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 2018
(The figures have not been audited)

	CURRENT 3 months ended		YEAR TO DATE 3 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	27,429	29,536	27,429	29,536
Cost of sales	(16,326)	(17,145)	(16,326)	(17,145)
Gross profit	11,103	12,391	11,103	12,391
Other income	1,135	477	1,135	477
Administrative expenses	(3,183)	(3,300)	(3,183)	(3,300)
Selling expenses	(1,845)	(1,946)	(1,845)	(1,946)
Other expenses	(523)	(1,233)	(523)	(1,233)
Operating profit	6,687	6,389	6,687	6,389
Finance costs	(160)	(162)	(160)	(162)
Share of loss of equity-accounted associate	(23)	(30)	(23)	(30)
Profit before tax	6,504	6,197	6,504	6,197
Tax expenses	(1,353)	(1,398)	(1,353)	(1,398)
Profit for the period	**5,151**	**4,799**	**5,151**	**4,799**
Other comprehensive income:				
Item that will be reclassified subsequently to profit or loss				
Foreign currency translation	(378)	206	(378)	206
	4,773	5,005	4,773	5,005
Profit attributable to:				
Owners of the Company	**5,216**	**4,830**	**5,216**	**4,830**
Non-controlling interests	(65)	(31)	(65)	(31)
	5,151	4,799	5,151	4,799
Other comprehensive income attributable to:				
Owners of the Company	**4,845**	**5,031**	**4,845**	**5,031**
Non-controlling interests	(72)	(26)	(72)	(26)
	4,773	5,005	4,773	5,005
Earnings per share attributable to owners of the Company:				
Basic (Sen)	5.40	5.00	5.40	5.00
Diluted (Sen)	5.40	4.98	5.40	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 2018 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 2018
(The figures have not been audited)

	As at 31.12.2018 RM'000	As at 30.09.2018 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	54,414	54,901
Investment properties	4,762	4,762
Investment in associate	202	224
Other Investments	1,048	1,027
Intangible assets	77	96
Prepayments	-	4
Deferred tax assets	9,138	7,259
	69,641	68,273
Current assets		
Inventories	35,314	35,726
Trade receivables	30,578	14,809
Other receivables	2,113	1,540
Prepayment	1,763	1,872
Tax recoverable	252	2,049
Cash and bank balances	13,530	13,748
	83,550	69,744
TOTAL ASSETS	**153,191**	**138,017**
EQUITY AND LIABILITIES		
Current liabilities		
Short term borrowings	1,346	1,343
Trade Payables	8,917	4,955
Other Payables	25,509	19,709
Tax Payable	1,341	316
	37,113	26,323
Non current liabilities		
Long term borrowings	11,742	12,075
Employees' benefits	387	381
Deferred tax liabilities	2,533	2,595
	14,662	15,051
Total liabilities	51,775	41,374
Equity attributable to owners of the parent		
Share capital	50,025	50,025
Treasury shares	(1,508)	(1,508)
Foreign exchange reserve	1,173	1,544
Employee share option reserve	316	316
Retained earnings	50,785	45,569
	100,791	95,946
Non-controlling interests	625	697
Total equity	101,416	96,643
TOTAL EQUITY AND LIABILITIES	**153,191**	**138,017**
Net assets per share attributable to owners of the parent (RM)	1.0434	0.9933

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 September 2018 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 2018
(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 2018	50,025	(1,508)	1,544	316	45,569	95,946	697	96,643
Total comprehensive income	-	-	(371)	-	5,216	4,845	(72)	4,773
At 31 December 2018	50,025	(1,508)	1,173	316	50,785	100,791	625	101,416
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 options granted	-	-	-	(11)	-	(11)	-	(11)
At 31 December 2017	50,025	(1,508)	782	337	51,808	101,444	617	102,061

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 2018 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 2018
(The figures have not been audited)

