ANNUAL REPORT 2016

PELANGI

Pelangi Publishing Group Bhd.(593649-H)

(Incorporated in Malaysia)

QUALITY BOOKS FOR QUALITY EDUCATION

ANNUAL REPORT 2016

PELANGI Publishing Group Bhd.

QUALITY BOOKS FOR QUALITY EDUCATION

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PELANGI

Penerbitan Pelangi Sdn Bhd.

Head Office
66, Jalan Pingai, Taman Pelangi,
80400 Johor Bahru, Johor. Darul Takzim, Malaysia.
Tel : 607-331 6288 Fax : 607-332 9201
Email : info@pelangibooks.com

Sales Office
Lot 8, P10/10, Kawasan Perusahaan Bangi,
Bandar Baru Bangi, 43650 Bangi,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8922 3993 Fax : 603-8926 1233 / 603-8920 2366

Contents

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth 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, 17 March 2017 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 2016 together with the Directors' and Auditors' Reports thereon.	PLEASE REFER TO NOTE 1
2.	To approve the payment of a final single tier dividend of 1.38 sen per ordinary share of RM0.50 each for the financial year ended 30 September 2016.	RESOLUTION 1
3.	To approve the payment of Directors' fees for the financial year ended 30 September 2016.	RESOLUTION 2
4.	To re-elect the following Directors retiring in accordance with the Company's Articles of Association:	
	a) Vincent Wong Soon Choy - Article 123	RESOLUTION 3
	b) Syahriza Binti Senan - Article 123	RESOLUTION 4 REFER TO EXPLANATORY NOTE VI
5.	To re-appoint Messrs SJ Grant Thornton as Auditors of the Company and authorise the Directors to fix their remuneration.	RESOLUTION 5

SPECIAL BUSINESS

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

ORDINARY RESOLUTION 1
AUTHORITY TO ALLOT SHARES - SECTION 132D — RESOLUTION 6

"**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
PROPOSED RENEWAL OF AUTHORISATION FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY
("Proposed Renewal Of Share Buy-Back Authority") — RESOLUTION 7

"**THAT** subject to the provisions of the Companies Act, 1965 ("the Act"), the Articles of Association of the Company, Listing Requirements of Bursa Malaysia Securities — REFER TO EXPLANATORY

Berhad ("Bursa Securities") and other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: - NOTE II

(i) the maximum aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;
(ii) the funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits and/or share premium account of the Company. The audited retained profits and share premium account of the Company stood at RM8,118,309 and RM Nil respectively as at 30 September 2016.
(iii) the authority conferred by this resolution shall continue to be in force until: -

    (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM, at which time the said authority will lapse, unless the authority is renewed at that meeting, either unconditionally or subject to conditions; or
    (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the 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 occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased at their absolute discretion, either partially or fully, in the following manner:
(i) cancel all the shares so purchased;
(ii) retain the shares so purchased as treasury shares;
(iii) distribute the treasury shares as share dividends to shareholders;
(iv) resell the treasury shares on Bursa Securities in accordance to the Main Market Listing Requirements of Bursa Securities; and
(v) any combination of (i), (ii), (iii) and (iv) above.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back Authority with full power to assent for any modifications and/or amendments as may be required by the relevant authorities."

ORDINARY RESOLUTION 3
CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR RESOLUTION 8

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

ORDINARY RESOLUTION 4
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

24 January 2017 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 Transactions of a Revenue or Trading Nature was passed, at which time will lapse, unless by ordinary resolution passed at an AGM whereby the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965, ("Act") (but 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.

ORDINARY RESOLUTION 5
PROPOSED SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed NSM") RESOLUTION 10

"**THAT** approval be and is hereby given to the Company and/or its subsidiaries to enter into new 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 24 January 2017 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 favourable 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 Shareholders' Mandate for New Recurrent Related Party Transactions of A Revenue or Trading Nature is 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.

7. 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
FINAL SINGLE TIER DIVIDEND OF 1.38 SEN PER ORDINARY SHARE OF RM0.50 EACH

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Fifteenth Annual General Meeting, the final single tier dividend of 1.38 sen per ordinary share of RM0.50 each in respect of the financial year ended 30 September 2016 will be payable on 27 April 2017 to Depositors registered in the Record of Depositors at the close of business on 7 April 2017.

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 7 April 2017 in respect of transfer; and
b) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LEONG SIEW FOONG (MAICSA NO. 7007572)
HUAN CHUAN SEN @ AH LOY (MACS 01519)
ZARINA BINTI AHMAD (LS NO. 0009964)
Company Secretaries

Johor Bahru
Dated: 24 January 2017

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 accounts it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

    d. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its officer or attorney.

    e. The instrument appointing the proxy must be deposited at the Company's 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

The Ordinary Resolution 2, if passed, will empower the Directors to purchase the Company's shares of up to 10% of the issued and paid-up capital of the Company at any point of time, by utilising the funds allocated which shall not exceed the total retained profits and share premium of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting.

Please refer to Statement of Share Buy-Back dated 24 January 2017.

III. Ordinary Resolution 3

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. She would not hesitate to raise doubts over any issues, albeit on audited financial statement or internal audit, until she is satisfied with their explanation or proposed recommendations. To that, the Board recommends Syahriza Binti Senan to continue her office as an Independent Director according to the resolution put forth in the forthcoming Annual General Meeting.

Syahriza has met the independence as defined in Bursa Securities Listing Requirements. In addition, the Board assessed her independence annually. Her independence has not been compromised all these while.

IV. Ordinary Resolution 4

The Proposed RSM under Ordinary Resolution 4 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 18 March 2016.

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 2016.

V. Ordinary Resolution 5

The Proposed NSM under Ordinary Resolution 5 is seeking for shareholders' approval at the forthcoming Annual General Meeting of the Company.

The Proposed NSM is to facilitate new 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 NSM 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 2016.

VI. Others

Lee Kheng Hon retires pursuant to Section 129(6) of the Companies Act, 1965, however he will not be seeking for re-appointment at the forthcoming Annual General Meeting and therefore shall retire at the conclusion of the said Annual General Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK 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)

DATUK 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

DATUK 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

DATUK SUM KOWN CHEEK
Member

SECRETARIES

LEONG SIEW FOONG
ZARINA BINTI AHMAD (Appointed on 3 February 2016)
HUAN CHUAN SEN @ AH LOY
CHIN NGEOK MUI (Resigned on 20 January 2016)

AUDITORS

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

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

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

STOCK EXCHANGE

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

OUR JOURNEY

- **1979** — Formation of Pelangi Educational Enterprise
- **1982** — Incorporation of Penerbitan Pelangi Sdn.Bhd.
- **1983/1988** — Incorporation of Tunas Pelangi Sdn. Bhd.
- **1983** — Incorporation of Comtech Marketing Sdn. Bhd. and Pelangi Formpress Sdn. Bhd.
- **1987** — Pelangi's first textbooks
- **1993** — Overseas rights collaborations
- **1998** — Online eCommerce www.PelangiBooks.com
- **2002** — The Commercial Press, Sdn. Berhad
- **2004** — Public listed as Pelangi Publishing Group Bhd.
- **2004/2005** — International expansion
  - Thailand
  - China
  - Singapore
  - London
  - Indonesia
- **2008** — Lounch of Pelangi Multimedia Products
- **2014** — Pelangi Quick Learning (QLearning)
- **2015** — Pelangi Digital Library/e-library
- **2016** — **Launching of Pelangi Interactive eBook Series**

OUR MISSION

PELANGI

Pelangi Publishing Group Bhd.

Publishing for the Future

Educating the World

Learning is Fun

Achieve your dreams

Nurturing Character & Values

Grow with Digital Era

Innovative & Creative

OUR VISION

To be an internationally acclaimed fully integrated publishing house known for its design, publication, warehousing and distribution of quality educational products

OUR CORE VALUES

Pelangi Publishing Group Bhd. is committed to develop its people in the following aspects:

Standard
Quality, professionalism and futuristic

Attitude
Positive, constructive and innovative

Conduct
Integrity, commitment and teamwork


United
Kingdom
Malaysia

We specialise in

Mathematics & Science

since 1979....

OUR CORPORATE STRUCTURE

PELANGI
PUBLISHING GROUP BHD

PPG Subsidiaries

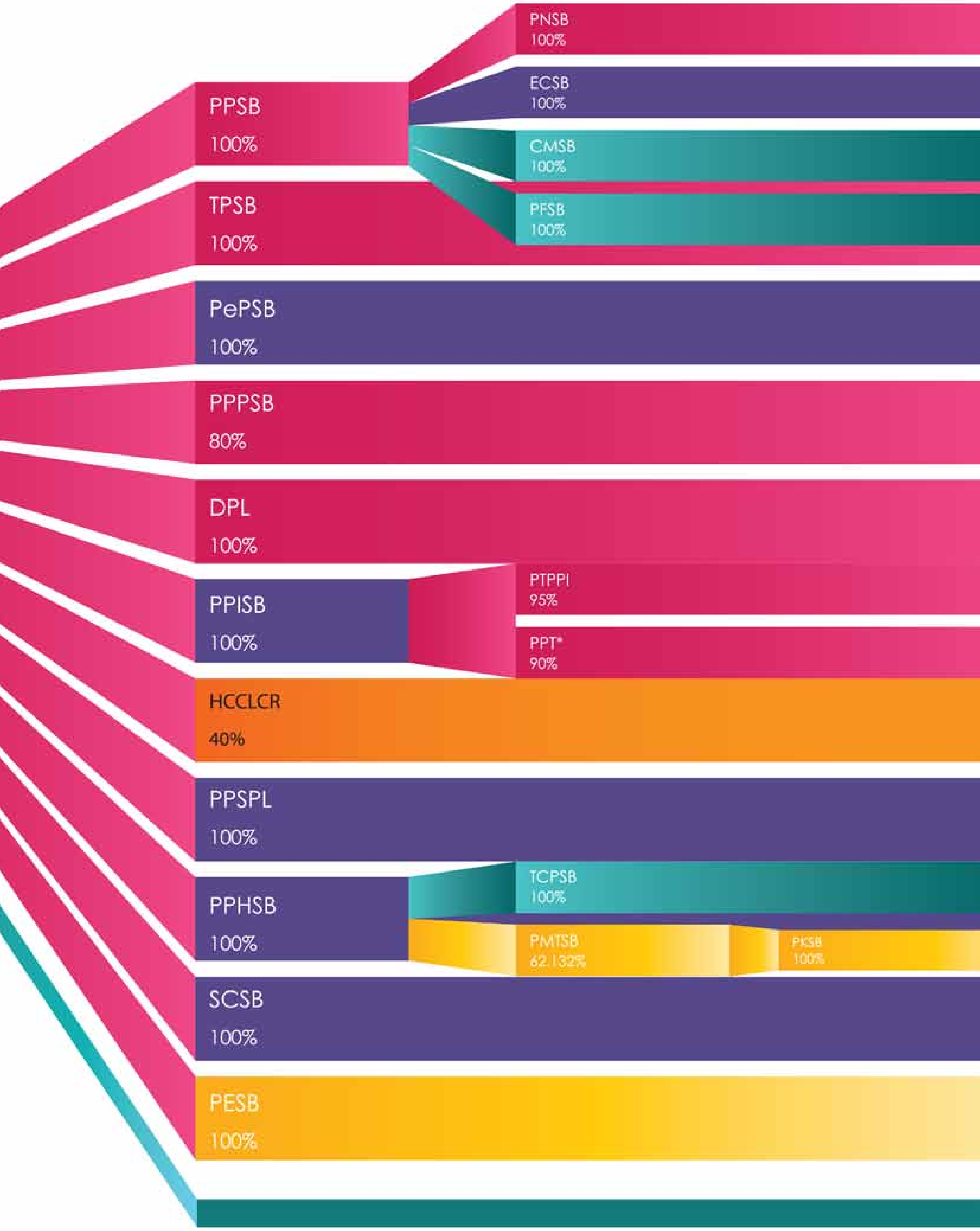
PPSB	Penerbitan Pelangi Sdn. Bhd. (89120-H)
TPSB	Tunas Pelangi Sdn. Bhd. (105652-A)
SCSB	Sutera Ceria Sdn. Bhd. (499589-M)
PePSB	Pelangi ePublishing Sdn. Bhd. (939787-V)
PESB	Pelangi Education Sdn. Bhd. (458162-U)
DPL	Dickens Publishing Ltd. (7033325)
PPISB	Pelangi Publishing International Sdn. Bhd. (517605-P)
HCCLCR	Hebei Culture Communication Ltd. Chunyu Rainbow (130100400003122)
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)
PKSB	Pelangi Kids Sdn. Bhd. (692155-U)

Remark

* Percentage calculated based on Ordinary Shares issued.

PCSB placed under Members' Voluntary Winding-Up on 29 September 2014 and has yet to complete.

Publishing & Production
Printing
Education
Others
Associate Company


PNSB
100%
ECSB
100%
PPSB
100%
CMSB
100%
TPSB
100%
PFSB
100%
PePSB
100%
PPPSB
80%
DPL
100%
PTPPI
95%
PPISB
100%
PPT*
90%
HCCLCR
40%
PPSPL
100%
TCPSB
100%
PPHSB
100%
PMTSB
62.132%
PKSB
100%
SCSB
100%
PESB
100%

OUR KEY BUSINESS SEGMENTS

PUBLISHING & PRODUCTION

PRINTING

EDUCATION

OUR KEY ACTIVITIES IN 2016

Our CSR Activities

Book Donation UTAR

Sadaqah Charity Drive

Program Buku Ke Buku

eBook Donation to Schools

Donation Thailand

Lotus Charity Drive

Our Activities

1st Television Shopping Channel on Astro Go Shop

BrandLaureate Award - Most Sustainable Brand

PPT Collaboration with Suan Dusit University, Thailand

International Book Fairs

eReference Book Launching

Collaboration with Giggle Garage

Kuala Lumpur International Book Fair

OUR FUTURE PLANS FOR 2017

Content
Focus on content creation and share the contents across the ASEAN Region

Regional
Growing ASEAN markets with 2 regional offices in Thailand and Indonesia

Innovating
Creation of digital products with our technology partner, Xentral Methods Sdn. Bhd.

Cost Efficiency

Through more advanced printing technology and efficiency at printing subsidiaries

Datuk Sum Kown Cheek
Executive Chairman and Group Managing Director

"On behalf of the Board of Directors of Pelangi Publishing Group Bhd., I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 September 2016."

FINANCIAL RESULTS OVERVIEW

Pelangi Publishing Group Bhd. ("PPG" or "The Group") achieved a stable set of financial results for the financial year 2015/2016, despite the volatility in the region's economies and fluctuation of foreign currencies exchange rate.

For the financial year ended 30 September 2016, the Group registered a revenue and pre-tax profit of RM63.1 million and RM4.4 million respectively compared to a revenue and pre-tax profit of RM63.3 million and RM4.9 million respectively in the previous financial year, a decrease of 0.3% in revenue and 10.2% in pre-tax profit respectively.

The Publishing and Production and Printing segments of the Group continue to be the main contributors towards the Group's revenue. The revenue recorded by the Publishing and Production Segment was RM54.7 million against RM54.9 million in the previous financial year while the Printing Segment recorded RM12.8 million against RM14.0 million in the previous financial year. The higher revenue in the previous financial year was due to additional printing jobs resulting from GST implementation.

DIVIDEND

In appreciation to our shareholders, the Board has recommended a final single tier dividend of 1.38 sen per ordinary share of RM0.50 each amounting to RM1,328,861 for the financial year ended 30 September 2016 for the approval of shareholders at the forthcoming Annual General Meeting. This is the 13th year PPG rewards its shareholders with yearly declaration of dividend.

KEY CORPORATE DEVELOPMENTS

People Development

As part of the measure to develop human capital, the Group has also established an Employees' Share Option Scheme ("ESOS"), effective 1 August 2016, to reward our loyal employees. Human Capital is a key element to PPG's long term growth. Excellent content development requires the knowledge, skills, intellects, and experiences of all our colleagues in the Group. The Group appreciates such talent and is dedicated to helping our colleagues develop a good career path here in PPG, in a conducive work environment.

International Collaboration

On 20 January 2016, PPG through its subsidiary, Pelangi Publishing (Thailand) Co. Ltd., collaborated with HSC Suan Dusit University, Thailand on 21st Century Kids Seminar Project and STEM Kindergarten Project. This also marks PPG's commitment to collaborate with established higher learning institutions, in developing excellent educational content and promoting innovative teaching methodologies to schools via seminars or teacher trainings.

Digital Education Innovation

On 27 June 2016, PPG via its subsidiary, Pelangi ePublishing Sdn. Bhd., launched Malaysia's first Secondary School Interactive Reference eBooks ("Pelangi Interactive eBooks"). This launch was officiated by YB Dato' P. Kamalanathan A/L P. Panchanathan, Malaysia's Deputy Minister of Education I. This is a milestone for PPG in our digital education development, together with our technology partner, Xentral Methods Sdn. Bhd.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

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

PPG focuses on community welfare, to promote reading, literacy and also supporting education. CSR activities always revolve around improving the education system and literacy rate especially in our nation.

Throughout the financial year 2016, PPG has initiatives in the CRS activities such as sponsorships and donations to various communities as disclosed on page 49 of the Statement of Sustainability.

CORPORATE GOVERNANCE & SUSTAINABILITY

PPG continues to adhere with the principles and recommendations set out in the Malaysian Code of Corporate Governance 2012 and focus on the initiatives of sustainability in accordance with Environmental, Economic and Social ("EES").

Sustainability is crucial in keeping shareholders' value in the long run. More information about our sustainability efforts can be read on page 49 of the Statement of Sustainability.

OUTLOOK AND FUTURE PROSPECTS

PPG was founded by a group of educators. For many years, PPG's success has been supported by educators who used PPG products. Hence, PPG will continue to focus in creating good quality educational content, with technology innovation and expanding PPG content across the ASEAN region.

Firstly, on educational content, PPG will continue to focus on creating high quality educational content and developing successful publishing teams, together with our pool of talented authors. With PPG's regional offices in ASEAN, the editorial teams will develop talented authors and editors, who will improve our existing content bank. Good quality content will ensure PPG to be on the forefront of the educational publishing industry in ASEAN.

