3,619,059 | 1,751,937 | 68,813 | 12,738,980 |
| Total liabilities | 7,299,171 | 3,706,415 | 1,751,937 | 68,813 | 12,826,336 |
| Total net (liabilities)/assets | (2,338,736) | 1,658,065 | (1,041,798) | 74,087 | (1,648,382) |

**14. Investment in subsidiaries (cont'd)**

(ii) Summarised statements of comprehensive income

| **2014** | **P.T. Penerbitan Pelangi Indonesia RM** | **Pelangi Publishing (Thailand) Co. Ltd RM** | **Pelangi Multimedia Technologies Sdn. Bhd. RM** | **Pelangi Comics Sdn. Bhd. RM** | **Total RM** |
|---|---|---|---|---|---|
| Revenue | 982,517 | 7,925,711 | 68,442 | - | 8,976,670 |
| Total comprehensive income | (2,096,229) | 1,881,477 | (44,302) | (58,157) | (317,211) |
| **2013** | | | | | |
| Revenue | 1,240,232 | 5,803,963 | 334,208 | - | 7,378,403 |
| Total comprehensive income | (793,197) | 1,437,204 | (502,044) | (13,050) | 128,913 |

## 14. Investment in subsidiaries (cont'd)

(iii) Summarised cash flows:

| 2014 | P.T. Penerbitan Pelangi Indonesia RM | Pelangi Publishing (Thailand) Co. Ltd RM | Pelangi Multimedia Technologies Sdn. Bhd. RM | Pelangi Comics Sdn. Bhd. RM | Total RM |
|---|---|---|---|---|---|
| Net cash (used in)/generated from operating activities | (708,417) | 284,665 | (46,043) | (5,494) | (475,289) |
| Net cash used in investing activities | (1,277,221) | (65,235) | - | - | (1,342,456) |
| Net cash generated from financing activities | 1,581,416 | 13,276 | - | - | 1,594,692 |
| Net (decrease)/increase in cash and cash equivalents | (404,222) | 232,706 | (46,043) | (5,494) | (223,053) |
| Exchange differences | (23,244) | (42,563) | - | - | (65,807) |
| Cash and cash equivalents at beginning of the year | 648,532 | 1,199,882 | 131,422 | 26,553 | 2,006,389 |
| Cash and cash equivalents at the end of the year | 221,066 | 1,390,025 | 85,379 | 21,059 | 1,717,529 |

**14. Investment in subsidiaries (cont'd)**

(iii) Summarised cash flows (cont'd):

| 2013 | P.T. Penerbitan Pelangi Indonesia RM | Pelangi Publishing (Thailand) Co. Ltd RM | Pelangi Multimedia Technologies Sdn. Bhd. RM | Pelangi Comics Sdn. Bhd. RM | Total RM |
|---|---|---|---|---|---|
| Net cash (used in)/generated from operating activities | (784,273) | (353,031) | 80,214 | 2,545 | (1,054,545) |
| Net cash (used in)/generated from investing activities | 2,983 | (240,160) | 1,500 | - | (235,677) |
| Net cash generated from/(used in) financing activities | 655,299 | (21,863) | (1,120) | - | 632,316 |
| Net (decrease)/increase in cash and cash equivalents | (125,991) | (615,054) | 80,594 | 2,545 | (657,906) |
| Exchange differences | (113,819) | 75,352 | - | - | (38,467) |
| Cash and cash equivalents at beginning of the year | 888,342 | 1,739,584 | 50,828 | 24,008 | 2,702,762 |
| Cash and cash equivalents at the end of the year | 648,532 | 1,199,882 | 131,422 | 26,553 | 2,006,389 |

## 15. Investment in associates

| Group | Group 2014 RM | Group 2013 RM | Company 2014 RM | Company 2013 RM |
|---|---|---|---|---|
| Unquoted shares, at cost | | | | |
| In Malaysia | 30,000 | 30,000 | - | - |
| Outside Malaysia | 369,907 | 369,907 | 369,907 | 369,907 |
| | 399,907 | 399,907 | 369,907 | 369,907 |
| Less : Provision for impairment loss | (30,000) | (29,999) | - | - |
| | 369,907 | 369,908 | 369,907 | 369,907 |
| Share of post acquisition reserve | (369,906) | (255,642) | - | - |
| Exchange differences | - | (562) | - | - |
| | 1 | 113,704 | 369,907 | 369,907 |

| Name | Country of incorporation | Principal activities | Equity interest held (%) 2014 | Equity interest held (%) 2013 |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| Hebei Culture Communication Ltd. Chunyu Rainbow (formerly known as Pelangi Smart Kids Culture Media Pte. Ltd. , Hebei) | China | Production of academic, children and general titles and multimedia related products for the China market. | 40 | 40 |
| **Held through Pelangi Publishing Holding Sdn. Bhd.** | | | | |
| Pelangi Multimedia Sdn. Bhd. # | Malaysia | Web page, CD-ROM designers and distribution and sale of all kind of interest and multimedia related products. | 30 | 30 |

