PELANGI PUBLISHING GROUP BHD
(Company No. 593649-H)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2017
(The figures have not been audited)

	CURRENT 3 months ended		YEAR TO DATE 3 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	29,742	37,897	29,742	37,897
Cost of sales	(17,145)	(21,428)	(17,145)	(21,428)
Gross profit	12,597	16,469	12,597	16,469
Other income	477	1,043	477	1,043
Administrative expenses	(3,300)	(3,637)	(3,300)	(3,637)
Selling expenses	(2,152)	(2,565)	(2,152)	(2,565)
Other expenses	(1,233)	(529)	(1,233)	(529)
Operating profit	6,389	10,781	6,389	10,781
Finance costs	(162)	(172)	(162)	(172)
Share of loss of equity-accounted associate	(30)	(33)	(30)	(33)
Profit before tax	6,197	10,576	6,197	10,576
Tax expenses	(1,398)	(2,952)	(1,398)	(2,952)
Profit for the period	**4,799**	**7,624**	**4,799**	**7,624**
Other comprehensive income:				
Item that will be reclassified subsequently to profit or loss				
Foreign currency translation	206	(4)	206	(4)
	5,005	7,620	5,005	7,620
Profit attributable to:				
Owners of the Company	**4,830**	**7,730**	**4,830**	**7,730**
Non-controlling interests	(31)	(106)	(31)	(106)
	4,799	7,624	4,799	7,624
Other comprehensive income attributable to:				
Owners of the Company	**5,031**	**7,629**	**5,031**	**7,629**
Non-controlling interests	(26)	(9)	(26)	(9)
	5,005	7,620	5,005	7,620
Earnings per share attributable to owners of the Company:				
Basic (Sen)	5.00	8.00	5.00	8.00
Diluted (Sen)	4.98	-	4.98	-

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 September 2017 and the accompanying notes attached to the Interim Financial Statements.

PELANGI PUBLISHING GROUP BHD
(Company No. 593649-H)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(The figures have not been audited)

	As at 31.12.2017 RM'000	As at 30.09.2017 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	56,168	55,271
Investment properties	4,762	4,762
Investment in associate	180	267
Other Investments	1,027	1,027
Intangible assets	155	174
Deferred tax assets	7,515	5,734
	69,807	67,235
Current assets		
Inventories	36,010	37,727
Trade receivables	30,841	14,222
Other receivables	1,853	1,291
Prepayment	1,397	1,554
Tax recoverable	241	850
Cash and bank balances	15,677	20,567
	86,019	76,211
TOTAL ASSETS	**155,826**	**143,446**
EQUITY AND LIABILITIES		
Current liabilities		
Short term borrowings	1,231	1,110
Trade Payables	10,523	9,393
Other Payables	24,686	20,061
Tax Payable	1,678	359
	38,118	30,923
Non current liabilities		
Long term borrowings	12,878	12,604
Employees' benefits	356	368
Deferred tax liabilities	2,413	2,484
	15,647	15,456
Total liabilities	53,765	46,379
Equity attributable to owners of the parent		
Share capital	50,025	50,025
Treasury shares	(1,508)	(1,508)
Foreign exchange reserve	782	581
Employee share option reserve	337	348
Retained earnings	51,808	46,978
	101,444	96,424
Non-controlling interests	617	643
Total equity	102,061	97,067
TOTAL EQUITY AND LIABILITIES	**155,826**	**143,446**
Net assets per share attributable to owners of the parent (RM)	1.0502	0.9982

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 September 2017 and the accompanying explanatory notes to the Interim Financial Statements.

PELANGI PUBLISHING GROUP BHD
(Company No. 593649-H)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2017
(The figures have not been audited)

	Share Capital	Treasury Shares	Foreign Exchange Reserve	Employee Share Option Reserve	Retained Earnings	Total	Non - Controlling Interests	Total Equity
	RM ' 000	RM ' 000	RM ' 000	RM ' 000	RM ' 000	RM ' 000	RM ' 000	RM ' 000
At 1 October 2017	50,025	(1,508)	581	348	46,978	96,424	643	97,067
Total comprehensive income	-	-	201	-	4,830	5,031	(26)	5,005
Employee share option forfeited	-	-	-	(11)	-	(11)	-	(11)
At 31 December 2017	50,025	(1,508)	782	337	51,808	101,444	617	102,061
At 1 October 2016	50,000	(1,453)	(1)	-	45,291	93,837	695	94,532
Total comprehensive income	-	-	(101)	-	7,730	7,629	(9)	7,620
Own shares acquired	-	(18)	-	-	-	(18)	-	(18)
Employee share options granted	-	-	-	385	-	385	-	385
At 31 December 2016	50,000	(1,471)	(102)	385	53,021	101,833	686	102,519

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 30 September 2017 and the Notes to the Interim Financial Statements.