Secondly, on content delivery, PPG realises the importance of digital education in educating 21st century children today. Working closely with technology partner, Xentral Methods Sdn. Bhd., PPG will continue to invest and develop digital education products, fully utilising the good quality content PPG has. PPG is ambitious in transforming conventional education delivery to digital education for the new generation, in line with the worldwide trend in the education industry.

Thirdly, ASEAN markets outside Malaysia will be the development focus for PPG in coming years. Business developments in the Thailand and Indonesia regional offices are underway. PPG management is confident that these regional markets will contribute positively to the Group in the next few years.

With uncertain macro-economic conditions in ASEAN markets affecting retail book sales performance in coming years, the Group will also focus on cost reduction activities such as operational efficiency improvements and increase in in-house printing. The Group is optimistic of improved financial performance through organic growth in the preceding financial year.

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. I also wish to thank all our customers, business associates, financiers, government bodies and authorities, shareholders and fellow Board members for their continued strong support to the Group.

Datuk Sum Kown Cheek
Executive Chairman and Group Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S HISTORY AND BUSINESS

Pelangi Publishing Group Bhd. ("PPG or the Group") was incorporated in Malaysia under the Companies Act, 1965 on 24 September 2002 as a public company. It is principally an investment holding company whilst its subsidiaries are principally involved in the publishing business of educational books, children's books and multimedia educational products. PPG also holds subsidiaries focusing on printing businesses.

The business first evolved as a partnership under the name of Pelangi Educational Enterprise ("PEE") in 1980. PEE was principally involved in publication of past year question papers and revision books. In 1982, it had changed to Penerbitan Pelangi Sdn Bhd, and formally carried the brand name Pelangi Publishing. In 2004, PPG became the first Malaysia academic book publisher to be listed on the Bursa Securities.

Within a period of 37 years, PPG has become one of the leading publishers in Malaysia with a wide variety of books ranging from government textbooks and academic books for both primary and secondary schools to children's books. It is capable of conducting the entire process of producing a book, from editing, typesetting, layout, colour separation to printing, and/including multimedia educational related products and services.

Currently, PPG is without doubt a well-known and sustainable brand name in publishing with an annual group turnover of RM63.1 million in the year 2016. There are over 2,000 bookshops throughout Malaysia that distribute PPG's books. Over the years, the Group continued its expansion to the overseas market by selling books in over 20 countries through its subsidiaries and regional offices in Thailand, Indonesia, Singapore, United Kingdom and China. PPG also exports its products to international markets including Hong Kong, Taiwan, Sri Lanka, Egypt, Vietnam, Philippines, Myanmar and New Zealand.

OVERVIEW OF GROUP FINANCIAL RESULTS

Group Revenue and Other Incomes

The Group's revenue for the financial year 2016 was RM63.1 million, a decrease of RM0.2 million or 0.3% compared with RM63.3 million in the previous year. The lower group revenue was mainly attributable to lower revenue from both Publishing and Production and Printing segments, while Education and other segments had higher revenue contribution.

Other income decreased by 49.6% to RM1.9 million as compared to the preceding financial year. The decline was primarily due to the impact of unfavourable foreign exchange movement of RM against USD resulted from business trade.

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

EBITDA for the group was RM8.0 million for 2016, which was a decrease of RM0.4 million (4.8%) compared to RM8.4 million for 2015. Profit after tax of the group was RM2.4 million for 2016, which was a decrease of RM0.5 million (17.2%) compared to RM2.9 million for 2015.

Besides a decrease in Group revenue, lower EBITDA and PAT were also contributed by an increase in administrative expenses, resulted from high obsolete stocks impairment and staff costs.

KEY BUSINESS SEGMENTS

PPG has four key business segments – Publishing and Production, Printing, Education and Others. Real estate property is the largest contributor for the other business segment. The Group mainly operates in 3 countries - Malaysia, Thailand and Indonesia.

Publishing and Production Segment

In the current financial year, sales of PPG's Malaysia subsidiaries have improved by RM2.3 million (5.4%), through an increase in school adoption of Pelangi academic books and stronger retail sales performance. During the same period, sales from PPG's oversea subsidiaries have decreased by RM1.7 million (19.2%) on the back of slower retail sales market. In the coming financial year, PPG's regional offices will place more focus in increasing sales channels and improving its product offering, seeking better sales performances in the respective markets.

Printing Segment

Printing Segment has reported lower sales in the current financial year, by RM1.4 million (14.0%). This segment has seen exceptional increment of sales in the financial year 2015 from additional form printing jobs, following the implementation of Goods and Services Tax ("GST") in April 2015. In the current financial year, the drop in Printing Segment sales has been directly impacted by lesser printing jobs related to GST implementation.

In the coming financial year, other than increasing print jobs, PPG printing subsidiaries will also primarily be focusing on cost efficiency, through better print schedule and overhead management. Today, The Commercial Press, Sdn. Berhad ("TCPSB") and Comtech Marketing Sdn. Bhd. ("CMSB") print approximately 50% of the Group's publishing products. The Group aims to increase more in-house printing, in order to generate more earnings through outsource printing cost savings.

Education and Others Segment

The Education Segment and Others Segment remain as smaller segments within the Group. Education Segment plays a role to complement the Group in promoting a greater brand name for public awareness.

Sales from Others Segment have increased by RM271,935 (13.7%), primarily from rental income of the factory land and building in Pasir Gudang Johor, that PPG purchased in 2014. This property will continue to yield rental income of RM1.5 million annually in the coming financial years.

GROUP OPERATING ACTIVITIES

Liquidity and Financial Resources

PPG generally has been financing its operations through internally generated funds. As at 30 September 2016, the group retained adequate cash and cash equivalents of RM18.5 million for working capital despite cash outlay for dividend payment for financial year 2015 of RM1.2 million.

Opportunities and Challenges

One major challenge the Group faces is the fluctuation of foreign currency exchange rates. Paper stock, which is primarily traded in US dollars, is the single largest raw material inventory in PPG. Fluctuations in US dollar exchange rates will impact raw material costs and costs of goods sold. In addition, fluctuations in foreign currency exchange rates will also affect sales performances with customers in foreign countries.

The second major challenge the Group faces is the changes of education syllabus. Ministries of Education in the ASEAN region routinely introduce new, additional or changes of education syllabus periodically. PPG faces challenges with products obsoleting due to the old syllabuses, resulting in more impairments and wastages. In addition, PPG will need to continue to train and retain experienced publishing workforce, so the required qualities can still meet the Governments' and consumers' needs. Costs related to obsoleted stocks and overhead costs could impact the Group's financial performance.

Nonetheless, these are good sales opportunities for our Publishing and Production and Printing segments, for both textbooks and retail academic products. These are cost components that the Management needs to manage well, for the Group to increase profitability.

GROUP PROSPECTS

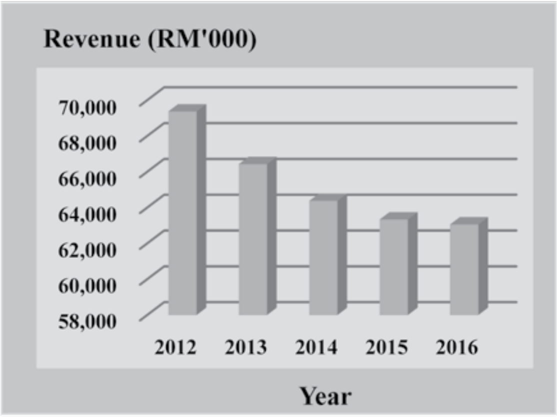
The Group expects the current macro-economic conditions in most ASEAN countries and softening of domestic private consumption to continue affecting consumer confidence and retail spending. Despite unfavourable market conditions, the Group will strive to increase profitability through diversity of sales channels and operating cost control.

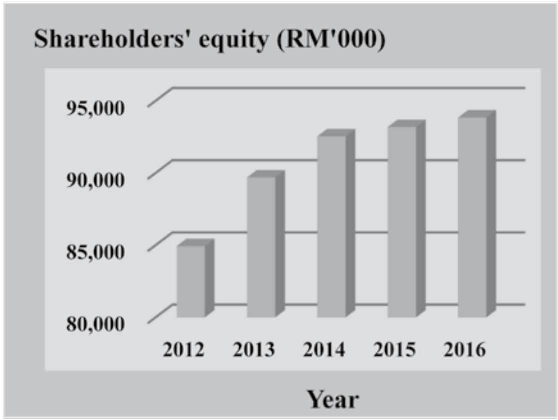
While PPG's Malaysia publishing subsidiaries are upbeat about increasing sales through more school adoption in financial year 2017, the Group is also positive about higher sales contribution from government textbook sales. On 18 May 2016 via Letter of Acceptance, PPSB has successfully secured textbook projects from the Malaysia Ministry of Education, to publish, print and supply the textbook for two subjects, Mathematics Form 1 and English Form 1 to national schools throughout Malaysia. This contract value is worth approximately RM8.5 million. This will not only contribute additional sales for the Group in financial year 2017, but will also strengthen PPG's position to adhere closely to its motto "Quality Books for Quality Education" and confidence in tendering for more textbook projects in future.

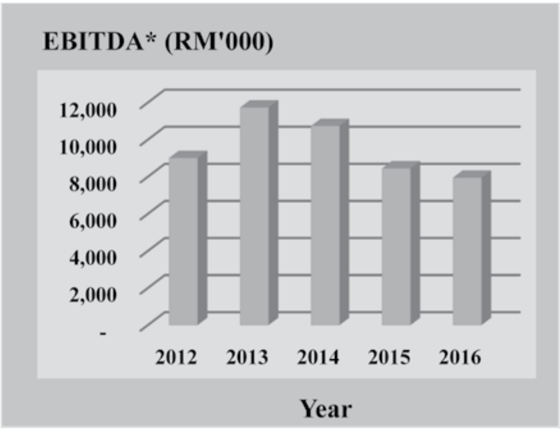
Besides that, markets outside Malaysia will be PPG's key growth drivers in coming years. More investment and product development will be placed in growing PPG's footprint in ASEAN markets, particularly through its regional offices in Thailand and Indonesia. Since its inception in 2004, PPG's associate company Hebei Culture Communication Ltd. Chunyu Rainbow has started contributing positive share of results for financial year 2015 and 2016. With its stronger management team in place, the Group expects further growth in financial year 2017.

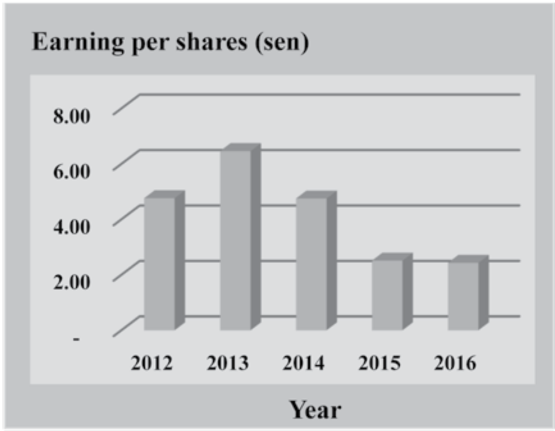
Operating cost control is also a key element in the Group's plan for financial year 2017. The Group will focus on cost efficiency by improving operational efficiency in Publishing and Production Segment and tighter cost control in Printing Segment.

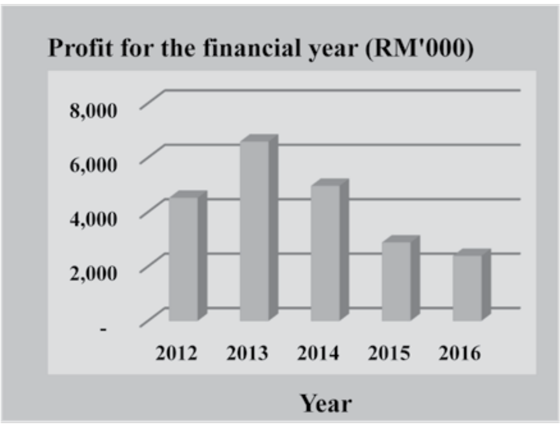
GROUP FINANCIAL HIGHLIGHTS

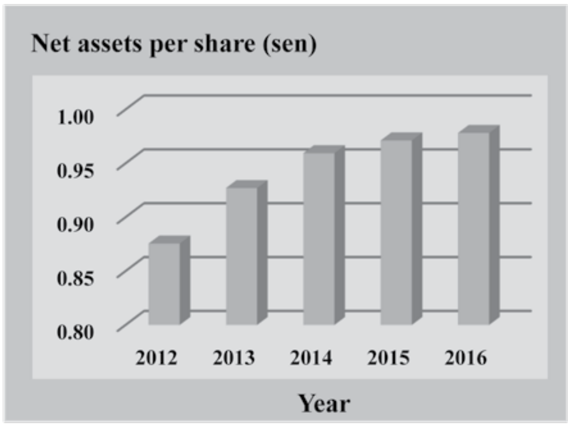












* Earnings before interest, tax, depreciation and amortisation ("EBITDA")

GROUP FIVE YEARS FINANCIAL SUMMARY

Description	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	63,052	63,328	64,370	66,421	69,366
Profit before tax	4,440	4,935	8,309	9,077	6,025
Profit for the financial year	2,391	2,882	4,963	6,591	4,524
Profit attributable to owners of the Company	2,403	2,480	4,688	6,382	4,697
Share capital	50,000	50,000	50,000	50,000	50,000
Treasury shares	(1,453)	(1,408)	(1,408)	(1,408)	(1,408)
Other reserves	(1)	549	449	349	44
Retained earnings	45,291	44,042	43,497	40,744	36,296
Total equity	93,837	93,183	92,538	89,685	84,932
Non-controlling interest	695	759	264	(12)	(242)
Non-current liabilities	16,239	17,118	3,155	3,673	6,668
Current liabilities	26,896	24,924	32,538	24,406	19,891
Total equity and liabilities	137,667	135,984	128,495	117,752	111,249
Property, plant and equipment	60,171	59,986	57,843	39,310	31,768
Investment properties	1,953	1,953	1,953	1,953	1,953
Investment in associate	209	16	-	114	77
Other investments	1,027	1,027	27	27	27
Intangible assets	252	330	-	-	-
Deferred tax assets	3,980	2,889	3,236	3,291	3,726
Total non-current assets	67,592	66,201	63,059	44,695	37,551
Current assets	70,075	69,783	65,436	73,057	73,698
Total assets	137,667	135,984	128,495	117,752	111,249
Net assets per share (sen)	0.98	0.97	0.96	0.93	0.88
Basic earnings per share (sen)	2.43	2.51	4.75	6.46	4.76

DIRECTORS' PROFILES

DATUK SUM KOWN CHEEK
Malaysian, Male, Aged 64 years
Executive Chairman and Group Managing Director

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

Datuk Sum graduated from Universiti Sains Malaysia in 1978 and entered the teaching profession in the same year. In 1993, he left the teaching profession to join Penerbitan Pelangi Sdn. Bhd. 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, 16th 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 Awards 2012-2013, Best Brand Signature Award – Publishing Educational Product 2013-2014 and Best Brand Award – Most Sustainable Brand Leadership in Publishing & Education Solutions 2015/2016. His regular participation in overseas book fairs and conferences equipped him with fresh ideas that were constantly being injected into publication of quality books. An entrepreneur with more than twenty (20) years of publishing experience, he has brought the Group to its present success and overseen all aspects of the Group's operation. He was also an Exco Member of the Malaysian Book Publishers Association (MABOPA) from 2011 to 2014. In 2014, he was invited by the Philippine Educational Publishers Association to present a paper entitled "Publishing in a Unified ASEAN Market Place" in the Philippine Educational Publishing Conference (PEPCON) during the Manila International Book Fair.

He has no directorship in other public listed companies. His spouse Datin Lai Swee Chiung, is a substantial shareholder of the Company. His elder brother, Datuk Sam Yuen @ Sam Chin Yan, is a director and substantial shareholder of PPG. Please refer to page 163 of this Annual Report for his securities holding.

LEE KHENG HON
Malaysian, Male, Aged 72 years
Executive Director

Lee Kheng Hon 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 Personnel Manager and has also overseen the printing operation of Comtech Marketing Sdn. Bhd. (CMSB). He currently sits on the boards of several PPG's subsidiary companies. He has no directorship in other public listed companies. Please refer to page 163 of this Annual Report for his securities holding.

VINCENT WONG SOON CHOY
Malaysian, Male, Aged 48 years
Independent Non-Executive Director

Vincent Wong Soon Choy was appointed as an Alternate Director to Winston Paul Wong Chi-Huang of the Company on 10 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 Certified Practising Accountants ("CPA") Australia. He was the Head of Operations in Hwang-DBS Securities Bhd, Group Accountant for a public listed company Kia Lim Berhad, Accountant for Peninsula Securities Sdn. Bhd. and auditor with Ernst & Young. He has 16 years of working experience with exposures to corporate finance, auditing, compliance, tax planning, group reporting, corporate governance, corporate planning and restructuring. He is currently an Independent Non-Executive Director of Plastrade Technology Berhad, a Company listed on the ACE Market of Bursa Securities. Please refer to page 163 of this Annual Report for his securities holding.

DATUK SAM YUEN @ SAM CHIN YAN
Malaysian, Male, Aged 66 years
Non-Independent Non-Executive Director

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

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

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

He is the elder brother of Datuk Sum Kown Cheek, the Executive Chairman and Group Managing Director of the Company. Please refer to page 163 of this Annual Report for his securities holding.

SYAHRIZA BINTI SENAN
Malaysian, Female, Aged 39 years
Independent Non-Executive Director

Syahriza Binti Senan 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") Australia.

She has more than 15 years of working experience with exposures to internal audit, risk management, finance, compliance as well as corporate planning and restructuring. She has no directorship in other public listed companies. Please refer to page 163 of this Annual Report for her securities holding.

TEH HUI GUAN
Malaysian, Male, Aged 53 years
Executive Director

Teh Hui Guan 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 in sundry products trading. Mr Teh involved in the processed paper business when he was subsequently engaged as a sales executive in 1987 at Springfield Corp. Sdn. Bhd., a paper trading company. He subsequently founded Top Win Enterprise, a paper trading company. 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 shareholders of the Company and has no conflict of interest with the Company. Please refer to page 163 of this Annual Report for his securities holding.

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

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

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

SENIOR MANAGEMENT PROFILES

DATUK SUM KOWN CHEEK
Malaysian, Male, Aged 64 years
Executive Chairman and Group Managing Director

Please refer Directors' Profile.