	3 months ended	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before tax	6,504	6,197
Adjustments for non-cash items	1,772	2,904
Operating profit before working capital changes	8,276	9,101
Net change in current assets	(16,827)	(17,697)
Net change in current liabilities	9,768	5,744
Cash generated from/(used in) operating activities	1,217	(2,852)
Tax paid	(460)	(1,343)
Net cash from/(used in) operating activities	757	(4,195)
Cash flows from investing activities		
Acquisition of shares in subsidiary	(21)	-
Interest received	55	94
Proceeds from disposal of property, plant and equipment	33	264
Purchase of property, plant and equipment	(140)	(1,685)
Net cash used in investing activities	(73)	(1,327)
Cash flows from financing activities		
Interest paid	(160)	(162)
Proceeds from finance leases financing	-	727
Repayment of obligation under finance leases	(112)	(117)
Repayment of term loans	(218)	(216)
Net cash (used in)/from financing activities	(490)	232
Net increase/(decrease) in cash and cash equivalents	194	(5,290)
Effect of exchange rate changes	(412)	399
Cash and cash equivalents at beginning of year	13,248	20,068
Cash and cash equivalents at end of year	13,030	15,177

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

	3 months ended	
	RM'000	**RM'000**
Cash and bank balances	13,530	15,677
Less: Fixed deposits pledged with licensed banks	(500)	(500)
	13,030	15,177

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 September 2018 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 2018. 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 2018.

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 2018. 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 2018.

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

Adoption of Amendments/Improvements to MFRSs

Amendments to 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 Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of MFRS 15.

Reclassification of revenue for prior year has been made in line with adoption of MFRS 15. Sales rebate has been reclassified from Selling Expenses to Revenue.

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 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 119 Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015 - 2017 Cycle
IC Interpretation 23 Uncertainty over Income Tax Treatments

Amendments to MFRS and IC Interpretation effective 1 January 2020:
Amendments to MFRS 2 Share-Based Payment
Amendment to MFRS 3 Business Combinations
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources
Amendment to MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 101 Presentation of Financial Statements
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134 Interim Financial Reporting
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
Amendment to MFRS 138 Intangible Assets
Amendment to IC Interpretaion 12 Service Concession Arrangements
Amendment to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132 Intangible Assets - Web Site Costs

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

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 30 September 2018 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 2018 to December 2018) before school term reopened in January 2019. 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.

8. Dividends

The Board of Directors has proposed a final single tier dividend of 1.00% on 96,597,500 ordinary shares, amounting to a dividend payable of RM482,988 (0.50 sen per ordinary share) in respect of the financial year ended 30 September 2018. 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 2019.

9. Segment information

	Quarter ended		Financial year ended	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Segment Revenue				
Revenue				
Publishing	25,899	27,705	25,899	27,705
Printing	2,937	3,362	2,937	3,362
Education	181	120	181	120
Others	915	751	915	751
Total revenue including inter segment sales	29,932	31,938	29,932	31,938
Elimination of inter-segment sales	(2,503)	(2,402)	(2,503)	(2,402)
Total revenue	27,429	29,536	27,429	29,536
Segment Results				
Publishing	6,188	5,671	6,188	5,671
Printing	53	540	53	540
Education	37	8	37	8
Others	409	170	409	170
Total operating profit	6,687	6,389	6,687	6,389

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 2018.

15. Significant related party transactions

The following are significant related party transactions:

	Quarter ended		Financial year ended	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Rental expense	19	19	19	19

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

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

16. Performance review (YTD Q1 2019 vs YTD Q1 2018)

Publishing Segment

Publishing Segment generated revenue of RM25.90 million for the current period ended 31 December 2018 as compared to RM27.71 million for the comparative period ended 31 December 2017. Publishing Segment recorded operating profit of RM6.19 million in the current period compared to RM5.67 million in the comparative period, an increase of RM0.52 million.

This segment recorded lower revenue due to lesser textbook revenue from Malaysian government open tender, by RM2.70 million. On the other hand, good marketing effort drove the school workbook-related sales in Malaysia to increase this year, despite challenging business environment. Increased revenue of RM0.30 million in Pelangi Publishing Indonesia (PTPPI) has also reduced the impact of lesser textbook

The segment's higher operating profit was contributed by lower operating expenses related to textbook revenue and unrealised gain on foreign exchange of RM0.48 million, incurred by Pelangi Publishing Indonesia (PTPPI) resulting from the strengthening of Indonesian Rupiah against

Printing Segment

Printing Segment generated revenue of RM2.94 million for the current period ended 31 December 2018 as compared to RM3.36 million for the comparative period ended 31 December 2017. Weaker demand in commercial print jobs has caused lower revenue for Comtech Marketing Sdn Bhd and FormPress Sdn Bhd this year. Restructuring of the sales and marketing teams is taking place to improve the business in coming months.