PELANGI PUBLISHING GROUP BHD
(Company No. 593649-H)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2017
(The figures have not been audited)

	3 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000
Cash flows from operating activities		
Profit before tax	6,197	10,576
Adjustments for non-cash items	2,904	728
Operating profit before working capital changes	9,101	11,304
Net change in current assets	(17,697)	(17,245)
Net change in current liabilities	5,744	11,590
Cash generated (used in)/from operating activities	(2,852)	5,649
Tax paid	(1,343)	(635)
Net cash (used in)/from operating activities	(4,195)	5,014
Cash flows from investing activities		
Interest received	94	78
Proceeds from disposal of property, plant and equipment	264	-
Purchase of property, plant and equipment	(1,685)	(132)
Net cash used in investing activities	(1,327)	(54)
Cash flows from financing activities		
Interest paid	(162)	(172)
Proceeds from finance leases financing	727	-
Purchase of treasury shares	-	(18)
Repayment of obligation under finance leases	(117)	(105)
Repayment of term loans	(216)	(206)
Placement of fixed deposit with licensed bank	-	(100)
Net cash from/(used in) financing activities	232	(601)
Net (decrease)/increase in cash and cash equivalents	(5,290)	4,359
Effect of exchange rate changes	399	(246)
Cash and cash equivalents at beginning of year	20,068	18,498
Cash and cash equivalents at end of year	15,177	22,611

Cash and cash equivalents at the end of the year comprise the following:

	3 months ended	
	RM'000	RM'000
Cash and bank balances	15,677	23,111
Less: Fixed deposits pledged with licensed banks	(500)	(500)
	15,177	22,611

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 September 2017 and the Notes to the Interim Financial Statements.

A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements of Malaysian Financial Reporting Standards ("MFRSs") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for financial year ended 30 September 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 September 2017.

2. Significant accounting policies

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the financial statements for the year ended 30 September 2017. At the beginning of the current financial year, the Group adopted amendments to MFRSs and IC interpretations ("IC Int") which are mandatory for the financial period beginning on or after 1 October 2017.

Initial application of the amendments to the standards and IC Int did not have material impact to the financial statements, except for : -

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative
The Group has applied these amendments for the first time in the current year. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period.

Standard Issued But Not Yet Effective
At the date of authorisation of these interim financial statements, the Group has 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:

MFRS, Amendments to MFRS and IC Interpretation effective 1 January 2018:
Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts)
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

MFRS and Amendments to MFRS effective 1 January 2019:
Amendments to MFRS 9 Financial Instrument: Prepayment Features with Negative Compensation
MFRS 16 Leases
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23 Uncertainty over Income Tax Treatments

MFRS effective 1 January 2021:
MFRS 17 Insurance Contracts

Amendments to MFRSs - effective date deferred indefinitely
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

MFRS 9 Financial Instruments
MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under 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 of accounting policy. The Group is 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 recognizing 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 is 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 is currently assessing the impact of MFRS 16 and plans to adopt the new standards on the required effective date of 1 January 2019.

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2017 was not subject to qualification.

4. Comments about seasonal or cyclical factors

The Group is basically involved in the production and distribution of books. In relation to our academic books, school terms will have impact on revenue and margin.

The bulk of Group's revenue comes from 1st quarter of our financial year (i.e., that is October 2017 to December 2017) before school term reopened in January 2018. The revenue cycle is expected to drop and coupled with higher goods returns in other quarters during the financial year.

The revenue starts picking up towards the end of our 4th quarter and the momentum is well carried forward to the 1st quarter of our next financial year before school term reopens again.

5. Unusual items due to their nature, size and incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter.

6. Changes in estimates

There were no changes to the estimates that have a material effect in the current quarter under review.

7. Debts and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the current quarter under review except for the following :

Employees's Share Option Scheme ("ESOS")
As at 31 December 2017, a total of 159,000 employee share options lapsed.