# Placed under members' winding-up during the financial year

**15. Investment in associates (cont'd)**

The summarised financial information of the associates are as follows:

(a) Summarised statements of financial position

| | Hebei Culture Communication Ltd. Chunyu Rainbow | | Pelangi Multimedia Sdn. Bhd. | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Non-current assets | 53,604 | 341,810 | - | - | 53,604 | 341,810 |
| Current assets | 1,034,571 | 2,293,034 | 20,000 | - | 1,054,571 | 2,293,034 |
| Total assets | 1,088,175 | 2,634,844 | 20,000 | - | 1,108,175 | 2,634,844 |
| Current liabilities | 1,237,735 | 2,350,587 | 6,045 | 3,275 | 1,243,780 | 2,353,862 |
| Net (liabilities)/assets | (149,560) | 284,257 | 13,955 | (3,275) | (135,605) | 280,982 |

(b) Summarised statements of comprehensive income

| | Hebei Culture Communication Ltd. Chunyu Rainbow | | Pelangi Multimedia Sdn. Bhd. | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue | 1,712,965 | 379,321 | - | - | 1,712,965 | 379,321 |
| (Loss)/profit before taxation | (433,765) | 74,009 | 17,230 | 566,514 | (416,535) | 640,523 |
| (Loss)/profit net of tax, representing total comprehensive (loss)/profit for the year | (433,765) | 74,009 | 17,230 | 566,514 | (416,535) | 640,523 |

## 15. Investment in associates (cont'd)

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

| | Hebei Culture Communication Ltd. Chunyu Rainbow | | Pelangi Multimedia Sdn. Bhd. | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Net assets/(liabilities) as at 1 January | 284,257 | 210,811 | (3,275) | (569,789) | 280,982 | (358,978) |
| Currency translation reserve | (52) | (563) | - | - | (52) | (563) |
| (Loss)/profit for the year | (433,765) | 74,009 | 17,230 | 566,514 | (416,535) | 640,523 |
| Net (liabilities)/assets as at 30 September | (149,560) | 284,257 | 13,955 | (3,275) | (135,605) | 280,982 |
| Interest in associates | 40% | 40% | 30% | 30% | | |
| Net tangible (liabilities)/assets | (59,824) | 113,703 | 4,187 | (983) | (55,637) | 112,720 |
| Non-recognition of associate loss/(profit) as its share of losses exceed the Group's interest in the associate | 59,825 | - | (4,187) | 984 | 55,638 | 984 |
| Carrying value of Group's interest in associates | 1 | 113,703 | - | 1 | 1 | 113,704 |

## 16. Other investments

| | Group 2014 RM | Group 2013 RM |
|---|---|---|
| Club memberships | 26,200 | 26,200 |
| Available-for-sale financial asset: | | |
| Carrying amount of quoted shares | 474 | 387 |
| | 26,674 | 26,587 |
| Market value of quoted shares | 474 | 387 |

## 17. Intangible assets

| Group | Goodwill RM | Development cost RM | Total RM |
|---|---|---|---|
| **Cost** | | | |
| At 1 October 2013/30 September 2014 | 1,266,752 | 559,847 | 1,826,599 |
| **Accumulated amortisation and impairment** | | | |
| At 1 October 2013/30 September 2014 | 1,266,752 | 559,847 | 1,826,599 |
| **Net carrying amount** | | | |
| At 1 October 2013/30 September 2014 | - | - | - |

## 18. Inventories

| | Group 2014 RM | Group 2013 RM |
|---|---|---|
| **At cost** | | |
| Raw materials | 9,525,281 | 7,834,505 |
| Work in progress | 73,421 | 325,371 |
| Finished goods | 22,016,150 | 19,937,050 |
| Goods in transit | - | 63,103 |
| | 31,614,852 | 28,160,029 |
| Cost of inventories recognised as an expense during the year | 30,876,114 | 32,065,632 |