SUM LIH KANG
Malaysian, Male, Aged 31 years
Deputy Managing Director of Penerbitan Pelangi Sdn. Bhd.

Sum Lih Kang was appointed as Deputy Managing Director of Penerbitan Pelangi Sdn. Bhd. ("PPSB"), a subsidiary of Pelangi Publishing Group Bhd ("PPG") in August 2015. He holds a Bachelor of Business Administration, majoring in Finance and Marketing from the University of Wisconsin-Madison, USA.

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

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

WONG MEI MEI
Malaysian, Female, Aged 62 years
Country General Manager of PT. Penerbitan Pelangi Indonesia

Wong Mei Mei was appointed as General Manager of PT. Penerbitan Pelangi Indonesia, a subsidiary of PPG on 1 September 2012. She holds a Bachelor of Arts from the Universiti Kebangsaan Malaysia and a Masters in Business Administration from the University of Dubuque, Iowa, USA.

She has previously held various senior positions in multinational companies – Pearson Malaysia, Pearson Singapore and South Asia as Managing Director, Informatics College as Chief Executive Officer ("CEO") Malaysia Territory and Putra International College as CEO. She has 15 years of experience in publishing and educational industries.

ADRIAN KOH SIEW SHERN
Malaysian, Male, Aged 38 years
Country Sales & Operation Manager of Pelangi Publishing (Thailand) Co. Ltd

Adrian Koh Siew Shern was appointed as Country Sales & Operation Manager of Pelangi Publishing (Thailand) Co. Ltd ("PPT"), a subsidiary of PPG on 1 April 2009. He holds a Bachelor Degree in Management majoring in Accounting from Universiti Teknologi Malaysia (UTM).

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

SIM HOW CHUANG
Malaysian, Male, Aged 58 years
Executive Director of Comtech Marketing Sdn. Bhd.

Sim How Chuang, was appointed as Executive Director of Comtech Marketing Sdn. Bhd., a printing house and also a subsidiary of PPG in 1987. He graduated with Malaysian Higher School Certificate or "Sijil Tinggi Persekolahan Malaysia" ("STPM") and possesses more than 20 years working experience in the printing industry.

WONG POO WON
Malaysian, Male, Aged 54 years
Executive Director of Pelangi Formpress Sdn. Bhd.

Wong Poo Won was appointed as Executive Director of Pelangi Formpress Sdn. Bhd. ("PFSB"), a printing house and also a subsidiary of PPG in 1992. He graduated with Malaysian Certificate of Education or "Sijil Pelajaran Malaysia" ("SPM") and possesses more than 30 years working experience in the printing industry.

He joined PPSB as a Sales Representative in 1985 and has been transferred to PFSB in 1993. He was then appointed as Executive Director of PFSB in 1992.

LIM MEI MEI
Malaysian, Female, Aged 35 years
Senior Finance Manager of Penerbitan Pelangi Sdn. Bhd.

Lim Mei Mei was appointed as Senior Finance Manager of the Group on 16 June 2015. She graduated from University of Malaya with a Bachelor in Accounting and obtained the Chartered Tax Institute of Malaysia (CTIM) professional qualifications. She is also a member of the Malaysian Institute of Accountants ("MIA"). She is currently overseeing Finance and Account Department of the Group.

She has 10 years working experience in audit, finance and accounting, covering areas such as taxation, financial cost management, organisational budget, internal control system and risk management within the plantation, property development and construction, property investment, manufacturing and trading sectors.

LOH TUCK LOW
Malaysian, Male, Aged 43 years
Production Senior Manager of The Commercial Press Sdn. Bhd.

Loh Tuck Low, was appointed as Production Senior Manager on 21 February 2014. He graduated with Diploma in Business Administration and possesses more than 15 years of working experience.

He has been working in the production industry since 2001 in Kinrara Cycle Sdn. Bhd., a subsidiary of I & P Berhad as Operation Supervisor, followed by the position as Logistic Executive in RZ Corporation Sdn. Bhd. in 2005. He then joined Pelangi Publishing Malaysia as Assistant Warehouse Manager in 2007 and promoted as Warehouse Manager in 2008. In 2014, he was appointed as Production Senior Manager of The Commercial Press, Sdn. Berhad., a printing house which is also a subsidiary of Pelangi Publishing Group Bhd..

LOKE FOOK YOON
Malaysian, Male, Aged 53 years
Marketing Director of Penerbitan Pelangi Sdn. Bhd.

Loke Fook Yoon was appointed as Marketing Director in Penerbitan Pelangi Sdn. Bhd. in 2013. He graduated from the University of Wales with a degree in Masters of Business Administration (MBA) and possesses 29 years working experience in sales & marketing in the publishing industry.

He served as a private school teacher from 1984 to 1985. In 1986, he started his sales career with a local publishing company. He left the company in 1988 and joined a foreign publishing company. He was promoted in 1991 to manage a regional sales & marketing team for the Southern region of Peninsular Malaysia. Prior to the promotion of Sales Director in 2006, he was the Regional Manager for East Coast, Northern, and Central of Peninsular Malaysia.

POH SWEE HIANG
Malaysian, Male, Aged 58 years
Senior Publishing Manager of Penerbitan Pelangi Sdn. Bhd.

Poh Swee Hiang was appointed as Senior Publishing Manager in 2009. He graduated from Universiti Sains Malaysia with Bachelor of Science with master in Education and an MBA from Edinburgh Business School, Heriot-Watt University, Scotland, UK. He is presently doing a postgraduate research on the business model of eBooks in Universiti Malaya.

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

GOH KIN HUAT
Malaysian, Male, Aged 48 years
Senior Manager, Higher Education of Pelangi Professional Publishing Sdn. Bhd.

Goh Kin Huat was appointed as Senior Manager, Higher Education in January 2015. He graduated with a Bachelor of Arts (Hons), Universiti Kebangsaan Malaysia ("UKM").

He has been in the book industry since 1994 upon his graduation from UKM. Currently, he is in-charge of the daily publishing and marketing operations of Pelangi Professional Publishing Sdn. Bhd.. He has held various key management positions as Publishing Manager, Corporate Services Manager and Senior Marketing Manager for the past 15 years in two local publishers and a Malaysian leading bookstore chain.

ADDITIONAL INFORMATION ON SENIOR MANAGEMENT:

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

POLICY ON CORPORATE GOVERNANCE OF PELANGI PUBLISHING GROUP BHD

The Board of Directors ("the Board") of 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 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 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 31 to 32 of the Annual Report.

Roles and Responsibilities of the Board

The Board assumes, amongst others, the following roles and responsibilities:
1. Reviewing and adopting a strategic plan for the Group, with objectivity and has taken into account all appropriate considerations;
2. Ensuring the Group's long term strategic plan to promote sustainability, with attention to the aspects of Environmental, Economic and Social ("EES"). Please refer to the Statement of Sustainability in page 49;
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 practised across the Group (Summary of the Code of Conduct is set out on the corporate website);
6. Succession planning, by ensuring appointed senior management positions are of sufficient calibre and programmes are in place for orderly succession of senior management;

7. Developing and implementing effective shareholder communications policy for the Group. This includes ensuring feedback from all stakeholders are being considered when making business decisions;
8. Reviewing the adequacy and the integrity of the management information and internal controls system of the Group;
9. Reviewing, adopting and implementing appropriate corporate disclosure policies and procedures. (Corporate Disclosure Policy has been established in 15 July 2016 and is set out on the Company's corporate website www.pelangipublishing.com under Board Charter);
10. All duties outlined in Schedule of Matters Reserved to the Board (Schedule of Matters Reserved to the Board is set out on the Company's corporate website www.pelangipublishing.com under Board Charter Appendix A).

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

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

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

The roles of Executive Chairman and GMD are currently held by Datuk Sum Kown Cheek. The Board is aware that it is not compliant with the best practices of the Code on the separation of the roles of the Executive Chairman and GMD.

However, the Board considers this combined position to be in the best interests of the Group in view of Datuk 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 participation of the Independent Directors in the Board shows their significant contribution in the major decision-making process. Examples of decisions made with constructive independent opinions are the acquisition of property, plant, equipment and investment decisions.

Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the 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.

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

Code of Conduct

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

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

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

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

Board Balance and Board Effectiveness

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

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

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

Board Membership

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

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

Malaysian Code on Corporate Governance ("MCCG 2012") recommends the tenure of an Independent Director not to exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the board subject to the Director's re-designation as a Non-Independent Director. The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine years. Syahriza Binti Senan has served the Board for more than nine years. Resolution to extend her tenure as an Independent Director of the Company was approved by shareholders in the last Annual General Meeting. The only other Independent Director, Vincent Wong Soon Choy has yet to complete his ninth year serving the Board.

Supply of Information

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

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

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

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

Board Meetings

The Board met six (6) times during the financial year 2016, where it reviewed and approved various issues including the quarterly financial results of the Group for announcement to Bursa Securities, corporate announcements of the Group's business plan and strategy, and also the performance of the Group. The Board also reviewed the adequacy of the Group's internal control system.

Additional Board Meetings are held as and when required. In financial year 2016, there were 2 additional meetings held in January and July. The purposes of the additional meetings were mainly on the discussion of Risk Management and the site visit in the Group's Bangi office. When it is not possible to hold any meeting, a circular resolution will be passed by the Board. As to date, all Directors have complied with the requirements in respect of Board Meeting attendance in accordance with the provision of PPG's Articles of Association. Details of the attendance of each Director at the Board Meetings held during the financial year 2016 are set out below:

Directors	Attendance
Datuk Sum Kown Cheek	6/6
Lee Kheng Hon	5/6
Teh Hui Guan	5/6
Vincent Wong Soon Choy	6/6
Datuk Sam Yuen @ Sam Chin Yan	6/6
Syahriza Binti Senan	6/6

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 2016, the members of Committee are as follow:

Members of the Nomination Committee as at Year 2016

	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.

The Committee has carried out assessment in respect of its board, committees and individual directors with criteria used in accordance with the Code. Outcome of the Nomination Committee meeting held this financial year was satisfactory. In this year's assessment, Nomination Committee recommends more active participation from Board members, more in depth review of the Company's strategy and budget by Board members and more in depth succession planning.

The Committee has undertaken the following activities for the year 2016:

a) Assessed annually the performance and effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director as well as the Independent Directors based on the process implemented by the Board pursuant with MCCG 2012;
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 31 to 32 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. The last review of the Terms of Reference was held in 2015.

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
Datuk Sum Kown Cheek	– The Interplay between CG, Non-Financial Information (NFI) and Investment Decision, by Bursa Securities.
Datuk Sam Yuen @ Sam Chin Yan	– Future of Auditor Reporting – The Game Changer for Boardroom, by Bursa Securities.
Vincent Wong Soon Choy	– The Interplay between CG, Non-Financial Information (NFI) and Investment Decision, by Bursa Securities.
Syahriza Binti Senan	– The Essence of Independence, by Bursa Securities.
Teh Hui Guan	– Board Leadership and Competency 2016 Bursa Compliance.

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. The members are as follow:

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

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

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

Directors' Remuneration

The details of the total remuneration accrued for the Directors of the Company during the financial year 2016 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 shareholders during the meeting, and carry out poll voting and appoint scrutineer at the Company's Annual General Meetings.

For re-election of Directors, the Board ensures that all relevant information regarding Directors who are retiring and who are willing to serve if re-elected 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(15) of the Companies Act 1965 is set out on page 62 of this Annual Report.

Internal Control

The Board maintains a sound internal control framework to safeguard the shareholders' investment in the Group. The Internal Control of the Group set out on page 44 to 48 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 2016, Internal Auditing on Procurement, Sales & Marketing, Inventory and Treasury 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 Auditor, Messrs SJ Grant Thornton, has continued to highlight to the Group their key findings and matters that require the Audit Committee's attention with respect to each year's audit on the statutory financial statement. The role of the Audit Committee in relation to the External Auditors is outlined in the Audit Committee Report set out on page 53 to 54 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) 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 2016 except those disclosed under Recurrent Related Party Transactions and as mentioned below:

On 18 May 2016, PPG wholly owned subsidiary, Penerbitan Pelangi Sdn. Bhd. has signed and accepted a Letter of Acceptance from the Ministry of Education ("MOE") to publish, print and supply the textbook for 2 subjects, Mathematics Form 1 and English Form 1 of the national schools throughout Malaysia ("Contract"). The Contract is for the period from 18 May 2016 to 31 December 2018 at a total contract value of RM8,488,550.

(c) 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.

(d) Non-Audit Fees

The non-audit fees for services provided by the external auditors to the Group for the financial year 2016 amounted to RM10,000. The services include work pursuant to the requirement of International Standard on Auditing 600 Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors) and review of Statement on Risk Management and Internal Control.

(e) Recurrent Related-Party Transactions

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 30 to the Financial Statements and Circular dated 24 January 2017.

Datuk Sum Kown Cheek
Executive Chairman and Group Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs, including the cash flows and results of the Company and its subsidiaries ("the Group") as at the end of the financial year. The Statement by the Directors pursuant to Section 169(15) of the Companies Act, 1965 is stated in page 62 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 2016, 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 Financial Reporting Standards have been followed during the preparation of audited financial statements.

The Directors are responsible for ensuring that the Company keeps adequate accounting records that disclose with reasonable accuracy 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 performance.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Pelangi Publishing Group Bhd ("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 operates 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 2016 and up to the date of approval of this statement pursuant to paragraph 15.26(b) and Practice Note 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITIES

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

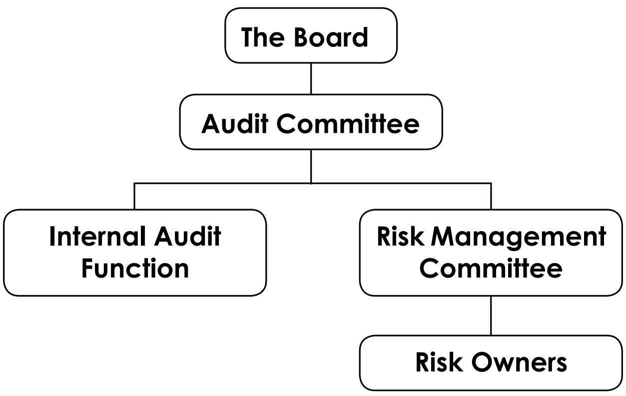
The Board does not review the internal control system of its associate, as the Board does not have direct control over their operations. Notwithstanding that, the Group's interests are served through representation on the boards of the respective associate and receipts and review of the management accounts 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 associate.

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

THE RISK MANAGEMENT

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

The Risk Management Framework established lay down the risk management principles and conservative risk appetite accepted by the Board with formalised the governance structure of the risk management activities of the Group established as follows:



Clear roles and responsibilities of the Board, the Audit Committee, Risk Management Committee, Key Risk Officer, Risk Owners and Internal Audit Function are defined in the Risk Management Framework with the terms of reference of Risk Management Committee and composition of the Risk Management Committee established by the Board. The Risk Management Committee is chaired by the Executive Chairman and Group Managing Director with the Deputy Managing Director assigned as Key Risk Officer, supported by members made up of heads of department and business division.

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

- to embed the risk management framework throughout the Group;
- to identify the potential risks and to formulate mitigation action plan(s) to manage the risks identified within the risk appetite of the Group;
- to ensure that the Key Risk Registers and its rating remains relevant taking into consideration any changes to the business environment that the Group is operating in;
- to provide awareness and education on risk management at all levels of the Group; and
- to ensure adequate resources are maintained in order to carry out its functions and responsibilities

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

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

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

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

INTERNAL CONTROL SYSTEM

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

- **Board of Directors/Board Committees**

  The role, functions, composition, operation and processes of the Board are guided by formal board charter. Board Committees (i.e. Audit Committee, Remuneration Committee 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 organisation structure in place. The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated accordingly to competent staffs to ensure operational efficiency. Furthermore, there is close involvement in daily operations of the Group by the Executive Directors and Senior Management.

  The authorisation 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 the Employee Handbook are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

- **Information and Communication**

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

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

- **Monitoring and Review**

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

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

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

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent service provider, who, through the Audit Committee provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's systems of the risk management and internal control. Internal audit plan in respect of financial year ended 30 September 2016 was drafted, after taking into consideration existing and emergent key business risks identified in the key risk profile of the Group, the Senior Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycle within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

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

During financial year ended 30 September 2016, the independent service provider conducted two (2) cycles of internal control reviews on procurement, sales & marketing, inventory and treasury management of two (2) of its key operating subsidiaries in accordance to the Internal Audit Plan.

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

ASSURANCE PROVIDED BY THE GROUP MANAGING DIRECTOR

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

CONCLUSION

ASSURANCE PROVIDED BY MANAGEMENT

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

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

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 (revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

STATEMENT OF SUSTAINABILITY

INTRODUCTION

As one of the leading educational book publishers in Malaysia, sustainability initiatives run deep into our core values, our day-to-day operations and business plans. Our sustainability leadership is led by our Board of Directors, who oversees and ensures that Pelangi Publishing Group Bhd ("the Group or PPG") pursues its regulatory and commercial objectives, and remains as a responsible and sustainable organisation.
We focus strongly on delivering value to our shareholders, practising good governance, maximising contributions to stakeholders and minimising our environmental footprint. PPG focuses on the initiatives of sustainability in accordance with Environmental, Economic and Social ("EES").

ENVIRONMENTAL

- **Responsible Paper Procurement**

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

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

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

  In 2016, PPG began to procure 100% recycled paper for our print products from Malaysia Newsprint Industries ("MNI"), a recycling Newsprint Mill and Newsprint provider in Malaysia, with an aim to lessen reliance on wood-based paper products.

- **Operational Excellence**

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

  Over the years, PPG has gradually changed to energy saving light bulbs in all our office buildings, and purchased auto saving mode machines such as printers and photocopy machines, in efforts to reduce electricity consumption in our offices. Besides, the management tracks monthly energy usage, water consumption, waste generated and increase recycling.

  Through process improvement actions, PPG uses technology to reduce paper usage in its day-to-day administrative operations. PPG implemented paperless initiatives with the introduction of online sales ordering portal, online approval portal, e-leave application, e-pay slip, digital brochures and internet banking. Not only does it help to reduce wastes, but it has also resulted in savings in overhead costs.

PRODUCT LINE

- **National Education Systems**

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

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

Fostering reading habits and increasing literary rate are also key to improve national educational systems. Every year, PPG publishes reading materials catering for different age groups. Such reading materials include story readers, comics and novels. PPG editorial teams carefully select quality reading materials from local authors or imported reading materials from around the world, before the materials are published and printed.