Education Segment

The Education Segment remains as a minor segment within the Group. This Segment generated revenue of RM0.18 million in the current period ended 31 December 2018, as compared to RM0.12 million in the comparative period ended 31 December 2017.

Education segment continues to play an important role in promoting and uplifting the Group's image and branding to the public.

Other Segment

The Other Segment generated revenue of RM0.91 million in the current period as compared to RM0.75 million for the comparative period ended 31 December 2017 with an increase of RM0.16 million.

17. Comparison of current quarter with preceding quarter results (Q1 2019 vs Q4 2018)

The Group reported profit before tax of RM6.50 million for the current quarter ended 31 December 2018 as compared to the loss before tax of RM6.49 million in the preceding quarter ended 30 September 2018. The higher 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

With ASEAN market in mind, the Group continues to create new innovations in providing better educational solutions in K-12 markets, including digital contents, e-books, digital learning tools and Augmented Reality products, while expending into products for infants.

The Group is confident that education remains an attractive investment opportunity with the growth potential to enable us to serve more students around the world and deliver good, sustainable returns to our shareholders. Thus, ASEAN markets outside Malaysia through our team in regional offices- Thailand and Indonesia will be the development focus for the Group. Furthermore, the Group has seen good growth in Indonesia market last year and expects further growth in the coming financial year.

The Group will place more investments and product development efforts in growing its business on other ASEAN markets and continue to explore new forms of collaborations and develop new business models across the publishing and digital education boundaries in ASEAN

Apart from that, the Group will continue to make further initiatives in digital marketing to better engage with consumers. The Group will grow the direct sales/network marketing channel to promote and sell its online/digital products and also use our core strengths in content to move into digital content marketing so consumers could interact and access digital data as quickly and as conveniently as possible.

Another area for future growth is the digital learning sector which has the potential to revolutionise education. The Group is well prepared for the shift as we already have a content portfolio in place, as evidenced by our presence in the digital learning market via ePelangi.com, and are working actively to increase the content progressively.

The Group is also well prepared to support initiatives from Malaysia's Ministry of Education in digital education, as seen in the Group's recent successful bidding in Tingkatan 1 Mathematics digital textbook. The Group is well positioned to introduce these products to other ASEAN markets too, further strengthening the Group's business prospects in ASEAN.

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	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Income tax:				
Malaysian	(3,106)	(3,267)	(3,106)	(3,267)
Overseas	(176)	(4)	(176)	(4)
Deferred tax:				
Malaysian	1,904	1,802	1,904	1,802
Overseas	25	71	25	71
Total tax expenses	(1,353)	(1,398)	(1,353)	(1,398)

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 31.12.2018		
	Secured RM'000	**Unsecured RM'000**	**Total RM'000**
Short term	1,346	-	1,346
Long term	11,742	-	11,742
	13,088	-	13,088

23. Changes in material litigation

As at the date of this report, there are no litigations that have material effect to the Group.

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	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Net profit for the year (RM'000)	5,216	4,830	5,216	4,830
Weighted average number of ordinary shares in issue ('000)	96,598	96,598	96,598	96,598
Earnings per share (Sen)	5.40	5.00	5.40	5.00

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	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Net profit for the year (RM'000)	5,216	4,830	5,216	4,830
Weighted average number of ordinary shares in issue ('000	96,598	96,598	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)	96,598	96,993	96,598	96,993
Diluted earnings per share (Sen)	5.40	4.98	5.40	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	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
a) Interest income	(55)	(94)	(55)	(94)
b) Other income	(1,080)	(383)	(1,080)	(383)
c) Interest expense	160	162	160	162
d) Depreciation and amortisation	670	693	670	693
e) Provision for and write off receivables	410	30	410	30
f) Provision for and write off of inventories	1,113	1,654	1,113	1,654
g) (Gain)/loss on disposal of property, plant and equipmen	(33)	(264)	(33)	(264)
h) Loss/(gain) on foreign exchange	(423)	726	(423)	726
i) Reversal of impairment loss on receivables	(94)	(27)	(94)	(27)
j) Derivative gain	-	-	-	-
k) Exceptional items:				
- employee benefit expenses	-	(11)	-	(11)

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 28 February 2019.