## 19. Trade and other receivables

| | Group 2014 RM | Group 2013 RM | Company 2014 RM | Company 2013 RM |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 15,013,433 | 14,454,431 | - | - |
| Less: Allowance for impairment | (3,145,123) | (2,478,003) | - | - |
| Trade receivables, net | 11,868,310 | 11,976,428 | - | - |
| **Other receivables** | | | | |
| Amount due from subsidiaries | - | - | 17,571,959 | 17,166,558 |
| Amount due from associates | 6,900 | 6,900 | - | - |
| Refundable deposits | 545,755 | 527,608 | 1,000 | 1,000 |
| Sundry debtors | 229,764 | 227,016 | - | 4,000 |
| | 782,419 | 761,524 | 17,572,959 | 17,171,558 |
| Less: Allowance for impairment | (48,195) | (47,722) | - | - |
| | 734,224 | 713,802 | 17,572,959 | 17,171,558 |
| Total trade and other receivables | 12,602,534 | 12,690,230 | 17,572,959 | 17,171,558 |
| Add: Cash and bank balances (Note 20) | 20,300,060 | 30,077,314 | 1,214,115 | 1,707,537 |
| Total loans and receivables | 32,902,594 | 42,767,544 | 18,787,074 | 18,879,095 |

**Trade receivables**

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2013: 30 to 90 day) terms, although in practice, this may extend to 120 days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original certificated or invoiced amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | 2014 RM | 2013 RM |
|---|---|---|
| Neither past due nor impaired | 2,675,725 | 1,994,865 |
| 1 to 30 days past due not impaired | 2,172,717 | 820,396 |
| 31 to 60 days past due not impaired | 1,020,124 | 1,468,594 |
| 61 to 90 days past due not impaired | 1,651,347 | 1,803,670 |
| 91 to 120 days past due not impaired | 1,976,598 | 2,494,077 |
| More than 121 days past due not impaired | 2,371,799 | 3,394,826 |
| | 9,192,585 | 9,981,563 |
| Impaired | 3,145,123 | 2,478,003 |
| | 15,013,433 | 14,454,431 |

## 19. Trade and other receivables (cont'd)

### Trade receivables (cont'd)

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 RM9,192,585 (2013 : RM9,981,563) 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.

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 | |
|---|---|---|
| | **2014** | **2013** |
| | **RM** | **RM** |
| Trade receivables - nominal amounts | 9,871,480 | 8,876,982 |
| Less: Allowance for impairment | (3,145,123) | (2,478,003) |
| | 6,726,357 | 6,398,979 |

Movement in allowance accounts :

| | **2014** | **2013** |
|---|---|---|
| | **RM** | **RM** |
| At 1 October | 2,478,003 | 4,366,761 |
| Charge for the year (Note 7) | 960,936 | 258,205 |
| Reversal of impairment loss on trade receivables (Note 7) | (464,032) | (1,837,312) |
| Exchange differences | 170,216 | (309,651) |
| At 30 September | 3,145,123 | 2,478,003 |

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.

## 19. Trade and other receivables (cont'd)

### Related party balances

Amounts due from subsidiaries and associates are unsecured, interest free and repayable on demand.

Further details on related party transactions are disclosed in Note 27.

Other information on financial risks of trade and other receivables is disclosed in Note 30.

## 20. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2014<br>RM | 2013<br>RM | 2014<br>RM | 2013<br>RM |
| Cash on hand and at banks | 16,287,352 | 19,417,994 | 214,115 | 706,046 |
| Short term deposits with licensed banks | 4,012,708 | 10,659,320 | 1,000,000 | 1,001,491 |
| Cash and bank balances | 20,300,060 | 30,077,314 | 1,214,115 | 1,707,537 |

Included in cash at banks is an amount of RM3,747,734 (2013 : RM3,726,071) held under the Investment Cash Management Trust for the investment of the Company's funds as a short term investment. There are no restrictions on the Company's funds.

The interest rates of short term deposits with licensed banks at the reporting date of the Group and the Company were between 1.5% to 3.2% (2013 : 2.8% to 3.2% per annum) and 3.2% (2013 : 3.2% per annum) respectively.

Short-term deposits with licensed banks of the Group amounting to RM200,000 (2013: RM200,000) 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 and the Company ranged from 1 to 93 days (2013 : 1 to 93 days) and 12 days (2013 : 12 days) respectively.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date :

| | Group | |
|---|---|---|
| | 2014<br>RM | 2013<br>RM |
| Cash and short term deposits | 20,300,060 | 30,077,314 |
| Less: Other deposits not for short-term funding requirements | (200,000) | (200,000) |
| Cash and cash equivalents | 20,100,060 | 29,877,314 |