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

- **Digital Education and e-Commerce**

The advancement of the Internet, mobile technology and social networking is fundamentally reshaping the way we interact with our core customers. Our focus continues to be on our core customers and finding ways to provide value and convenience. We expand our sales channels in e-commerce in recent years, such as our online bookstores Pelangibooks.com, Lazada, Google Play Books, e-Sentral, and KakiBuku.

PPG also creates digital products in line with technological changes over the years. Our investment in Xentral Methods Sdn. Bhd. has facilitated the Group in creating new digital related products, combining our quality content and the latest technology available. One of our recent collaborations include the interactive revision books series (“Interactive eBooks”) and the electronic library (“eLibrary”).

In the digital era, PPG will remain relevant by embracing technological innovation and diversifying beyond publishing, to offer e-learning and technology-driven information solutions. This is also in line with the Malaysian Education Blueprint 2013-2026, that aims to transform the medium of teaching and learning in Malaysia from printed textbooks to digital textbooks. PPG continues to develop and explore new, innovative digital products to benefit the Malaysia’s young generation.

CONTENT

- **Content Origination**

Content is king. Book publishing process starts with authors’ manuscripts and ends with book printing. Together, the separate but related stages in the process – authors’ manuscripts, production, dissemination and consumption – form an integrated chain of economic activities.

PPG values the importance of content and continually explores the best authors in the ASEAN region. The Group not only encourages write-in manuscripts from many different idea creators, but also approaches well-known, potential authors to create manuscripts for the Group. Every year, PPG receives hundreds of manuscripts and its experienced editorial teams vet through all manuscripts before proceeding to publications.

The explosion of technological advancement, which intensified as the 20th century drew to a close, has blurred traditional distinctions between book publishers and the print media, and the digital environment had increased the number and scope of delivery platforms still further. What used to be a relatively simple terrain for the book publishing houses, with distinct boundaries to be guarded and clearly-defined rights to be promoted and protected has mushroomed into ‘content provision’ with new forms of delivery.

In future, the content exploration and creation processes will continue, and will continue to be the backbone of PPG’s growth plans.

- **Content Copyright Development and Protection**

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

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

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

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

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

SOCIAL

- **Community Investment**

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

  Recent community reach out programmes include:
  - Science and Mathematics teachers' training seminars, in collaboration with Malaysian Ministry of Education departments;
  - Training of approximately 25 graduates and undergraduates from local universities/colleges under our training and internship programmes over the past 6 months, exposing them to working life and potentially become a member of our publishing team;
  - School visiting trips "Publishing and Printing House Visit" to PPG office, for children to learn about the process of publishing and printing;
  - Talent development through our variety of A&P activities, offering reward to encourage young minds to explore creativity in writing, eg. short story, novel, etc;
  - Inculcate reading and writing culture through organising annual competitions eg. Children Poetry Writing Competition which has been held for 19 years and Fable Writing Competition for 12 years.

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

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

  Throughout the financial year 2016, some of PPG's key CSR initiatives include:

  – "Sadaqah Charity Drive" to three homes at Rumah Bakti Al-Kausar (Bangi), Rumah Jagaan Baitul Hidayah (Puchong) & Rumah Baitul Fitrah (Rawang)
  – "Program Buku Ke Buku" to selected rural schools, in collaboration with YSPM in Jerantut, Pahang
  – Myammar Refugee Education Center, Bandar Sungai Long Kajang Selangor
  – Lotus Charity Drive, Semenyih
  – Sekolah Jalinan Bimbingan Kasih (SJBK)
  – Al- Fateh Building Camp at Hutan Rekreasi Paya Laut Kuala Linggi
  – Pulai Spring Resort's Christmas Charity for Orphanage
  – D'Touch International, House of Love, Klang Orphanage Centre
  – Rainbow Bridge Paternity Library, Batu Pahat Johor
  – Creative Model Building Competition (CMBC), Taylor's University Lakeside Campus

PEOPLE DEVELOPMENT

- **Career Development**

  Performance appraisals offer valuable opportunities to focus on quality of work and common objectives, to identify and correct problems, and to encourage improved performance. In fiscal year 2016, 100% of our permanent employees went through performance appraisals. We responded to the outcomes of the appraisals, by providing training in areas such as sales, technical skills, compliance with ISO criteria and hazardous waste management.

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

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

- **Conducive Workplace**

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

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

- **Ethical and Responsible Business**

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

CONCLUSION

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

AUDIT COMMITTEE REPORT

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

AUDIT COMMITTEE DIARY

During the year 2016, the Audit Committee convened seven (7) meetings, which the attendance is stated below:

Chairman	**Attendance**
Vincent Wong Soon Choy	7/7
Members	
Syahriza Binti Senan	7/7
Datuk Sam Yuen @ Sam Chin Yan	7/7

For year 2016, the Audit Committee has carried out its duties in accordance with its Terms of Reference in the following:

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

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

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

(d) Ensured the preparation of the Audited Financial Statements was in compliance with the applicable 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 Securities, Securities Commission, FRS, legal and regulatory bodies;

(f) Reviewed the related party transactions by scrutinising 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 Securities 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 2016 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., procurement, sales & marketing, inventory and treasury management of two (2) of its key operating subsidiaries.

The cost incurred in maintaining the internal audit function for the financial year ended 30 September 2016 was RM26,000.

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

The detailed Terms of Reference of the Audit Committee can be viewed at the Company's corporate website www.pelangipublishing.com and it will be reviewed from time to time.

The Nomination Committee has assessed the performance of Internal Auditor and is satisfied with their performance to consult on the reporting system enhancement. The performance of External Auditor has been assessed by the Nomination Committee but unable to make comment due to the first year appointment in financial year 2016.

PELANGI PUBLISHING GROUP BHD.

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

30 SEPTEMBER 2016

CONTENTS **PAGES**

PELANGI PUBLISHING GROUP BHD.

(Incorporated in Malaysia)

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 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

RESULTS

	Group RM	Company RM
Profit for the financial year	2,391,148	8,240,618
Attributable to:-		
Owners of the Company	2,403,101	8,240,618
Non-controlling interest	(11,953)	-
	2,391,148	8,240,618

RESERVES AND PROVISIONS

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

DIVIDENDS

The amount of dividend paid by the Company since 30 September 2015 was as follows:-

	RM
In respect of the financial year ended 30 September 2015:-	
Final single tier dividend of 2.5% on 96,728,900 ordinary shares of RM0.50 each (1.25 sen per ordinary share) declared on 10 April 2016 and paid on 28 April 2016	1,209,115

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting ("AGM"), a final single tier dividend in respect of the financial year ended 30 September 2016, of 2.75% on 96,644,400 ordinary shares of RM0.50 each, amounting to a dividend payable of RM1,328,861 (1.38 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 2017.

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:-

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

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			
	At 01.10.2015	**Acquired**	**Sold**	**At 30.09.2016**
The Company				
Direct interest:-				
Datuk Sum Kown Cheek	23,226,693	1,202,400	-	24,429,093
Datuk Sam Yuen @ Sam Chin Yan	1,589,762	-	-	1,589,762
Lee Kheng Hon	767,665	-	114,000	653,665
Teh Hui Guan	575,500	-	-	575,500
Syahriza Binti Senan	13,750	-	-	13,750
Deemed interest:-				
Datuk Sum Kown Cheek[1]	3,437,465	-	-	3,437,465
Datuk Sam Yuen @ Sam Chin Yan[2]	5,682,500	500,000	-	6,182,500

DIRECTORS' INTERESTS (CONT'D)

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 (cont'd):-

	Number of ordinary shares of RM1.00 each			
	At 01.10.2015	Acquired	Sold	At 30.09.2016
Subsidiary				
- Pelangi Comics Sdn. Bhd.				
Direct interest:-				
Datuk Sum Kown Cheek	3,500	-	-	3,500

	Number of ordinary shares of USD 1,000 each			
	At 01.10.2015	Acquired	Sold	At 30.09.2016
Subsidiary				
- PT. Penerbitan Pelangi Indonesia				
Direct interest:-				
Datuk Sum Kown Cheek	5	-	-	5

[1] Deemed interested by virtue of his spouse's interest in the Company.

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

By virtue of Datuk Sum Kown Cheek's interest in the shares of the company, he is deemed to have interest in the subsidiaries under section 6A of the Companies Act, 1965 to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

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

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.

TREASURY SHARES

During the financial year, the Company repurchased 84,500 ordinary shares of RM0.50 each of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.54 per share. The total consideration paid for the repurchase including transaction costs was amounting to RM45,298. The shares repurchased were held as treasury shares and treated in accordance with the requirements of Section 67A of the Companies Act, 1965.

As at end of financial year 2016, the Company held 3,355,600 treasury shares out of the total 100,000,000 ordinary shares. Such treasury shares are held at a carrying amount of RM1,452,900. Further relevant details are disclosed in Note 27 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

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

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

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND AFTER REPORTING PERIOD

The significant event during the financial year and after the reporting period is disclosed in Note 37 to the financial statements.

AUDITORS

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

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

....………..................	)	
DATUK SUM KOWN CHEEK	)	
	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
	)	
....………..................	)	
LEE KHENG HON	)	

Johor Bahru
6 January 2017

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 66 to 159 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 2016 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out on page 160 to the financial statements have been compiled 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, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....	....
DATUK SUM KOWN CHEEK	LEE KHENG HON

Johor Bahru
6 January 2017

STATUTORY DECLARATION

I, Datuk Sum Kown Cheek, being the Director primarily responsible for the financial management of Pelangi Publishing Group Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 66 to 159 and the financial information set out on page 160 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Johor Bahru)
in the State of Johor Darul Ta'zim)
6 January 2017)...

DATUK SUM KOWN CHEEK

Before me,

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

(Incorporated in Malaysia)
Company No: 593649-H

Report on the Financial Statements

We have audited the financial statements of Pelangi Publishing Group Bhd., which comprise the Statements of Financial Position of the Group and of the Company as at 30 September 2016, and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 66 to 159.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements so as to 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. The Directors are also responsible for such internal control as the Directors determine is 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of 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.

Report on the Financial Statements (cont'd)

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 of 30 September 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, as disclosed in Note 15 to the financial statements.

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

(d) The auditors' reports on the financial statements of the subsidiaries incorporated in Malaysia did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 160 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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.

The financial statements of the Group and of the Company as at 30 September 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 15 January 2016.

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

LIAN TIAN KWEE
(NO: 2943/05/17(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
6 January 2017

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	4	63,051,605	63,327,676	10,160,000	1,200,000
Cost of sales		(37,216,055)	(40,034,172)	-	-
Gross profit		25,835,550	23,293,504	10,160,000	1,200,000
Other item of income					
Other income	5	1,908,853	3,787,994	7,677	26,086
Other items of expenses					
Administrative expenses		(13,873,441)	(12,180,319)	(440,867)	(470,436)
Selling expenses		(6,449,179)	(6,579,463)	-	-
Other expenses		(2,414,642)	(2,650,595)	(1,503,402)	(91,236)
Finance costs	6	(764,553)	(770,964)	-	-
Share of profit of equity-accounted associate	16	197,032	34,584	-	-
Profit before tax	7	4,439,620	4,934,741	8,223,408	664,414
Tax (expense)/income	10	(2,048,472)	(2,052,708)	17,210	207,934
Profit for the financial year		2,391,148	2,882,033	8,240,618	872,348
Other comprehensive income:-					
Item that will be reclassified subsequently to profit or loss					
Gain/(Loss) on fair value changes of other investment	17	156	(15)	-	-
Foreign currency translation		(603,810)	181,569	-	-
		(603,654)	181,554	-	-
Item that will not be reclassified subsequently to profit or loss					
Remeasurement of post-employment benefit obligation	26	58,337	-	-	-
		58,337	-	-	-
Other comprehensive income for the financial year, net of tax		(545,317)	181,554	-	-
Total comprehensive income for the financial year		1,845,831	3,063,587	8,240,618	872,348
Profit for the financial year attributable to:-					
Owners of the Company		2,403,101	2,479,630	8,240,618	872,348
Non-controlling interests		(11,953)	402,403	-	-
		2,391,148	2,882,033	8,240,618	872,348

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Total comprehensive income attributable to:-					
Owners of the Company		1,909,197	2,579,708	8,240,618	872,348
Non-controlling interests		(63,366)	483,879	-	-
		1,845,831	3,063,587	8,240,618	872,348
Earnings per share attributable to owners of the Company (sen per share)					
Basic	11	2.43	2.51		

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	60,171,331	59,986,482	-	-
Investment properties	14	1,952,980	1,952,980	-	-
Investment in subsidiaries	15	-	-	54,592,776	32,979,642
Investment in associate	16	208,912	15,806	369,907	369,907
Other investments	17	1,026,815	1,026,659	1,000,000	1,000,000
Intangible assets	18	252,167	330,167	-	-
Deferred tax assets	19	3,980,473	2,889,015	-	-
Total non-current assets		67,592,678	66,201,109	55,962,683	34,349,549
Current assets					
Inventories	20	35,060,706	33,474,913	-	-
Trade and other receivables	21	14,949,004	16,325,528	684,983	14,485,641
Prepayment		757,428	876,517	-	318
Tax recoverable		410,179	2,071,165	1,800	28,761
Fixed deposits with licensed banks	22	4,043,711	2,051,349	-	-
Cash and bank balances	23	14,854,464	14,983,811	231,846	1,020,229
Total current assets		70,075,492	69,783,283	918,629	15,534,949
Total assets		137,668,170	135,984,392	56,881,312	49,884,498
EQUITY AND LIABILITIES					
LIABILITIES					
Current liabilities					
Loans and borrowings	24	1,210,953	1,795,128	-	-
Trade and other payables	25	25,040,369	22,847,101	215,903	205,294
Tax payable		644,304	282,439	-	-
Total current liabilities		26,895,626	24,924,668	215,903	205,294
Net current assets		43,179,866	44,858,615	702,726	15,329,655

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STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

		Group		Company	
	Note	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Non-current liabilities					
Loans and borrowings	24	13,704,259	14,933,542	-	-
Employees' benefits	26	73,554	-	-	-
Deferred tax liabilities	19	2,462,053	2,184,922	-	-
Total non-current liabilities		16,239,866	17,118,464	-	-
Total liabilities		43,135,492	42,043,132	215,903	205,294
Net assets		94,532,678	93,941,260	56,665,409	49,679,204
EQUITY					
Equity attributable to owners of the parent					
Share capital	27	50,000,000	50,000,000	50,000,000	50,000,000
Treasury shares	27	(1,452,900)	(1,407,602)	(1,452,900)	(1,407,602)
Fair value reserve	28	325	169	-	-
Foreign exchange reserve	28	(929)	548,551	-	-
Retained earnings	29	45,290,847	44,041,441	8,118,309	1,086,806
		93,837,343	93,182,559	56,665,409	49,679,204
Non-controlling interests		695,335	758,701	-	-
Total equity		94,532,678	93,941,260	56,665,409	49,679,204
Total equity and liabilities		137,668,170	135,984,392	56,881,312	49,884,498

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

		Attributable to owners of the Company							
		Non-Distributable				Distributable			
Group	**Note**	**Share capital RM**	**Treasury shares RM**	**Fair value reserve RM**	**Foreign exchange reserve RM**	**Retained earnings RM**	**Total RM**	**Non-controlling interests RM**	**Total Equity RM**
Balance at 1 October 2014		50,000,000	(1,407,602)	184	448,458	43,496,389	92,537,429	263,693	92,801,122
Total comprehensive income for the financial year		-	-	(15)	100,093	2,479,630	2,579,708	483,879	3,063,587
Transactions with owners:-									
Acquisition of ordinary shares from non-controlling interest		-	-	-	-	-	-	(8,871)	(8,871)
Dividends on ordinary shares	12	-	-	-	-	(1,934,578)	(1,934,578)	-	(1,934,578)
Issuance of ordinary shares of subsidiary to non-controlling interest		-	-	-	-	-	-	20,000	20,000
Total transactions with owners		-	-	-	-	(1,934,578)	(1,934,578)	11,129	(1,923,449)
Balance at 30 September 2015		50,000,000	(1,407,602)	169	548,551	44,041,441	93,182,559	758,701	93,941,260
Total comprehensive income for the financial year		-	-	156	(549,480)	2,458,521	1,909,197	(63,366)	1,845,831
Transactions with owners:-									
Own shares acquired	27	-	(45,298)	-	-	-	(45,298)	-	(45,298)
Dividends on ordinary shares	12	-	-	-	-	(1,209,115)	(1,209,115)	-	(1,209,115)
Total transactions with owners		-	(45,298)	-	-	(1,209,115)	(1,254,413)	-	(1,254,413)
Balance at 30 September 2016		50,000,000	(1,452,900)	325	(929)	45,290,847	93,837,343	695,335	94,532,678

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

		Non-Distributable		Distributable	
	Note	Share capital	Treasury shares	Retained earnings	Total Equity
Company		RM	RM	RM	RM
Balance at 1 October 2014		50,000,000	(1,407,602)	2,149,036	50,741,434
Total comprehensive income for the financial year		-	-	872,348	872,348
Transactions with owners:-					
Dividends on ordinary shares	12	-	-	(1,934,578)	(1,934,578)
Total transactions with owners		-	-	(1,934,578)	(1,934,578)
Balance at 30 September 2015		50,000,000	(1,407,602)	1,086,806	49,679,204
Total comprehensive income for the financial year		-	-	8,240,618	8,240,618
Transactions with owners:-					
Own shares acquired		-	(45,298)	-	(45,298)
Dividends on ordinary shares	12	-	-	(1,209,115)	(1,209,115)
Total transactions with owners		-	(45,298)	(1,209,115)	(1,254,413)
Balance at 30 September 2016		50,000,000	(1,452,900)	8,118,309	56,665,409