8. Dividends

The Board of Directors has proposed a final single tier dividend of 4.00% on 96,597,500 ordinary shares, amounting to a dividend payable of RM1,931,950 (2.00 sen per ordinary share) in respect of the financial year ended 30 September 2017. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2018.

9. Segment information

	Quarter ended		Financial year ended	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Segment Revenue				
Revenue				
Publishing	27,911	35,547	27,911	35,547
Printing	3,362	3,663	3,362	3,663
Education	120	119	120	119
Others	751	898	751	898
Total revenue including inter segment sales	32,144	40,227	32,144	40,227
Elimination of inter-segment sales	(2,402)	(2,330)	(2,402)	(2,330)
Total revenue	29,742	37,897	29,742	37,897
Segment Results				
Publishing	5,671	10,640	5,671	10,640
Printing	540	403	540	403
Education	8	(250)	8	(250)
Others	170	(12)	170	(12)
Total operating profit	6,389	10,781	6,389	10,781

10. Valuation of property, plant and equipment

There were no revaluation of property, plant and equipment during the current quarter under review.

11. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the current quarter up to the date of this report.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

13. Changes in contingent liabilities/assets

There were no material changes in contingent liabilities/assets since the last balance sheet date up to the date of this report.

14. Capital commitments

There were no capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2017.

15. Significant related party transactions

The following are significant related party transactions:

	Quarter ended		Financial year ended	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchase of production papers	-	6,152	- *	6,152
Rental expense	19	19	19	19

**Teh Hui Guan has resigned as a Director on 31 March 2017*

B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

16. Performance review (YTD Q1 2018 vs YTD Q1 2017)

Publishing Segment

Publishing Segment generated revenue of RM27.91 million for the current period ended 31 December 2017 as compared to RM35.55 million for the comparative period ended 31 December 2016. Publishing Segment recorded operating profit of RM5.67 million in the current period compared to RM10.64 million in the comparative period, a decrease of RM4.97 million.

The main drop in revenue was caused by the reduction of quantity ordered for government textbook and workbook for chinese primary school in Malaysia.

Due to the strengthening of Malaysian Ringgit against Indonesian Rupiah, our operating profit has reduced by RM0.65 million from unrealised loss on foreign exhange for PT. Penerbitan Pelangi Indonesia in this segment.

Printing Segment

Printing Segment generated revenue of RM3.36 million for the current period ended 31 December 2017 as compared to RM3.66 million for the comparative period ended 31 December 2016. However, this segment recorded an increase in operating profit of RM0.14 million due to a gain on the trade in transaction of printing machine by The Commercial Press Sdn Bhd.

Education Segment

The Education Segment remains as a minor segment within the Group. This Segment recorded operating profit of RM0.08 million in the current period ended 31 December 2017, as compared to operating loss of RM0.25 million in the comparative period ended 31 December 2016. The profit comes from the reduction of costs in Pelangi Education Sdn. Bhd. and Pelangi Multimedia Technologies Sdn. Bhd.

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

Other Segment

The Other Segment generated revenue of RM0.75 million in the current period as compared to RM0.90 million for the comparative period ended 31 December 2016 with a decrease of RM0.15 million. However, the operating profit has been improved to RM0.17 million due to the saving on ESOS if compare to Q1 last year.

17. Comparison of current quarter with preceding quarter results (Q1 2018 vs Q4 2017)

The Group reported profit before tax of RM6.20 million for the current quarter ended 31 December 2017 as compared to the loss before tax of RM7.59 million in the preceding quarter ended 30 September 2017. The lower profit generated during this quarter is in line with the business trend and annual cyclical order as explained in Note 4.

18. Commentary of prospects

The focus of the Group for this year are on creating both e-books and digital learning tools, as well as to venture more into the higher education segment especially for production of technical and vocational curriculums. Besides, more investment and product development will be placed in growing the business in the ASEAN markets, especially in Thailand and Indonesia.

19. Profit forecast and profit guarantee

The Group has not issued any profit guarantee during the current quarter under review.