## 21. Loans and borrowings

| | Maturity | Group 2014 RM | Group 2013 RM |
|---|---|---|---|
| **Current** | | | |
| Secured: | | | |
| Term loans | 2015 | 576,681 | 890,662 |
| Obligations under finance leases (Note 28 (d)) | 2015 | 227,934 | 263,889 |
| | | 804,615 | 1,154,551 |
| **Non-current** | | | |
| Secured: | | | |
| Term loans | 2016 - 2027 | 1,754,008 | 1,952,888 |
| Obligations under finance leases (Note 28 (d)) | 2016 - 2017 | 190,080 | 283,732 |
| | | 1,944,088 | 2,236,620 |
| **Total loans and borrowings** | | | |
| Secured: | | | |
| Term loans | | 2,330,689 | 2,843,550 |
| Obligations under finance leases (Note 28 (d)) | | 418,014 | 547,621 |
| | | 2,748,703 | 3,391,171 |

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

| | Group 2014 RM | Group 2013 RM |
|---|---|---|
| On demand or within one year | 804,615 | 1,154,551 |
| More than 1 year and less than 2 years | 745,577 | 718,196 |
| More than 2 years and less than 5 years | 357,139 | 812,211 |
| 5 years or more | 841,372 | 706,213 |
| | 2,748,703 | 3,391,171 |

Obligations under finance leases

These obligations are secured by a pledge over the leased assets (Note 12). The discount rate implicit in the leases are between 2.11% to 6.54% per annum (2013 : 2.63% to 6.54% per annum).

Term loans

The interest rates (per annum) at the reporting date were as follows:

| | Group 2014 % | Group 2013 % |
|---|---|---|
| Term loans | 4.00 to 7.60 | 4.00 to 7.90 |

**21. Loans and borrowings (cont'd)**

The term loans are secured by the followings:

(a) First legal charge over certain freehold and leasehold land and buildings as disclosed in Note 12 and Note 13;

(b) Corporate guarantees by the Company.

Subsequent to year end, the Group obtained a term loan amounting to RM13,950,000 to part finance the acquisition of leasehold land and building as referred to in Note 12.

**22. Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 RM** | **2013 RM** | **2014 RM** | **2013 RM** |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | 2,590,168 | 2,305,433 | - | - |
| **Other payables** | | | | |
| Amount due to subsidiary companies | - | - | 1,000,000 | 10,274 |
| Amount due to directors | 96,000 | 96,000 | - | - |
| Accrued operating expenses | 12,876,025 | 12,066,765 | 183,005 | 148,610 |
| Other payables | 15,301,388 | 8,378,375 | 26,000 | 30,157 |
| | 28,273,413 | 20,541,140 | 1,209,005 | 189,041 |
| Total trade and other payables | 30,863,581 | 22,846,573 | 1,209,005 | 189,041 |
| Add: Loans and borrowings (Note 21) | 2,748,703 | 3,391,171 | - | - |
| Total financial liabilities carried at amortised cost | 33,612,284 | 26,237,744 | 1,209,005 | 189,041 |

**(a) Trade payables**
This amount is non-interest bearing. Trade payables are normally settled on 30 to 90 day (2013 : 30 to 90 day) 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.

**(d) Amount due to subsidiary companies**
This amount is unsecured, non-interest bearing and repayable on demand.

## 23. Deferred taxation

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

| Group | As at 1 October 2012 RM | Recognised in profit or loss RM | Exchange differences RM | As at 30 September 2013 RM | Recognised in profit or loss RM | Exchange differences RM | As at 30 September 2014 RM |
|---|---|---|---|---|---|---|---|
| **Deferred tax liability of the Group:** | | | | | | | |
| Property, plant and equipment | 1,599,816 | (162,975) | - | 1,436,841 | (226,062) | - | 1,210,779 |
| **Deferred tax assets of the Group:** | | | | | | | |
| Trade receivables | (891,500) | 402,000 | - | (489,500) | 131,980 | - | (357,520) |
| Other payables | (2,532,918) | (161,985) | 17,653 | (2,677,250) | (210,242) | 8,976 | (2,878,516) |
| Unutilised tax credits | (301,608) | 176,484 | - | (125,124) | 125,124 | - | - |
| | (3,726,026) | 416,499 | 17,653 | (3,291,874) | 46,862 | 8,976 | (3,236,036) |
| | (2,126,210) | 253,524 | 17,653 | (1,855,033) | (179,200) | 8,976 | (2,025,257) |
| **Deferred tax liability of the Company:** | | | | | | | |
| Dividend receivable | 1,500,000 | (1,500,000) | - | - | - | - | - |

## 23. Deferred taxation (cont'd)

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

| | Group 2014 RM | Group 2013 RM |
|---|---|---|
| Unutilised tax losses | 5,707,000 | 3,310,000 |
| Unabsorbed capital allowances | 238,000 | 720,000 |
| Unabsorbed reinvestment allowances | 5,301,000 | 5,367,000 |
| | 11,246,000 | 9,397,000 |