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit before tax	4,439,620	4,934,741	8,223,408	664,414
Adjustments for:-				
Amortisation of intangible assets	78,000	59,833	-	-
Depreciation of property, plant and equipment	2,665,879	2,679,963	-	-
Dividend income	(27)	(24)	(10,160,000)	(1,200,000)
Finance costs	764,553	770,964	-	-
Loss/(Gain) on disposal of property, plant and equipment	23,354	(147,219)	-	-
Allowance for impairment for investment in subsidiary	-	-	818,866	72,671
Allowance for impairment for amount due from subsidiaries	-	-	659,206	-
Impairment loss on trade receivables	1,257,432	299,472	-	-
Reversal of impairment loss on trade receivables	(872,448)	(492,843)	-	-
Interest income	(293,623)	(211,048)	(7,306)	(26,086)
Property, plant and equipment written off	5,681	1,563	-	-
Share of profit of equity-accounted associate	(197,032)	(34,584)	-	-
Inventories written off	-	103,006	-	-
Provision for inventories obsolences	595,052	137,739	-	-
Unrealised gain on foreign exchange	(226,715)	(2,706,050)	-	-
Operating profit/(loss) before working capital changes	8,239,726	5,395,513	(465,826)	(489,001)
Changes in working capital:-				
Inventories	(2,180,845)	(2,100,806)	-	-
Trade and other receivables	991,540	(2,495,543)	12,322,904	3,087,318
Prepayment	119,089	(440,880)	-	-
Trade and other payables	2,551,874	(6,344,510)	10,609	(1,003,711)
Cash generated from operations	9,721,384	(5,986,226)	11,867,687	1,594,606
Tax paid	(2,723,614)	(3,222,822)	-	-
Tax refunded	1,881,871	368,909	44,171	-
Net cash from/(used in) operating activities	8,879,641	(8,840,139)	11,911,858	1,594,606

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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Cash flows from investing activities					
Acquisition of shares in subsidiary		-	(8,871)	(21,613,134)	(80,000)
Dividend received		27	24	10,160,000	1,200,000
Interest received		293,623	211,048	7,306	26,086
Purchase of intangible asset		-	(390,000)	-	-
Purchase of other investment		-	(1,000,000)	-	(1,000,000)
Purchase of property, plant and equipment		(2,855,614)	(3,163,933)	-	-
Proceeds from disposal of property, plant and equipment		38,457	148,583	-	-
Net cash (used in)/from investing activities		(2,523,507)	(4,203,149)	(11,445,828)	146,086
Cash flows from financing activities					
Dividend paid on ordinary shares		(1,209,115)	(1,934,578)	(1,209,115)	(1,934,578)
Interest paid		(764,553)	(770,964)	-	-
Issuance of ordinary shares of subsidiary to non-controlling interest		-	20,000	-	-
Repayment of obligation under finance leases		(1,309,672)	(1,988,650)	-	-
Proceeds from finance leases		-	1,538,161	-	-
Repayment of term loans		(503,787)	(1,023,878)	-	-
Purchase of treasury shares		(45,298)	-	(45,298)	-
Placement of fixed deposits deposit with licensed banks		(200,000)	-	-	-
Proceed from term loans		-	13,950,000	-	-
Net cash (used in)/from financing activities		(4,032,425)	9,790,091	(1,254,413)	(1,934,578)
CASH AND CASH EQUIVALENTS					
Net changes		2,323,709	(3,253,197)	(788,383)	(193,886)
Effect of exchange rate changes		(660,694)	(11,703)	-	-
At beginning of the financial year		16,835,160	20,100,060	1,020,229	1,214,115
At end of the financial year	**A**	18,498,175	16,835,160	231,846	1,020,229

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

NOTE TO STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Cash and bank balances (Note 23)	14,854,464	14,983,811	231,846	1,020,229
Fixed deposits with licensed banks (Note 22)	4,043,711	2,051,349	-	-
	18,898,175	17,035,160	231,846	1,020,229
Less: Fixed deposits pledged with licensed banks (Note 22)	(400,000)	(200,000)	-	-
Cash and cash equivalents	18,498,175	16,835,160	231,846	1,020,229

NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 2016

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 15 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 6 January 2017.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of measurement

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

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

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

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

2.2 **Basic of measurement (cont'd)**

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

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

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

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

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

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

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

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

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

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

2.3 **Functional and Presentation Currency**

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

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

2.4 **Adoption of Amendments to MFRSs, and IC Interpretation ("IC Int")**

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

At the beginning of the current financial year, the Group and the Company adopted amendments to MFRSs and IC Int which are mandatory for the financial periods beginning on or after 1 October 2015.

Initial application of the amendments to the standards and IC Int did not have material impact to the financial statements.

2.5 **Standards Issued But Not Yet Effective**

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

MFRS and Amendments to MFRSs effective 1 January 2016:-

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Venture: Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 11 Joint Arrangements: Accounting for acquisitions of interests in joint operations

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure Initiative

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets: Clarification of acceptable methods of depreciation and amortisation

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture: Agriculture - Bearer Plants

Amendments to MFRS 127 Consolidated and Separate Financial Statements: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle, including the amendments to:-

MFRS 5	Non-current Assets Held for Sale and Discontinued operations: Changes in methods of disposal
MFRS 7	Financial Instruments - Disclosures: Servicing contracts
MFRS 7	Financial Instruments - Disclosures: Applicability of the amendments to MFRS 7 to condensed interim financial statements

2. BASIS OF PREPARATION (CONT'D)

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

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

Annual Improvements to MFRSs 2012 – 2014 Cycle, including the amendments to (cont'd):-

MFRS 119	Employee Benefits: Discount rate – regional market issue
MFRS 134	Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report"

Amendments to MFRS effective 1 January 2017:-

Amendments to MFRS 107	Statement of Cash Flows: Disclosure Initiatives
Amendments to MFRS 112	Income Taxes: Recognition of Deferred Tax Assets For Unrealised losses

MFRS and Amendments to MFRS effective 1 January 2018:-

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contract Customers
Amendments to MFRS 2	Share-based Payment: Classification and Measurement of Share-based Payment Transaction
Amendments to MFRS 7	Financial Instruments – Disclosures: Mandatory effective date of MFRS 9 and Transitional disclosures

MFRS effective 1 January 2019:-

MFRS 16	Leases

Amendments to MFRSs - effective date deferred indefinitely

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

MFRS 2, 5, 10, 11, 14, 127, 134 and 141 are not applicable to the Company's operations.

MFRS 5, 11, 14 and 141 are not applicable to the Group's operations.

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

2. BASIS OF PREPARATION (CONT'D)

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

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

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently examining the financial impact of adopting MFRS 9.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchanged for transferring goods or services to a customer.

The adoption of MFRS 15 will results in a change in accounting policy. The Group and the Company are currently assessing the impact of MFRS 15 and plans to adopt the new standards on the required effective date.

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to be different compared with the current position.

The Group and the Company are currently assessing the impact of MFRS 16 and plans to adopt the new standards on the required effective date of 1 January 2019.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements

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

2.6.1 Estimation Uncertainty

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

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 99 years and reviews the useful lives of depreciable assets at the end each of the reporting period. At 30 September 2016, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

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

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.

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.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.1 Estimation Uncertainty (cont'd)

Impairment of loans and receivables (cont'd)

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

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that 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.

Provision for sales returns

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

Post-employment Benefit Obligation

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

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

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

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

Post-employment Benefit Obligation (cont'd)

Actual results that differ from the Group assumptions are treated in accordance with the accounting policies as mentioned in Note 3 to the consolidated financial statements. While the Group actual experience or significant changes in the Group assumptions may materially affect its estimated liability for employee benefits and employee benefits expense. The carrying amount of the Group post-employment benefit obligation is disclosed in Note 26 to the consolidated financial statements.

2.6.2 **Significant Management Judgement**

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

Leases

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

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

3.1 **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.

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

3.1 **Basis of consolidation (cont'd)**

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.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loss 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 loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 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.

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.

3.3 Subsidiaries

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 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.

3.5 Investments in associate

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Investments in associate (cont'd)

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.

3.6 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.

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

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

(b) **Foreign currency transactions (cont'd)**

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.

(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:-

	2016 **RM**	**2015** **RM**
100 Thai Baht	8.3811	8.1813
100 Indonesian Rupiah	0.0317	0.0303
1 Great Britain Pound	5.3591	6.7431
1 Chinese Renminbi	0.6200	0.6994

3.7 **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.

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

3.7 **Property, plant and equipment (cont'd)**

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.

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.

3.8 **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.

3.8 Leases (cont'd)

(a) As lessee (cont'd)

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.

(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.

3.9 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.

3.10 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.

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

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3.6.

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.

Deferred development costs have a finite useful life and are amortised over the period of 5 years on a straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial instruments

3.11.1 Initial recognition and measurement

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

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

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

3.11.2 Financial assets - categorisation and subsequent measurement

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

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

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

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

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

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

3.11 Financial instruments (cont'd)

3.11.2 Financial assets - categorisation and subsequent measurement (cont'd)

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

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

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

3.11 **Financial instruments (cont'd)**

3.11.3 **Financial liabilities - categorisation and subsequent measurement**

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

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

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

As at the reporting period, the Group and the Company carry only other financial liabilities on their Statement of Financial Position.

Other liabilities measured at amortised cost

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

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

3.11.4 **Fair value of financial instruments**

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

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

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

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

3.12 **Impairment of assets**

3.12.1 **Non-financial assets**

The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

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

3.12 **Impairment of assets (cont'd)**

3.12.2 **Financial assets**

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

Financial assets carried at amortised cost

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

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

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

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

3.12 **Impairment of assets (cont'd)**

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

Available-for-sale financial assets

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

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

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

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

3.13 **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 and first-in first-out 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 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.

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

3.15 Equity, reserves and dividend payment

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.

The fair value reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed off or impaired. Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the exchange translation reserve.

Retained earnings include all current and prior period retained earnings.

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

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

3.16 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.

3.17 Provision

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.

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

3.17 **Provision (Cont'd)**

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. 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.

3.18 **Borrowing**

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.

3.19 **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.

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

3.19 **Employee benefits (cont'd)**

(c) Defined benefits plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the statement of financial position date, together with adjustments for actuarial gains/losses and past service cost. The Group determines the present value of the defined benefit obligation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. All actuarial gains and losses are recognised immediately through other comprehensive income.

Past service costs are recognised immediately in profit or loss.

Interest cost and expected return on plan assets are replaced with net interest amount that is calculated by applying the discount rate to the defined benefit liability/asset.

3.20 **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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Income tax

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

(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 period.

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.

(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

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

3.21 **Income tax (Cont'd)**

(ii) **Deferred tax (Cont'd)**

- 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 period 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 period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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 period.

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.

(iii) **Goods and services tax ("GST")**

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

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

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

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

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

3.22 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.

3.23 Contingencies

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

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

3.24 Related parties

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

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

(i) has control or joint control over the Group and the Company;
(ii) has significant influence over the Group and the Company; or
(iii) is a member of the key management personnel of the ultimate holding company of the Group, or the Group.

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

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

4. **REVENUE**

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Sales of goods	61,096,808	61,577,976	-	-
Rental income	1,954,797	1,749,700	-	-
Dividend income from subsidiaries	-	-	10,160,000	1,200,000
	63,051,605	63,327,676	10,160,000	1,200,000

5. **OTHER INCOME**

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Reversal of impairment on loss on trade receivable	872,448	239,307	-	-
Dividend income	27	24	-	-
Gain on disposal of property, plant and equipment	-	147,219	-	-
Gain on foreign exchange				
- realised	39,535	82,215	-	-
- unrealised	226,715	2,706,050	-	-
Interest income	293,623	211,048	7,306	26,086
Income on disposal of scrap papers	10,227	13,495	-	-
Rental income of premises	109,948	117,856	-	-
Sundry income	356,330	270,780	371	-
	1,908,853	3,787,994	7,677	26,086

6. FINANCE COSTS

	Group 2016 RM	Group 2015 RM
Term loan interest	690,341	697,702
Finance lease interest	74,212	73,262
	764,553	770,964

7. PROFIT BEFORE TAX

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
- Auditors' of the company				
- statutory audits	140,000	120,000	36,000	42,000
- Other auditors				
- statutory audits	70,916	116,846	-	-
- under/(over) provision in prior year	2,700	(300)	-	-
Bad debts written off	57,831	596,203	-	-
Bad debts recovered	-	(85)	-	-
Amortisation of intangible assets	78,000	59,833	-	-
Depreciation of property, plant and equipment	2,665,879	2,679,963	-	-
Loss/(Gain) on disposal of property, plant and equipment	23,354	(147,219)	-	-
Impairment loss on trade receivables	1,257,432	299,472	-	-
Incorporation expenses	-	3,362	-	-
Reversal of impairment loss on trade receivables	(872,448)	(492,843)	-	-

7. **PROFIT BEFORE TAX (CONT'D)**

The following items have been included in arriving at profit before tax (cont'd):-

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Gain on foreign exchange				
- realised	(39,535)	(81,579)	-	-
- unrealised	(226,715)	(2,706,050)	-	-
Interest income	(293,623)	(211,048)	(7,306)	(26,086)
Dividend income	(27)	(24)	-	-
Rental income	(109,948)	(117,856)	-	-
Property, plant and equipment written off	5,681	1,563	-	-
Allowance for impairment in subsidiary	-	-	818,866	72,671
Allowance for impairment for amount due from subsidiaries	-	-	659,206	-
Provision for inventories obsolesces	595,052	137,739	-	-
Rental				
- Land and building	253,523	243,581	-	-
- Plant and equipment	395,942	23,234	-	-
- Booth	1,112	-	-	-
Inventory written off	-	103,006	-	-
Executive director's remuneration				
- fee	190,595	193,690	39,500	38,500
- others	576,944	569,384	-	-
Non- executive directors' remuneration	75,500	72,500	75,500	72,500

8. EMPLOYEE BENEFITS EXPENSE

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

	Group	
	2016	2015
	RM	RM
Wages, salaries and bonus	15,906,018	14,736,703
Contributions to defined contribution plan	1,707,796	1,521,429
Social security contributions	193,775	172,507
Other staff benefits	812,303	698,838
	18,619,892	17,129,477

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM576,944 (2015 : RM569,384).

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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Directors of the Company				
Executive :				
Salaries and other emoluments	477,360	470,160	-	-
Bonus	66,340	66,030	-	-
Defined contribution plan	32,751	32,751	-	-
Social security contribution	493	443	-	-
	576,944	569,384	-	-
Fees				
- current year	190,595	192,595	39,500	38,500
- prior year	-	1,095	-	-
	190,595	193,690	39,500	38,500
	767,539	763,074	39,500	38,500

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

The details of remuneration receivable by directors of the Company and of the subsidiaries during the year are as follows (cont'd):-

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Directors of the Company (cont'd)				
Non-Executive:-				
Fees				
- current year	75,500	72,500	75,500	72,500
	75,500	72,500	75,500	72,500
	843,039	835,574	115,000	111,000
Directors of subsidiaries				
Executive:-				
Salaries and other emoluments				
- current year	452,441	467,094	-	-
- overprovision in prior year	-	(11,441)	-	-
Fees				
- current year	29,909	26,000	-	-
Bonus				
- current year	63,000	22,388	-	-
- Overprovision in prior year	(12,148)	(15,800)	-	-
Defined contribution plan	134,322	119,967	-	-
Social security contribution	2,829	1,775	-	-
	670,353	609,983	-	-
Total directors' remuneration	1,513,392	1,445,557	115,000	111,000

9. DIRECTORS' REMUNERATION (CONT'D)

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

	Number of directors	
	2016	**2015**
Executive directors:-		
RM 20,000 and below	1	1
RM 200,001 – RM 250,000	1	1
RM 500,001 – RM 550,000	1	1
Non-Executive directors:-		
RM 50,000 and below	3	3

10. TAX EXPENSE/(INCOME)

The major components of income tax expense/(income) for the years ended 30 September 2016 and 2015 are:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Statements of comprehensive income:-				
Current income tax				
- Malaysia income tax	2,983,304	1,318,759	-	5,582
- Overprovision in respect of previous year	(118,710)	(614,667)	(17,210)	(213,516)
	2,864,594	704,092	(17,210)	(207,934)
Deferred income tax (Note 19)				
- Origination and reversal of temporary differences	(1,016,599)	1,216,774	-	-
- Underprovision in respect of previous year	200,477	131,842	-	-
	(816,122)	1,348,616	-	-
Tax expense/(income) recognised in profit and loss	2,048,472	2,052,708	(17,210)	(207,934)

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

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

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	4,439,620	4,934,741	8,223,408	664,414
Taxation at Malaysia statutory tax rate of 24% (2015:25%)	1,065,509	1,233,685	1,973,618	166,104
Different tax rates in other countries	(58,246)	(152,188)	-	-
Adjustments:-				
Opening on deferred tax of reduction in tax rate	-	106,350	-	-
Non-deductible expenses	2,187,890	1,293,266	464,782	139,478
Income not subject taxation	(1,207,149)	(579,600)	(2,438,400)	(300,000)
Utilisation of current year's reinvestment allowances	(92,832)	(34,823)	-	-
Utilisation of deferred tax assets not previously recognised	-	(12,011)	-	-
Deferred tax assets not recognised on capital allowances	(12,480)	170,165	-	-
Deferred tax liability in respect of potential dividend declared by overseas subsidiary subject to withholding tax	84,013	510,689	-	-
Overprovision of income tax in respect of previous year	(118,710)	(614,667)	(17,210)	(213,516)
Underprovision of deferred tax in respect of previous year	200,477	131,842	-	-
Tax expense/(income) recognised in profit or loss	2,048,472	2,052,708	(17,210)	(207,934)

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

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

Tax savings during the financial year arising from:-

	Group	
	2016	**2015**
	RM	**RM**
Utilisation of reinvestment allowances	92,832	34,823

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	
	2016	**2015**
	RM	**RM**
Profit net of tax attributable to owners of the company (RM)	2,403,101	2,479,630
Weighted average number of ordinary shares in issue	98,729,453	98,743,968
Basic earnings per share (sen)	2.43	2.51

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

12. DIVIDENDS

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Recognised during the financial year:-				
Dividends on ordinary shares				
-Final dividend for 2015:- 1.25 sen (2014: 2.00 sen) per share of RM0.50 each	1,209,115	1,934,578	1,209,115	1,934,578
Proposed but not recognised as a liability as at 30 September:-				
Dividends on ordinary shares, subject to shareholders' approval at the AGM:-				
-Final dividend for 2016:- 1.38 sen (2015: 1.25 sen) per share of RM0.50 each	1,328,861	1,209,115	1,328,861	1,209,115

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 30 September 2016 of 2.75% on 96,644,400 ordinary shares of RM0.50 each, amounting to a dividend payable of RM1,328,861 (1.38 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflects this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2017.

13. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Leasehold land RM	Freehold land RM	Buildings RM	Renovation RM	Plant and machinery RM	Motor vehicles RM	Work in progress RM	Others RM	Total RM
At 1 October 2014	17,194,691	13,832,129	25,955,088	1,469,425	13,033,052	3,540,218	142,522	9,100,210	84,267,335
Additions	98,328	-	96,872	59,216	3,540,621	245,948	-	661,109	4,702,094
Disposals	-	-	-	-	(701,250)	(118,152)	-	(29,364)	(848,766)
Written off	-	-	-	-	(247,512)	-	-	(525,398)	(772,910)
Reclassification	403,500	-	(403,500)	-	-	-	-	-	-
Exchange differences	51,321	-	111,196	22,848	-	58,298	-	95,771	339,434
At 30 September 2015	17,747,840	13,832,129	25,759,656	1,551,489	15,624,911	3,726,312	142,522	9,302,328	87,687,187
Additions	-	1,618,189	798,692	30,737	156,887	-	-	251,109	2,855,614
Disposals	-	-	-	-	(1,700)	(1,115,127)	-	(17,395)	(1,134,222)
Written off	-	-	-	(2,200)	(400,500)	-	-	(438,124)	(840,824)
Exchange differences	20,615	-	44,665	(782)	-	4,211	-	(5,680)	63,029
At 30 September 2016	17,768,455	15,450,318	26,603,013	1,579,244	15,379,598	2,615,396	142,522	9,092,238	88,630,784

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

Group (cont'd) Accumulated Depreciation	Leasehold land	Freehold land	Buildings	Renovation	Plant and machinery	Motor vehicles	Work in progress	Others	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 October 2014	1,383,648	-	3,732,344	768,289	10,869,689	2,862,787	-	6,807,929	26,424,686
Charge for the financial year	320,884	-	597,836	137,327	642,303	268,821	-	712,792	2,679,963
Disposals	-	-	-	-	(701,250)	(118,152)	-	(28,000)	(847,402)
Written off	-	-	-	-	(247,512)	-	-	(523,835)	(771,347)
Reclassification	(2,209)	-	2,209	-	-	-	-	-	-
Exchange differences	-	-	5,254	30,242	-	71,519	-	107,790	214,805
At 30 September 2015	1,702,323	-	4,337,643	935,858	10,563,230	3,084,975	-	7,076,676	27,700,705
Charge for the financial year	321,109	-	604,681	165,238	676,876	223,302	-	674,673	2,665,879
Disposals	-	-	-	-	(1,700)	(1,056,018)	-	(14,693)	(1,072,411)
Written off	-	-	-	(2,200)	(399,197)	-	-	(433,746)	(835,143)
Exchange differences	-	-	4,835	(961)	-	740	-	(4,191)	423
At 30 September 2016	2,023,432	-	4,947,159	1,097,935	10,839,209	2,252,999	-	7,298,719	28,459,453
Net carrying amount									
At 30 September 2016	15,745,023	15,450,318	21,655,854	481,309	4,540,389	362,397	142,522	1,793,519	60,171,331
At 30 September 2015	16,045,517	13,832,129	21,422,013	615,631	5,061,681	641,337	142,522	2,225,652	59,986,482

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

Included in other assets are photographic equipment, heavy equipment, electrical installation, office equipment, security protection equipment, tools and equipment, tele-communication equipment, furniture and fittings, staff amenities and computers.

Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM2,855,614 (2015: RM4,702,094) of which RM Nil (2015: RM1,538,161) were by means of finance leases. Cash payment of RM2,855,614 (2015: RM3,163,933) were made to purchase property, plant and equipment.

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

	Group	
	2016	**2015**
	RM	**RM**
Motor vehicles	273,217	461,800
Plant and machinery	1,527,841	1,919,317
	1,801,058	2,381,117

Leased assets are pledged as security for the related finance lease liabilities (Note 24).

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 24, is as follows:

	Group	
	2016	**2015**
	RM	**RM**
Freehold land	1,370,680	1,370,680
Leasehold land	7,715,426	7,944,584
Buildings	17,767,367	18,249,712
	26,853,473	27,564,976

14. INVESTMENT PROPERTIES

	Group	
	2016	2015
	RM	RM
Cost		
At 1 October and 30 September		
Freehold land	1,952,980	1,952,980
Fair value of investment properties	6,743,000	3,485,000

The investment properties are pledged to financial institutions for bank borrowings as referred to in Note 24.

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RM	RM
Unquoted shares, at cost		
In Malaysia	56,110,037	33,678,037
Outside Malaysia	7,931	7,931
	56,117,968	33,685,968
Less: Impairment losses	(1,525,192)	(706,326)
	54,592,776	32,979,642

Details of the subsidiaries are as follows:-

Name of companies	Country of Incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
Penerbitan Pelangi Sdn. Bhd.	Malaysia	Publishing and distribution of books and other educational materials and sale of publishing rights.	100	100
Tunas Pelangi Sdn. Bhd.	Malaysia	Publishing and distribution of books and other educational materials and sale of publishing rights.	100	100
Pelangi Publishing Holdings Sdn. Bhd.	Malaysia	Investment holding.	100	100

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows (cont'd):-

Name of companies	Country of Incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
Pelangi Publishing International Sdn. Bhd.	Malaysia	Investment holding.	100	100
Sutera Ceria Sdn. Bhd.	Malaysia	Property letting and property management.	100	100
Pelangi Education Sdn. Bhd.	Malaysia	Education services.	100	100
Dickens Publishing Ltd.*	England	Publishing and distribution of books and other educational materials.	100	100
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
Pelangi Professional Publishing Sdn. Bhd.	Malaysia	Publishing and distribution of novels and books.	80	80
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

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

Details of the subsidiaries are as follows (cont'd):-

Name of companies	Country of Incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
Held through Penerbitan Pelangi Sdn. Bhd. (cont'd):-				
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. Berhad	Malaysia	Provision of printing services.	100	100
Pelangi Multimedia Technologies Sdn. Bhd.	Malaysia	Multimedia and graphic designing and the production of educational CD-ROMS and related IT products.	62	62
Held through Pelangi Multimedia Technologies Sdn. Bhd.:-				
Pelangi Kids Sdn. Bhd.	Malaysia	Educational services.	100	100
Held through Pelangi Publishing International Sdn. Bhd.:-				
PT. Penerbitan Pelangi Indonesia*	Indonesia	Production and distribution of books, educational materials, multimedia and web related products.	95	95
Pelangi Publishing (Thailand) Co. Ltd.*@	Thailand	Production and distribution of books, educational materials, multimedia and web related products and serve as agencies and licensing to publish, print and distribute books and educational materials.	90	90

* Not audited by SJ Grant Thornton
@ Effective interest computed based on ordinary shares
\# Placed under members' winding-up during the previous financial year.

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):-

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

2016	PT. Penerbitan Pelangi Indonesia	Pelangi Publishing (Thailand) Co. Ltd.	Pelangi Multimedia Technologies Sdn. Bhd.	Pelangi Comics Sdn. Bhd.	Pelangi Professional Publishing Sdn. Bhd.	Total
Percentage of ownership interest and voting interest (%)	5	10	38	37	20	
Carrying amount of non-controlling interests (RM)	(267,106)	1,389,448	(372,030)	5,894	(60,871)	695,335
(Loss)/Profit allocated to non-controlling interests (RM)	(59,396)	107,357	10,845	-	(70,759)	(11,953)
Total comprehensive (loss)/income allocated to non-controlling interests (RM)	(70,250)	66,798	10,845	-	(70,759)	(63,366)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows (cont'd):-

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

2015	PT. Penerbitan Pelangi Indonesia	Pelangi Publishing (Thailand) Co. Ltd.	Pelangi Multimedia Technologies Sdn. Bhd.	Pelangi Comics Sdn. Bhd.	Pelangi Professional Publishing Sdn. Bhd.	Total
Percentage of ownership interest and voting interest (%)	5	10	38	37	20	
Carrying amount of non-controlling interests (RM)	(196,856)	1,322,650	(382,875)	5,894	9,888	758,701
(Loss)/Profit allocated to non-controlling interests (RM)	(24,237)	454,314	(17,562)	-	(10,112)	402,403
Total comprehensive (loss)/income allocated to non-controlling interests (RM)	(52,440)	563,993	(17,562)	-	(10,112)	483,879

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information of their subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statements of financial position

2016	PT. Penerbitan Pelangi Indonesia RM	Pelangi Publishing (Thailand) Co. Ltd. RM	Pelangi Multimedia Technologies Sdn. Bhd. RM	Pelangi Comics Sdn. Bhd. RM	Pelangi Professional Publishing Sdn. Bhd. RM	Total RM
Non-current assets	1,767,089	2,596,832	90	-	201,500	4,565,511
Current assets	3,823,297	5,656,649	255,364	21,059	116,263	9,872,632
Total assets	5,590,386	8,253,481	255,454	21,059	317,763	14,438,143
Non-current liabilities	73,554	-	-	-	-	73,554
Current liabilities	12,138,795	1,604,030	1,444,602	5,129	162,113	15,354,669
Total liabilities	12,212,349	1,604,030	1,444,602	5,129	162,113	15,428,223
Total net (liabilities)/assets	(6,621,963)	6,649,451	(1,189,148)	15,930	155,650	(990,080)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information of their subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

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

2015	PT. Penerbitan Pelangi Indonesia RM	Pelangi Publishing (Thailand) Co. Ltd. RM	Pelangi Multimedia Technologies Sdn. Bhd. RM	Pelangi Comics Sdn. Bhd. RM	Pelangi Professional Publishing Sdn. Bhd. RM	Total RM
Non-current assets	1,580,060	240,017	11,016	-	263,500	2,094,593
Current assets	4,485,175	7,520,655	353,475	21,059	261,028	12,641,392
Total assets	6,065,235	7,760,672	364,491	21,059	524,528	14,735,985
Non-Current liabilities	-	18,036	-	-	-	18,036
Current liabilities	11,282,192	1,610,677	1,470,922	5,129	503,492	14,872,412
	11,282,192	1,628,713	1,470,922	5,129	503,492	14,890,448
Total net (liabilities)/assets	(5,216,957)	6,131,959	(1,106,431)	15,930	21,036	(154,463)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(ii) Summarised statements of comprehensive income

2016	PT. Penerbitan Pelangi Indonesia RM	Pelangi Publishing (Thailand) Co. Ltd. RM	Pelangi Multimedia Technologies Sdn. Bhd. RM	Pelangi Comics Sdn. Bhd. RM	Pelangi Professional Publishing Sdn. Bhd. RM	Total RM
Included in total other comprehensive (loss)/income						
Revenue	1,118,389	5,933,183	19,168	-	32,399	7,103,139
(Loss)/Profit for the financial year	(1,187,917)	1,073,569	(82,717)	-	(385,386)	(582,451)
Other comprehensive income	(217,089)	(405,594)	-	-	-	(622,683)
Total comprehensive (loss)/ income	(1,405,006)	667,975	(82,717)	-	(385,386)	(1,205,134)
2015						
Included in total other comprehensive (loss)/income						
Revenue	903,578	7,747,502	44,032	-	246,072	8,941,184
(Loss)/Profit for the financial year	(484,747)	1,918,521	(20,331)	-	(78,964)	1,334,479
Other comprehensive income	(564,069)	848,818	-	-	-	284,749
Total comprehensive (loss)/ income	(1,048,816)	2,767,339	(20,331)	-	(78,964)	1,619,228

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(iii) Summarised cash flows

2016	**PT. Penerbitan Pelangi Indonesia RM**	**Pelangi Publishing (Thailand) Co. Ltd. RM**	**Pelangi Multimedia Technologies Sdn. Bhd. RM**	**Pelangi Comics Sdn. Bhd. RM**	**Pelangi Professional Publishing Sdn. Bhd. RM**	**Total RM**
Net cash (used in)/ from operating activities	(418,110)	343,555	7,332	-	(185,942)	(253,165)
Net cash (used in)/ from investing activities	(17,404)	(2,454,080)	-	-	-	(2,471,484)
Net cash from/(used in) financing activities	312,583	(238,632)	(23,612)	-	185,149	235,488
Net cash decrease in cash and cash equivalents	(122,931)	(2,349,157)	(16,280)	-	(793)	(2,489,161)
Exchange differences	12,245	(76,774)	-	-	-	(64,529)
Cash and cash equivalents at beginning of the financial year	270,140	3,220,472	23,812	21,059	27,734	3,563,217
Cash and cash equivalents at the end of the financial year	159,454	794,541	7,532	21,059	26,941	1,009,527

15. **INVESTMENT IN SUBSIDIARIES (CONT'D)**

(iii) Summarised cash flows (cont'd)

2015	**P.T Penerbitan Pelangi Indonesia RM**	**Pelangi Publishing (Thailand) Co. Ltd. RM**	**Pelangi Multimedia Technologies Sdn. Bhd. RM**	**Pelangi Comics Sdn. Bhd. RM**	**Pelangi Professional Publishing Sdn. Bhd. RM**	**Total RM**
Net cash from operating activities	81,764	2,463,117	102,366	-	237,734	2,884,981
Net cash used in investing activities	(22,323)	(20,389)	-	-	(310,000)	(352,712)
Net cash (used in)/ from financing activities	(38,485)	(903,230)	(163,933)	-	100,000	(1,005,648)
Net cash increase/(decrease) in cash and cash equivalents	20,956	1,539,498	(61,567)	-	27,734	1,526,621
Exchange differences	28,118	290,949	-	-	-	319,067
Cash and cash equivalents at beginning of the financial year	221,066	1,390,025	85,379	21,059	-	1,717,529
Cash and cash equivalents at the end of the financial year	270,140	3,220,472	23,812	21,059	27,734	3,563,217

16. **INVESTMENT IN ASSOCIATE**

Group	**Group 2016 RM**	**Group 2015 RM**	**Company 2016 RM**	**Company 2015 RM**
Unquoted shares, at cost				
Outside Malaysia	369,907	369,907	369,907	369,907
Share of post-acquisition reserve	(137,710)	(334,742)	-	-
Exchange differences	(23,285)	(19,359)	-	-
	208,912	15,806	369,907	369,907

Detail of the associate is as follows:-

Name of companies	**Country of Incorporation**	**Principal activities**	**Effective equity interest 2016 %**	**Effective equity interest 2015 %**
Hebei Culture Communication Ltd. Chunyu Rainbow*	China	Production of academic, children and general titles and multimedia related products for the China market.	40	40

* Not audited by SJ Grant Thornton.

The summarised financial information of the associate is as follows:-

(a) Summarised statements of financial position

	2016 RM	**2015 RM**
Non-current assets	62,436	70,432
Current assets	1,633,841	1,389,486
Total assets	1,696,277	1,459,918
Current liabilities	1,127,053	1,373,459
Net assets	569,224	86,459

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

The summarised financial information of the associate is as follows:-

(b) Summarised statements of comprehensive income

	2016 RM	**2015 RM**
Revenue	892,654	927,101
Profit before taxation	495,087	288,432
Profit net of tax, representing total Comprehensive profit for the year	492,580	282,969

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

	2016 RM	**2015 RM**
Group's share of profit	197,032	34,584
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	197,032	34,584

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

	2016 RM	**2015 RM**
Net assets/(liabilities) as at 1 October	86,459	(149,560)
Currency translation reserve	(9,815)	(46,950)
Profit for the financial year	492,580	282,969
Net assets as at 30 September	569,224	86,459
Interest in associate	40%	40%
Net tangible assets	227,690	34,584
Non-recognition of associate profit as its share of losses exceed the Group's interest in the associate	(18,778)	(18,778)
Carrying value of Group's interest in associate	208,912	15,806

17. OTHER INVESTMENT

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Club memberships	26,200	26,200	-	-
Available-for-sale financial asset:-				
- Equity instruments				
Unquoted in Malaysia	1,000,000	1,000,000	1,000,000	1,000,000
Quoted in Malaysia	615	459	-	-
	1,026,815	1,026,659	1,000,000	1,000,000
Market value of quoted shares	615	459		

18. INTANGIBLE ASSETS

Group Cost	Goodwill RM	Development cost RM	Franchise license fee RM	Total RM
At 1 October 2014	1,266,752	559,847	-	1,826,599
Addition during the financial year	-	310,000	80,000	390,000
At 30 September 2015/ At 30 September 2016	1,266,752	869,847	80,000	2,216,599
Accumulated amortisation and impairment				
At 1 October 2014	1,266,752	559,847	-	1,826,599
Charge for the financial year	-	46,500	13,333	59,833
At 30 September 2015	1,266,752	606,347	13,333	1,886,432
Charge for the financial year	-	62,000	16,000	78,000
At 30 September 2016	1,266,752	668,347	29,333	1,964,432
Net carrying amount				
At 30 September 2016	-	201,500	50,667	252,167
At 30 September 2015	-	263,500	66,667	330,167

19. DEFERRED TAXATION

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

Group	As at 1 October 2014 RM	Recognised in profit or loss (Note 10) RM	Exchange differences RM	As at 30 September 2015 RM	Recognised in profit or loss (Note 10) RM	Exchange differences RM	As at 30 September 2016 RM
Deferred tax liability of the Group:							
Property, plant and equipment	1,210,779	463,279	175	1,674,233	192,977	141	1,867,351
Witholding tax	-	510,689	-	510,689	84,013	-	594,702
	1,210,779	973,968	175	2,184,922	276,990	141	2,462,053
Deferred tax assets of the Group:							
Trade receivables	(357,520)	196,091	(24,188)	(185,617)	(42,166)	(7,469)	(235,252)
Other payables	(2,878,516)	178,557	(3,439)	(2,703,398)	(1,050,946)	9,123	(3,745,221)
	(3,236,036)	374,648	(27,627)	(2,889,015)	(1,093,112)	1,654	(3,980,473)
	(2,025,257)	1,348,616	(27,452)	(704,093)	(816,122)	1,795	(1,518,420)

19. **DEFERRED TAXATION (CONT'D)**

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

	Group	
	2016	2015
	RM	RM
Unutilised tax losses	6,295,000	5,989,000
Unabsorbed capital allowances	386,000	319,000
Unabsorbed reinvestment allowances	5,265,000	5,586,000
	11,946,000	11,894,000

The unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowance are available indefinitely for offset against future taxable profits of the Group in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of the subsidiaries in the Group and they have arisen in the subsidiaries that have a recent history of losses.