20. Taxation

	Quarter ended		Financial year ended	
	31.12.2017 RM'000	**31.12.2016 RM'000**	**31.12.2017 RM'000**	**31.12.2016 RM'000**
Income tax:				
Malaysian	(3,267)	(3,929)	(3,267)	(3,929)
Overseas	(4)	(3)	(4)	(3)
Deferred tax:				
Malaysian	1,802	980	1,802	980
Overseas	71	-	71	-
Total tax expenses	(1,398)	(2,952)	(1,398)	(2,952)

The effective tax rate of the Group for the financial period is higher than the statutory tax rate principally due to certain expenses incurred during the period which are not deductible for tax purposes.

21. Corporate proposals

There were no material corporate proposals announced but not completed as at the date of this report.

22. Borrowings and debt securities

	As at 31.12.2017		
	Secured RM'000	**Unsecured RM'000**	**Total RM'000**
Short term	1,231	-	1,231
Long term	12,878	-	12,878
	14,109	-	14,109

23. Changes in material litigation

On 25 July 2017, PPG has made an announcement to Bursa Securities which PPG through its wholly owned subsidiary, PPSB, has taken legal action against Sasbadi Sdn Bhd ("SSB"), a wholly-owned subsidiary of Sasbadi Holdings Berhad, by serving SSB a copy of the sealed Writ and Statement of Claim dated 29 June 2017. The Sealed Writ and Statement of Claim was served on 20 July 2017 by Messrs Skrine, acting on behalf PPSB.

The claims pursuant to the Writ and Statement of Claim are in relation to the infringement of Copyright Works by SSB for the Sijil Tinggi Persekolahan Malaysia (“STPM”) examination and Malaysian University English Test (“MUET”) question papers as well as the performance analysis reports for the STPM examination and the MUET where PPSB has the exclusive right in Malaysia in pursuant to the several publishing agreements between PPSB and Majlis Peperiksaan Malaysia (“MPM”) to control, among others, the reproduction, communication, distribution, and commercialisation of the Copyright Works.

SSB had, on 30 August 2017, via its solicitors, Messrs Shook Lin & Bok, filed its defence against the claim and filed a counterclaim seeking for reliefs.

For details of the circumstances leading to the filing of the Writ and Statement of Claim against SBB and counterclaim filed by SSB may refer to the Company's announcement in the Bursa Securities website.

On 28 September 2017, PPG has made an announcement in the Bursa Securities which PPG through its wholly owned subsidiary, PPSB, has filed on 27 September 2017 a Reply to Defence and Defence to Counterclaim whereby Pelangi challenged SSB's counterclaims and put SSB to strict proof of the said claims, on the basis that at all material times, PPSB is the owner of the copyright in the Copyright Works and PPSB had acted within its rights.

24. Earnings per share

a) Basic earnings per share

The basic earnings per ordinary share for current period is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the current period concerned.

	Quarter ended		Financial year ended	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Net profit for the year (RM'000)	4,830	7,730	4,830	7,730
Weighted average number of ordinary shares in issue ('000)	96,598	96,632	96,598	96,632
Earnings per share (Sen)	5.00	8.00	5.00	8.00

b) Diluted earnings per share

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

	Quarter ended		Financial year ended	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Net profit for the year (RM'000)	4,830	-	4,830	-
Weighted average number of ordinary shares in issue ('000)	96,598	-	96,598	-
Effect of dilution arising from ESOS ('000)	395	-	395	-
Weighted averge number of ordinary shares for diluted earnings per share ('000)	96,993	-	96,993	-
Diluted earnings per share (Sen)	4.98	-	4.98	-

25. Notes to the condensed consolidated statement of comprehensive income

The following items have been (credited)/charged in arriving at profit before tax:

	Quarter ended		Financial year ended	
	31.12.2017 RM'000	**31.12.2016 RM'000**	**31.12.2017 RM'000**	**31.12.2016 RM'000**
a) Interest income	(94)	(78)	(94)	(78)
b) Other income	(383)	(965)	(383)	(965)
c) Interest expense	162	172	162	172
d) Depreciation and amortisation	693	670	693	670
e) Provision for and write off receivables	30	155	30	155
f) Provision for and write off of inventories	1,654	1,333	1,654	1,333
g) (Gain)/loss on disposal of property, plant and equipment	(264)	1	(264)	1
h) Loss/(gain) on foreign exchange	726	(804)	726	(804)
i) Reversal of impairment loss on receivables	(27)	(59)	(27)	(59)
j) Derivative gain	-	-	-	-
k) Exceptional items:				
- employee benefit expenses	(11)	385	(11)	385

26. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors in accordance with a resolution of the Directors on 14 February 2018.