## 24. Share capital and treasury shares

| Company | Group and Company: Number of ordinary shares of RM0.50 each — Share capital (Issued and fully paid) | Amount — Share capital (Issued and fully paid) RM | Amount — Treasury shares RM | Amount — Total RM |
|---|---|---|---|---|
| At 1 October 2013/ 30 September 2014 | 100,000,000 | 50,000,000 | (1,407,602) | 48,592,398 |

| | Number of ordinary shares of RM0.50 each 2014 | Number of ordinary shares of RM0.50 each 2013 | Amount 2014 RM | Amount 2013 RM |
|---|---|---|---|---|
| **Authorised share capital** | | | | |
| At 1 October and 30 September | 200,000,000 | 200,000,000 | 100,000,000 | 100,000,000 |

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

## 25. 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 currency translation 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.

## 26. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 30 September 2013 and 30 September 2014 under the single tier system.

## 27. 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 | |
|---|---|---|---|---|
| | 2014 RM | 2013 RM | 2014 RM | 2013 RM |
| Dividend income received from subsidiaries | - | - | 1,200,000 | - |
| Multimedia fees paid to subsidiary: | | | | |
| - Pelangi Multimedia Technologies Sdn. Bhd. | - | - | - | 2,000 |
| Printing expenses from subsidiary: | | | | |
| - Comtech Marketing Sdn. Bhd. | - | - | 5,550 | 5,548 |
| Rental expenses to director: | | | | |
| - Sum Kown Cheek | 57,600 | 57,600 | - | - |
| Purchase of papers from related party: | | | | |
| - New Top Win Corporation Sdn. Bhd. | 10,244,686 | 9,454,424 | - | - |

## 28. Commitments

### (a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Capital expenditure : | | |
| Approved and contracted for : | | |
| Property, plant and equipment | 105,000 | 473,333 |

### (b) 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 | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Future minimum rentals payments : | | |
| Not later than 1 year | 81,930 | 113,040 |
| Later than 1 year and not later than 5 years | 45,987 | 66,165 |
| | 127,917 | 179,205 |

### (c) 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 1 year.

Future minimum lease payments receivable under operating leases contracted for as at the reporting date but not recognised as receivable, are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | RM | RM |
| Not later than 1 year | 375,300 | 189,840 |
| Later than 1 year and not later than 5 years | 1,052,100 | - |
| | 1,427,400 | 189,840 |

## 28. Commitments (cont'd)

### (d) Finance lease commitments

The Group has finance leases for certain items of property, plant and equipment (Note 12). 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 | |
|---|---|---|
| | **2014** | **2013** |
| | **RM** | **RM** |
| **Minimum lease payments:** | | |
| Not later than 1 year | 241,445 | 281,213 |
| Later than 1 year but not later than 2 years | 154,561 | 182,383 |
| Later than 2 years but not later than 5 years | 39,953 | 109,538 |
| Total minimum lease payments | 435,959 | 573,134 |
| Less: Amounts representing finance charges | (17,945) | (25,513) |
| Present value of minimum lease payments | 418,014 | 547,621 |
| | | |
| **Present value of payments:** | | |
| Not later than 1 year | 227,934 | 263,889 |
| Later than 1 year but not later than 2 years | 150,551 | 175,040 |
| Later than 2 years but not later than 5 years | 39,529 | 108,692 |
| Present value of minimum lease payments | 418,014 | 547,621 |
| Less: Amount due within 12 months (Note 21) | (227,934) | (263,889) |
| Amount due after 12 months (Note 21) | 190,080 | 283,732 |

## 29. 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 hierachy

The Group and the Company classifies fair value measurement using a fair value hierarcy that reflects the significance of the inputs used in making the measurements.

## 29. Fair value of financial instruments (cont'd)

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

| | Total RM | Level 1 RM | Level 2 RM | Level 3 RM |
|---|---|---|---|---|
| **At 30 September 2014** | | | | |
| **Financial assets** | | | | |
| Short term investments | 474 | 474 | - | - |
| Investment properties | 2,945,000 | - | 2,945,000 | - |
| | 2,945,474 | 474 | 2,945,000 | - |
| **At 30 September 2013** | | | | |
| **Financial assets** | | | | |
| Short term investments | 387 | 387 | - | - |
| Investment properties | 2,945,000 | - | 2,945,000 | - |
| | 2,945,387 | 387 | 2,945,000 | - |

The valuation of investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

During the reporting period ended 30 September 2014 and 2013 there were no transfers between the hierachy fair value measurement.

## 30. 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.