20. **INVENTORIES**

	Group	
	2016	2015
	RM	RM
Raw materials	8,288,802	9,424,249
Work in progress	-	146,318
Finished goods	26,771,904	23,904,346
	35,060,706	33,474,913
Cost of inventories recognised as an expense during the year	35,029,432	31,024,447
Inventories written down	1,126,862	1,358,648
Inventories written off	5,397,940	3,653,615

21. **TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade receivables				
Third parties	16,617,950	17,489,689	-	-
Less: Allowance for impairment	(2,772,186)	(2,478,708)	-	-
	13,845,764	15,010,981	-	-

21. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Other receivables				
Amount due from subsidiaries	-	-	1,343,189	14,484,641
Refundable deposits	558,858	521,313	1,000	1,000
Sundry debtors	544,382	840,956	-	-
	1,103,240	1,362,269	1,344,189	14,485,641
Less: Allowance for impairment				
- Sundry debtors	-	(47,722)	-	-
- Amount due from subsidiaries	-	-	(659,206)	-
	1,103,240	1,314,547	684,983	14,485,641
Total trade and other receivables	14,949,004	16,325,528	684,983	14,485,641

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2015: 30 to 90 day) terms, although in practice, this may extend to 120 days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original certified or invoiced amounts which represent their fair values on initial recognition.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:-

	Individually impaired 2016 RM	Individually impaired 2015 RM
Trade receivables – nominal amounts	16,617,950	17,489,689
Less: Allowance for impairment	(2,772,186)	(2,478,708)
	13,845,764	15,010,981

21. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables (cont'd)

Movement in allowance for impairment accounts:-	2016 RM	2015 RM
At 1 October	2,478,708	3,145,123
Charge for the financial year	1,257,432	299,472
Reversal of impairment loss on trade receivables	(872,448)	(492,843)
Written off of impairment loss on trade receivables	(120,743)	-
Exchange differences	29,237	(473,044)
At 30 September	2,772,186	2,478,708

Sundry debtors

	Individually impaired 2016 RM	2015 RM
Sundry debtors	544,382	671,242
Less: Allowance for impairment	-	(47,722)
	544,382	623,520

Movement in allowance for impairment accounts:-	2016 RM	2015 RM
At 1 October	47,722	-
Charge for the financial year	-	47,722
Reversal of impairment loss	(47,722)	-
At 30 September	-	47,722

Amount due from subsidiaries

	Individually impaired 2016 RM	2015 RM
Amount due from subsidiaries–nominal amounts	1,343,189	14,484,641
Less: Allowance for impairment	(659,206)	-
	683,983	14,484,641

21. **TRADE AND OTHER RECEIVABLES (CONT'D)**

Amount due from subsidiaries (cont'd)

Movement in allowance for impairment accounts:-	2016 RM	2015 RM
At 1 October	-	-
Charge for the financial year	659,206	-
At 30 September	659,206	-

Related party balances

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

Further details on related party transactions are disclosed in Note 30.

Other information on financial risks of trade and other receivables is disclosed in Note 34.

22. **FIXED DEPOSITS WITH LICENSED BANKS**

The interest rates of fixed deposits with licensed banks at the reporting date of the Group were between 2.95% to 3.70% (2015: 3.05% to 3.3% per annum).

Fixed deposits with licensed banks of the Group amounting to RM400,000 (2015: 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 ranged from 1 to 93 days (2015: 1 to 93 days).

23. **CASH AND BANK BALANCES**

Included in cash at banks is an amount of RM2,816,945 (2015 : RM1,259,241) held under the Investment Cash Management Trust for the investment of the Group's funds as a short term investment. There are no restrictions on the Group's funds.

24. LOANS AND BORROWINGS

	Group 2016 RM	Group 2015 RM
Current		
Secured:-		
Term loan 1	-	491,550
Term loan 2	712,500	714,085
Term loan 3	56,865	51,010
Term loan 4	34,264	34,902
Obligations under finance leases (Note 31 (c))	407,324	503,581
	1,210,953	1,795,128
Non-current		
Secured:-		
Term loan 1	-	526,424
Term loan 2	12,089,160	12,294,225
Term loan 3	774,708	831,610
Term loan 4	279,642	313,005
Obligations under finance leases (Note 31 (c))	560,749	968,278
	13,704,259	14,933,542
Total loans and borrowings		
Secured:-		
Term loans	13,947,139	15,256,811
Obligations under finance leases (Note 31 (c))	968,073	1,471,859
	14,915,212	16,728,670

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

	Group 2016 RM	Group 2015 RM
On demand or within one year	1,210,953	1,795,128
More than 1 year and less than 2 years	1,094,884	1,247,114
More than 2 years and less than 5 years	3,097,066	3,175,720
5 years or more	9,512,309	10,510,708
	14,915,212	16,728,670

24. LOANS AND BORROWINGS (CONT'D)

Obligations under finance leases

These obligations are secured by a pledge over the leased assets (Note 13). The discount rates implicit in the leases are between 3.20% to 6.56% per annum (2015: 3.20% to 6.56% per annum).

Term loans

Term loan 1 is repayable by 120 monthly installments of RM45,420 with interest charged at rates of 6.50% per annum.

Term loan 2 is repayable by 180 monthly installments of RM107,790 with interest charged at rates of 4.65% per annum.

Term loan 3 is repayable by 180 monthly installments of RM9,170 with interest charged at rates of 6.60% per annum.

Term loan 4 is repayable by 120 monthly installments of RM4,088 with interest charged at rates of 4.20% per annum.

The term loans are secured by the following:-

(a) First legal charge over certain freehold and leasehold land and buildings as disclosed in Note 13 and Note 14;

(b) Corporate guarantees by the Company.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Current				
Trade payables				
Third parties	7,207,095	7,863,107	-	-
Other payables				
Amount due to directors	96,000	96,000	-	-
Accrued operating expenses	5,698,734	5,196,660	194,000	205,293
Provision for sale return	10,408,298	8,173,976	-	-
Other payables	1,630,242	1,517,358	21,903	1
	17,833,274	14,983,994	215,903	205,294
Total trade and other payables	25,040,369	22,847,101	215,903	205,294

(a) Trade payables

This amount is non-interest bearing. Trade payables are normally settled on 30 to 90 day (2015 : 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.

26. EMPLOYEES' BENEFITS

Group

Post – Employment benefit obligation

As of 30 September 2016, the balance of post-employment benefit obligation is based on the actuarial report of PT Binaputera Jaga Hikmah, an independent actuary. Assumption used in the calculation of liabilities for post-employment benefits are as follow:-

	Group 2016	2015
Pension age	55 years	-
Discount rate	9.22% per annum	-
Annual salary increase	8.0%	-

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

	Group 2016 RM	2015 RM
At 1 October,	-	-
Current service cost	11,590	-
Interest cost	7,938	-
Translation differences	(4,311)	-
Remeasurement of post-employment benefit obligation charged to other comprehensive income	58,337	-
At 30 September	73,554	-

26. EMPLOYEES' BENEFITS (CONT'D)

The amounts recognised in consolidated statement of profit or loss and other comprehensive income in respect of the defined benefit plan are as follows:-

	Group 2016 RM	Group 2015 RM
Current service cost	11,590	-
Interest cost	7,938	-
Expense recognised in profit or loss	19,528	-
Remeasurement:		
Actuarial loss arising from changes in financial assumptions	58,337	-
Remeasurements of post-employment benefit obligation recognised in other comprehensive income	58,337	-

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group 2016 Defined benefit obligation Increase RM	Decrease RM
Discount rate (1% movement)	85,598	63,421
Future salary growth (1% movement)	85,402	63,389

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide approximation of the sensitivity of the assumptions shown.

27. SHARE CAPITAL AND TREASURY SHARES

Share Capital

	Group and Company			
	Number of ordinary shares of RM 0.50 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised share capital				
At 1 October/ 30 September	200,000,000	200,000,000	100,000,000	100,000,000

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

Company	Number of ordinary shares of RM0.50 each — Share capital (issued and fully paid)	Group and Company — Amount — Share capital (issued and fully paid) RM	Treasury shares* RM	Total RM
At 1 October 2015/ 30 September 2016	100,000,000	50,000,000	(1,452,900)	48,547,100

Treasury Shares

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

*During the financial year, the Company repurchased 84,500 ordinary shares of RM0.50 each of its issued ordinary shares from the open market at an average price of RM0.54 per share. The total consideration paid for the repurchase including transaction costs was RM45,298. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 100,000,000 issued and fully paid ordinary shares as at end of financial year 2016 and 2015, 3,355,600 (2015: 3,271,000) are held as treasury shares by the Company. The number of ordinary shares in issue after the setoff of treasury shares is 96,644,400 (2015: 96,728,900) ordinary shares of RM0.50 each.

28. **OTHER RESERVES**

Fair value reserve

The fair value reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed of or impaired.

Foreign exchange reserve

The foreign 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.

29. **RETAINED EARNINGS**

The Company may distribute dividends out of its entire retained earnings as at 30 September 2016 under the single tier system.

30. **RELATED PARTY TRANSACTIONS**

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions of the Group and of the Company with related parties took place at terms agreed between the parties during the financial year, as follows:-

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Dividend income received from subsidiaries	-	-	10,160,000	1,200,000
Printing expenses from subsidiary:-				
-Comtech Marketing Sdn. Bhd.	-	-	-	6,290
-The Commercial Press, Sdn. Berhad	-	-	3,763	-
Rental expenses to Director:-				
-Datuk Sum Kown Cheek	75,600	69,600	-	-
Purchase of papers from related party:-				
-New Top Win Corporation Sdn. Bhd.	7,255,807	9,101,470	-	-

31. **COMMITMENTS**

(a) Operating lease commitment - as lessee

The Group has entered into non-cancellable operating lease arrangements for the use of buildings. The leases have an average life of between 1 to 2 years.

The future minimum lease payments receivable under operating lease contracted for as at the reporting date but not recognised as liabilities, are as follows:-

	Group	
	2016	**2015**
	RM	**RM**
Future minimum rental payments:-		
Not later than 1 year	121,140	21,908
Later than 1 year and not later than 5 years	41,230	11,466
	162,370	33,374

31. **COMMITMENTS (CONT'D)**

(b) Operating lease commitment - as lessor

The Group has entered into operating lease arrangements on its investment property portfolio. The lease has remaining lease terms of less than 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	
	2016	**2015**
	RM	**RM**
Not later than 1 year	924,498	2,908,800
Later than 1 year and not later than 5 years	6,359,287	2,471,300
	7,283,785	5,380,100

(c) Finance lease commitments

The Group has finance leases for certain items of property, plant and equipment (Note 13). These leases do not have terms for renewal, but have purchase options at nominal values at the end of lease term.

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

	Group	
	2016	**2015**
	RM	**RM**
Minimum lease payments:-		
Not later than 1 year	453,547	576,840
Later than 1 year but not later than 2 years	275,816	493,455
Later than 2 years but not later than 5 years	323,382	559,720
Total minimum lease payments	1,052,745	1,630,015
Less: Amounts representing finance charges	(84,672)	(158,156)
Present value of minimum lease payments	968,073	1,471,859
Present value of payments:-		
Not later than 1 year	407,324	503,581
Later than 1 year but not later than 2 years	250,705	446,542
Later than 2 years but not later than 5 years	310,044	521,736
Present value of minimum lease payments	968,073	1,471,859
Less: Amount due within 12 months (Note 24)	(407,324)	(503,581)
Amount due after 12 months (Note 24)	560,749	968,278

32. **SEGMENT INFORMATION**

(a) Business segments

For management purposes, the Group is organised into business units based on their products, and has three reportable operating segments as follows:-

(i) Publishing and production
(ii) Printing
(iii) Education

Other business segment includes rental and other investment income.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

32. SEGMENT INFORMATION (CONT'D)

At 30 September 2016		Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Revenue:-							
External customers		51,874,960	8,490,916	434,461	2,251,268	-	63,051,605
Inter-segment	i	2,786,632	4,319,291	19,169	11,335,013	(18,460,105)	-
Total revenue		54,661,592	12,810,207	453,630	13,586,281	(18,460,105)	63,051,605
Results:-							
Interest income		246,125	38,516	-	8,982	-	293,623
Finance costs		(84,588)	(63,640)	(2,304)	(614,021)	-	(764,553)
Dividend income		-	-	-	10,327,204	(10,327,204)	-
Depreciation of property, plant and equipment and amortisation of intangible Assets		(1,064,800)	(801,555)	(76,446)	(95,909)	(705,169)	(2,743,879)
Share of profit of associate		197,032	-	-	-	-	197,032
Tax (expense)/income		(1,411,930)	(106,889)	13	(462,374)	(67,292)	(2,048,472)
Other non-cash items	ii	742,711	17,237	6,274	2,694,134	(2,678,000)	782,356
Segment profit	iii	2,602,518	498,041	(217,623)	7,564,071	(8,055,859)	2,391,148

32. SEGMENT INFORMATION (CONT'D)

At 30 September 2016	Note	Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Assets:-							
Segment assets		90,229,969	17,128,360	541,959	103,676,111	(80,744,318)	130,832,081
Additions to non-current assets	iv	2,664,924	161,772	28,920	-	-	2,855,616
Deferred tax assets		3,980,473	-	-	-	-	3,980,473
		96,875,366	17,290,132	570,879	103,676,111	(80,744,318)	137,668,170
Liabilities:-							
Segment liabilities		39,095,158	1,916,550	2,151,948	14,993,814	(18,128,335)	40,029,135
Deferred tax liabilities		594,702	489,303	-	1,378,048	-	2,462,053
Tax payable		644,304	-	-	-	-	644,304
		40,334,164	2,405,853	2,151,948	16,371,862	(18,128,335)	43,135,492

32. **SEGMENT INFORMATION (CONT'D)**

At 30 September 2015		Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Revenue:-							
External customers		51,268,588	9,874,810	204,945	1,979,333	-	63,327,676
Inter-segment	i	3,631,797	4,102,014	48,164	3,314,114	(11,096,089)	-
Total revenue		54,900,385	13,976,824	253,109	5,293,447	(11,096,089)	63,327,676
Results:-							
Interest income		130,710	54,252	-	26,086	-	211,048
Finance costs		(95,786)	(54,136)	(1,575)	(619,467)	-	(770,964)
Dividend income		-	-	-	1,871,906	(1,871,906)	-
Depreciation of property, plant and equipment and amortisation of intangible Assets		(1,121,228)	(785,265)	(67,332)	(793,767)	27,796	(2,739,796)
Share of profit of associate		-	-	-	34,584	-	34,584
Tax expense		(1,125,808)	(267,355)	(12)	(174,630)	(484,903)	(2,052,708)
Other non-cash items	ii	(2,670,685)	(222,702)	-	89,055	-	(2,804,332)
Segment profit	iii	3,177,032	877,201	(208,108)	1,938,285	(2,902,377)	2,882,033

32. **SEGMENT INFORMATION (CONT'D)**

At 30 September 2015		Publishing and production RM	Printing RM	Education RM	Others RM	Eliminations RM	Total RM
Assets:-							
Segment assets		97,949,857	14,053,038	447,206	98,442,354	(82,889,172)	128,003,283
Additions to non-current assets	iv	1,018,130	3,598,388	280,376	195,200	-	5,092,094
Deferred tax assets		2,889,015	-	-	-	-	2,889,015
		101,857,002	17,651,426	727,582	98,637,554	(82,889,172)	135,984,392
Liabilities:-							
Segment liabilities		37,138,195	3,842,671	2,828,028	39,597,429	(43,830,552)	39,575,771
Deferred tax liabilities		585,093	459,295	-	1,140,534	-	2,184,922
Tax payable		251,061	31,378	-	-	-	282,439
		37,974,349	4,333,344	2,828,028	40,737,963	(43,830,552)	42,043,132

32. **SEGMENT INFORMATION (CONT'D)**

(a) Business segments (cont'd)

Segment assets/liabilities

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

i Inter-segment revenues are eliminated on consolidation.

ii Other non-cash expenses/(income) consist of the following items:-

	2016 RM	2015 RM
Loss/(Gain) on disposal of property, plant and equipment	23,354	(147,219)
Impairment loss on trade receivables	1,257,432	299,472
Reversal of impairment loss on trade receivables	(872,448)	(492,843)
Unrealised gain on foreign exchange	(226,715)	(2,706,050)
Property, plant and equipment written off	5,681	1,563
Provision for inventories obsolescences	595,052	137,739
Inventories written off	-	103,006
	782,356	(2,804,332)

iii. The following items are added to/(deducted from) segment profit to arrive at net profit for the financial year presented in the consolidated statement of profit or loss and other comprehensive income:-

	2016 RM	2015 RM
Segment profit	4,713,518	5,460,073
Interest income	293,623	211,048
Finance costs	(764,553)	(770,964)
Share of profit of associates	197,032	34,584
Tax expense	(2,048,472)	(2,052,708)
Profit for the financial year	2,391,148	2,882,033

32. **SEGMENT INFORMATION (CONT'D)**

(a) Business segments (cont'd)

iv. Additions to non-current assets consist of:-

	2016 RM	2015 RM
Property, plant and equipment	2,855,614	4,702,094
Intangible assets	-	390,000
	2,855,614	5,092,094

(b) Geographical Information

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

	Revenue		Non-current assets	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	56,001,805	54,676,596	63,228,757	64,381,032
Thailand	5,931,411	7,747,502	2,596,832	240,017
Indonesia	1,118,389	903,578	1,767,089	1,580,060
	63,051,605	63,327,676	67,592,678	66,201,109

Major customers

The Group does not have any revenue from a single external customer which represent 10% or more of the Group's revenue.

33. **CATEGORIES OF FINANCIAL INSTRUMENTS**

The table below provides an analysis of financial instruments categorised as follows:-

(i) Loans and receivables ("L&R");
(ii) Available-for-sale financial assets ("AFS"); and
(iii) Other financial liabilities measured at amortised cost ("OFL")

Group	Carrying amount RM	L&R RM	AFS RM	OFL RM
2016				
Financial assets				
Other investments	1,026,815	-	1,026,815	-
Trade and other receivables	14,949,004	14,949,004	-	-
Fixed deposit with licensed banks	4,043,711	4,043,711	-	-
Cash and bank balances	14,854,464	14,854,464	-	-
	34,873,994	33,847,179	1,026,815	-
Financial liabilities				
Trade and other payables	14,632,071	-	-	14,632,071
Loan and borrowings	14,915,212	-	-	14,915,212
	29,547,283	-	-	29,547,283
2015				
Financial assets				
Other investments	1,026,659	-	1,026,659	-
Trade and other receivables	16,325,528	16,325,528	-	-
Fixed deposit with licensed banks	2,051,349	2,051,349	-	-
Cash and bank balances	14,983,811	14,983,811	-	-
	34,387,347	33,360,688	1,026,659	-
Financial liabilities				
Trade and other payables	14,673,125	-	-	14,673,125
Loan and borrowings	16,728,670	-	-	16,728,670
	31,401,795	-	-	31,401,795

33. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

Company	**Carrying amount RM**	**L&R RM**	**AFS RM**	**OFL RM**
2016				
Financial assets				
Other investment	1,000,000	-	1,000,000	-
Trade and other receivables	684,983	684,983	-	-
Cash and bank balances	231,846	231,846	-	-
	1,916,829	916,829	1,000,000	-
Financial liability				
Trade and other payables	215,903	-	-	215,903
2015				
Financial assets				
Other investment	1,000,000	-	1,000,000	-
Trade and other receivables	14,485,641	14,485,641	-	-
Cash and bank balances	1,020,229	1,020,229	-	-
	16,505,870	15,505,870	1,000,000	-
Financial liability				
Trade and other payables	205,294	-	-	205,294

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The Group and the Company do not undertake any trading of derivative financial instruments.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company minimise and monitor their credit risk by strictly limiting the Group's and Company's associations to business partners with high credit worthiness. Receivable balances are monitored on an ongoing basis.

The Group and the Company do not have any significant exposure to any individual customer or counterparties nor does it have any major concentration of credit risk related to any financial instruments.

Following are the areas where the Group and the Company are exposed to credit risk:-

(i) Receivables

As at the end of the reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amount in the statements of financial position.

The ageing analysis of these trade receivables is as follows:-

2016 **Group**	**Gross** **RM**	**Individually Impaired** **RM**	**Net** **RM**
Not past due	2,880,837	-	2,880,837
Past due for 1-30 days	2,726,777	-	2,726,777
Past due for 31-60 days	2,074,664	-	2,074,664
Past due for 61-90 days	1,923,508	-	1,923,508
Past due for 91-120 days	2,266,941	-	2,266,941
Past due for more than 121 days	4,745,223	(2,772,186)	1,973,037
	16,617,950	(2,772,186)	13,845,764

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

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

2015 Group	Gross RM	Individually Impaired RM	Net RM
Not past due	3,978,795	-	3,978,795
Past due for 1-30 days	2,362,456	-	2,362,456
Past due for 31-60 days	2,168,313	-	2,168,313
Past due for 61-90 days	1,783,053	-	1,783,053
Past due for 91-120 days	2,343,807	-	2,343,807
Past due for more than 121 days	4,853,265	(2,478,708)	2,374,557
	17,489,689	(2,478,708)	15,010,981

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 RM10,964,927 (2015 : RM11,032,186) that are past due at the reporting date but not impaired and are not secured by any collateral or credit enhancements.

The management is confident that the balance of receivables that are past due but not impaired are recoverable as these accounts are still active.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(ii) Intercompany loans and advances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

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

(a) Credit risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(ii) Intercompany loans and advances (cont'd)

The Company provides unsecured advances to subsidiaries and monitors their results regularly.

As at the end of the reporting date, there was no indication that advances to the subsidiaries are not recoverable except for amount due from subsidiaries amounted to RM659,206.

(iii) Investments and other financial assets

The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

(iv) Financial/corporate guarantees

The maximum exposure to credit risk amounts to RM831,573 (2015: RM2,076,632) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

The Company provides unsecured corporate guarantees to licensed banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by them. As at the end of the reporting period, there was no indication that any subsidiaries would default on repayment.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To ensure continuity of funding, the Group's and the Company's policy is to manage the debt maturity profile, operating cash flows and the availability of funding to support the operating cycle of the business.

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group 2016	Carrying amount RM	Contractual cash flow RM	Within one year RM	One to five years RM	More than five years RM
Financial liabilities:					
Trade and other payables (excludes provision for sales return)	14,632,071	14,632,071	14,632,071	-	-
Obligations under finance liabilities	968,073	1,052,745	453,542	599,203	-
Term loans	13,947,139	18,661,352	1,452,576	5,810,304	11,398,472
Total undiscounted financial liabilities	29,547,283	34,346,168	16,538,189	6,409,507	11,398,472

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations. (cont'd)

Group (cont'd) 2015	Carrying amount RM	Contractual cash flow RM	Within one year RM	One to five years RM	More than five years RM
Financial liabilities:-					
Trade and other payables (excludes provision for sales return)	14,673,125	14,673,125	14,673,125	-	-
Obligations under finance liabilities	1,471,859	1,630,015	576,840	1,053,175	-
Term loans	15,256,811	20,756,987	1,997,296	5,803,823	12,952,868
Total undiscounted financial liabilities	31,401,795	37,060,127	17,247,261	6,856,998	12,952,868

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations. (cont'd)

Company 2016	**Carrying amount RM**	**Contractual cash flow RM**	**Within one year RM**
Financial liabilities:-			
Other payables	215,903	215,903	215,903
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries	-	-	831,573
Total undiscounted financial liabilities	215,903	215,903	1,047,476

Company 2015	**Carrying amount RM**	**Contractual cash flow RM**	**Within one year RM**
Financial liabilities:-			
Other payables	205,294	205,294	205,294
Corporate guarantee given to financial institutions for banking facilities granted to subsidiaries	-	-	2,076,632
Total undiscounted financial liabilities	205,294	205,294	2,281,926

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

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

(c) Interest rate risk (cont'd)

The Group's and Company's exposure to interest rate risk arises primarily from interest bearing borrowings. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM105,999 (2015: RM113,790) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group's entities. The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD"), Singapore Dollars ("SGD"), Thai Baht ("THB"), Indonesia Rupiah ("IDR") and Steeling Pound (GBP). The Group did not enter into any forward currency contracts during the financial years ended 30 September 2016 and 2015.

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

2016	**Trade and other receivables RM**	**Cash and bank RM**	**Trade and other payables RM**	**Loans and borrowings RM**
Denominated in:-				
USD	140,700	1,408,814	-	-
SGD	44,098	409,125	(23,131)	-
THB	2,502,273	794,541	(1,080,516)	(17,606)
IDR	517,576	98,930	(11,879,453)	-
GBP	-	-	-	(234,591)

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

(d) Foreign currency risk (cont'd)

2015	**Trade and other receivables RM**	**Cash and bank RM**	**Trade and other payables RM**	**Loans and borrowings RM**
Denominated in:-				
USD	65,836	3,102,258	-	-
SGD	75,046	162,891	(27,319)	-
THB	2,052,683	3,220,472	(961,697)	(42,427)
IDR	325,536	270,140	(9,848,198)	-

Sensitivity analysis of foreign exchange rate changes

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, SGD, THB, IDR and GBP exchange rates against RM, with all other variables held constant.

	Profit net of tax	
	2016 RM	**2015 RM**
USD/RM – strengthen 0.66% / 3%	(10,227)	(95,043)
– weakened 0.66% / 3%	10,227	95,043
SGD/RM – strengthened 0.27% / 3%	(1,162)	(6,318)
– weakened 0.27% / 3%	1,162	6,318
THB/RM – strengthen 0.32% / 3%	(7,036)	(128,071)
– weakened 0.32% / 3%	7,036	128,071
IDR/RM – strengthen 0.23% / 3%	25,905	(277,576)
– weakened 0.23% / 3%	(25,905)	277,576
GBP/RM – strengthen 2.01% / 3%	(4,715)	(65)
– weakened 2.01% / 3%	4,715	65

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of trade and other receivables, related companies, cash and bank balances, trade and other payables, loans and borrowings of the Group and of the Company at the reporting date approximate fair values due to the relatively short term or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Fair value hierarchy

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

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

	Total	Level 1	Level 2	Level 3
At 30 September 2016	**RM**	**RM**	**RM**	**RM**
Financial assets				
Short term investments	615	615	-	-
Investment properties	6,743,000	-	-	6,743,000
	6,743,615	615	-	6,743,000
At 30 September 2015				
Financial assets				
Short term investments	459	459	-	-
Investment properties	3,485,000	-	-	3,485,000
	3,485,459	459	-	3,485,000

The valuation of investment properties are based on reference to open market values on an existing use basis.

During the reporting period ended 30 September 2016 and 2015 there were no transfers between the hierarchy fair value measurement.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2016 and 2015.

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

37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND AFTER REPORTING PERIOD

On 28 December 2015, the Company proposed an establishment of an employees' share option scheme ("ESOS") of up to 15% of the issued and paid-up capital of the Company and proposed share buy-back of up to 10% of its issued and paid-up capital of the Company.

On 27 January 2016, the Company has been submitted the listing application in regards to the Proposed ESOS to Bursa Malaysia Securities Berhad.

On 18 March 2016, the Company held the Extraordinary General Meeting to obtained the approval from the shareholders of the Company for the proposed ESOS.

On 1 August 2016, the Company announced that the effective date for the ESOS has been fixed.

On 9 December 2016, the Company announced that the ESOS has implemented with effect from 9 December 2016 and offer of options under ESOS for number of share of 7,500,000 with exercise price of option offered of RM0.50 per share.

38. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform to the current year presentation.

Group	As previously reported RM	As reclassification RM
Statements of Comprehensive Income		
Cost of sales	(40,034,211)	(40,034,172)
Administrative expenses	(12,178,803)	(12,180,319)
Other expenses	(2,652,072)	(2,650,595)
Statements of Financial Position		
Trade and other receivables	15,228,027	16,325,528
Prepayment	1,034,610	876,517
Fixed deposits with licensed banks	-	2,051,349
Cash and bank balances	17,035,160	14,983,811
Trade and other payables	21,907,693	22,847,101
Statements of Cash Flows		
Adjustment for:		
Bad debts written off	596,203	-
Changes in working capital:		
Trade and other receivables	(1,994,245)	(2,495,543)
Prepayment	(598,973)	(440,880)
Trade and other payables	(7,283,918)	(6,344,510)

DISCLOSURE OF REALISED AND UNREALISED PROFITS

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on Group and Company basis, as the case may be, in quarterly reports and annual audited financial statements.

The breakdown of unappropriated profits as at the reporting date that has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Total retained earnings				
-Realised	66,484,285	68,593,911	8,118,309	1,086,806
-Unrealised	2,113,122	1,214,782	-	-
	68,597,407	69,808,693	8,118,309	1,086,806
Associated companies				
Realised	(160,996)	(354,102)	-	-
	68,436,411	69,454,591	8,118,309	1,086,806
Less: Consolidation adjustments	(23,145,564)	(25,413,150)	-	-
Retained earnings as per financial statements	45,290,847	44,041,441	8,118,309	1,086,806

The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements stipulated in the directives of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

STATEMENT OF SHAREHOLDINGS

As at 27 December 2016

Authorised capital	:	RM100,000,000-00 divided into 200,000,000 Ordinary Shares of RM0.50 each
Issued and fully paid-up capital	:	RM50,000,000.00
Class of shares	:	Ordinary Shares of RM0.50 each
Voting rights	:	One vote per RM0.50 share

ANALYSIS OF SHAREHOLDINGS

Number of Holders	Holdings	Total Holdings	Percentage of Holdings
75	Less than 100	3,266	0.00
64	100 to 1,000	32,201	0.03
1,011	1,001 to 10,000	3,141,361	3.25
318	10,001 to 100,000	9,582,057	9.92
59	100,001 to less than 5% of issued shares	46,518,022	48.15
3	5% and above of issued shares	37,336,493	38.65
1,530		96,613,400*	100.00

* Excluding a total of 3,386,600 ordinary shares bought back by Pelangi Publishing Group Bhd and retained as treasury shares.

THIRTY LARGEST SHAREHOLDERS

	Name of shareholder	Number of shares	Percentage of shares
1.	Sum Kown Cheek	24,836,493	25.71
2.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore For Yeoman 3-Rights Value Asia Fund (PTSL)	7,000,000	7.25
3.	United Logistics Sdn. Bhd.	5,500,000	5.69
4.	Chung Shan Kwang	4,675,000	4.84
5.	Fang Mei Sin	4,545,781	4.71
6.	Goh Kheng Jiu	4,000,000	4.14
7.	Sinar Qiqi Sdn. Bhd.	4,000,000	4.14
8.	Lai Swee Chiung	3,437,465	3.56
9.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN For DBS Bank Ltd (SFS)	2,722,600	2.82
10.	Lim Keh Kuan	1,910,000	1.98
11.	Sam Yuen @ Sam Chin Yan	1,589,762	1.65
12.	Yee Tan Fatt	1,235,775	1.28

	Name of shareholder	Number of shares	Percentage of shares
13.	Lim Kah Eng	1,027,875	1.06
14.	Ang Hwi Lin	1,024,237	1.06
15.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Wong Sue Yin	870,000	0.90
16.	Chin Khuan Meng	865,625	0.90
17.	Goh Pek Hen	682,500	0.71
18.	Teo Kwee Hock	671,000	0.69
19.	Lee Kheng Hon	653,665	0.68
20.	Lai Chin Heng	627,662	0.65
21.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd For Yeo Seng Chong	625,000	0.65
22.	Lau Siew Hin	606,900	0.63
23.	Teh Hui Guan	575,500	0.60
24.	Chung Shan Meng	500,000	0.52
25.	Chung Soo Cheng	500,000	0.52
26.	Lee Wei Ling	500,000	0.52
27.	Tan Kim Chai	500,000	0.52
28.	Cheah Swee Kit	492,500	0.51
29.	Sam Mok Sang	479,575	0.50
30.	Lee Yoke Yee	466,500	0.48

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

Shareholders	No. of Shares			
	Direct Interest	%	Deemed Interest	%
Datuk Sum Kown Cheek	24,836,493	25.71	3,437,465[a]	3.56
Datin Lai Swee Chiung	3,437,465	3.56	24,836,493[a]	25.71
United Logistics Sdn. Bhd.	5,500,000	5.69	–	–
Datuk Sam Yuen @ Sam Chin Yan	1,589,762	1.65	6,182,500[a]	6.40
Yeoman 3-Rights Value Asia Fund	–	–	7,000,000[b]	7.25
Yeoman Capital Management Pte Ltd	224,750	0.23	7,250,000[c]	7.50
Yeo Seng Chong	625,000	0.65	7,474,750[d]	7.74
Lim Mee Hwa	–		8,099,750[d]	8.38

[a] Deemed interested pursuant to Section 6A of the Companies Act, 1965.
[b] Deemed interested by virtue of its indirect interests in DB (Malaysia) Nominee (Asing) Sdn. Bhd.
[c] Deemed interested by virtue of its role as investment manager for its clients including Yeoman 3-Rights Value Asia Fund.
[d] Deemed interested by virtue of her/his indirect interests in Yeoman Capital Management Pte Ltd.

DIRECTORS' SHAREHOLDINGS

According to the Register required to be kept under Section 134 of the Companies Act, 1965, the following are the shareholdings of the Directors in the Company:

Directors	No. of Shares			
	Direct Interest	%	Deemed Interest	%
Datuk Sum Kown Cheek	24,836,493	25.71	3,437,465[a]	3.56
Datuk Sam Yuen @ Sam Chin Yan	1,589,762	1.65	6,182,500[a]	6.40
Lee Kheng Hon	653,665	0.68	–	–
Syahriza Binti Senan	13,750	0.01	–	–
Vincent Wong Soon Choy	–	–	–	–
Teh Hui Guan	575,500	0.60	–	–

(a) Deemed interested pursuant to Section 134 and/or Section 6A of the Companies Act, 1965.

PELANGI PUBLISHING GROUP BHD. (593649-H)
(Incorporated in Malaysia)

FORM OF PROXY

I/We ______________________________ NRIC No./Passport No: ____________________
of ________________________ being a member/members of PELANGI PUBLISHING GROUP BHD.,
hereby appoint ____ NRIC No./Passport
No: __________________ of __________________________________ or failing him,
__________________________________ NRIC No./Passport No: ____________________
of ________________________________ as my/our proxy to vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at **Palm Resort Berhad, Melati Hall, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai Johor on Friday, 17 March, 2017** at **10.00 a.m.** and at any adjournment thereof.

The proportion of * my/our proxies are as follow:
(This paragraph should be completed only when two proxies are appointed)

First Proxy (1) ___________% Second Proxy (2) ___________%

My/Our proxy is to vote as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
1.	Approval of Final Dividend.		
2.	Approval of Directors' fees.		
3.	Re-election of Mr Vincent Wong Soon Choy as Director.		
4.	Re-election of Ms Syahriza Binti Senan as Director.		
5.	Re-appointment of Messrs SJ Grant Thornton as Auditors of the Company.		
6.	Authority to Allot Shares - Section 132D.		
7.	Approval for the Proposed Renewal Shareholders' Mandate For Share Buy-Back Authority		
8.	Approval of the continuation of terms of office of Syahriza Binti Senan as Independent Director.		
9.	Approval for the Proposed Renewal Shareholders' Mandate For Recurrent Related Parties Transactions.		
10.	Approval for the Proposed Shareholders' Mandate For New Recurrent Related Parties Transactions.		

Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.

Dated this ______________ day of ______________ 2017.

NO. OF SHARES HELD	CDS ACCOUNT

....
Signature of Member(s)

Notes :

a. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. 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 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.

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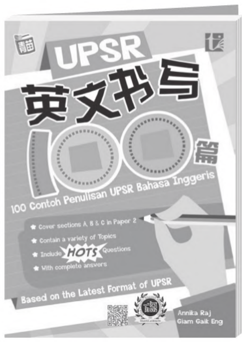

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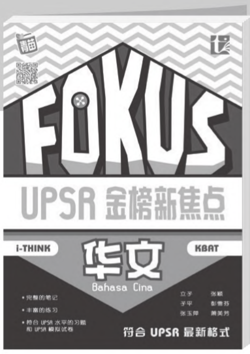

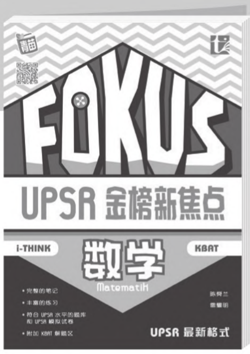

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