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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019
(The figures have not been audited)

	CURRENT 3 months ended		YEAR TO DATE 9 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	14,902	13,743	60,217	60,928
Cost of sales	(10,117)	(8,442)	(36,243)	(37,421)
Gross profit	4,785	5,301	23,974	23,507
Other income	164	20	1,856	1,236
Administrative expenses	(2,997)	(2,541)	(9,467)	(8,854)
Selling expenses	(1,919)	(1,235)	(5,173)	(4,511)
Other expenses	(1,256)	(437)	(2,367)	(3,074)
Operating (loss)/profit	(1,223)	1,108	8,823	8,304
Finance costs	(148)	(166)	(460)	(492)
Share of (loss)/profit of equity-accounted associate	(24)	17	(69)	80
(Loss)/Profit before tax	(1,395)	959	8,294	7,892
Tax expenses	138	(243)	(2,059)	(1,874)
(Loss)/Profit for the period	**(1,257)**	**716**	**6,235**	**6,018**
Other comprehensive income:				
Item that will be reclassified subsequently to profit or loss				
Foreign currency translation	352	(210)	135	460
Total comprehensive (loss)/income for the period	(905)	506	6,370	6,478
Profit attributable to:				
Owners of the Company	**(1,341)**	**642**	**6,039**	**5,884**
Non-controlling interests	84	74	196	134
	(1,257)	716	6,235	6,018
Other comprehensive income attributable to:				
Owners of the Company	**(1,042)**	**451**	**6,114**	**6,336**
Non-controlling interests	137	55	256	142
	(905)	506	6,370	6,478
Earnings per share attributable to owners of the Company:				
Basic (Sen)	(1.39)	0.66	6.25	6.09
Diluted (Sen)	(1.39)	0.66	6.25	6.09

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 30 JUNE 2019
(The figures have not been audited)

	As at 30.06.2019 RM'000	As at 30.09.2018 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	55,228	54,901
Investment properties	4,762	4,762
Investment in associate	156	224
Other Investments	1,021	1,027
Intangible assets	38	96
Prepayments	3	4
Deferred tax assets	10,049	7,259
	71,257	68,273
Current assets		
Inventories	36,426	35,726
Trade receivables	24,271	14,809
Other receivables	1,468	1,540
Prepayment	3,059	1,872
Tax recoverable	540	2,049
Cash and bank balances	14,533	13,748
	80,297	69,744
TOTAL ASSETS	**151,554**	**138,017**
EQUITY AND LIABILITIES		
Current liabilities		
Short term borrowings	1,455	1,343
Trade Payables	4,983	4,955
Other Payables	26,504	19,709
Tax Payable	1,476	316
	34,418	26,323
Non current liabilities		
Long term borrowings	11,371	12,075
Employees' benefits	397	381
Deferred tax liabilities	2,843	2,595
	14,611	15,051
Total liabilities	49,029	41,374
Equity attributable to owners of the parent		
Share capital	50,025	50,025
Treasury shares	(1,508)	(1,508)
Foreign exchange reserve	1,619	1,544
Employee share option reserve	311	316
Retained earnings	51,125	45,569
	101,572	95,946
Non-controlling interests	953	697
Total equity	102,525	96,643
TOTAL EQUITY AND LIABILITIES	**151,554**	**138,017**
Net assets per share attributable to owners of the parent (RM)	1.0515	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 30 JUNE 2019
(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	-	-	75	-	6,039	6,114	256	6,370
Dividend	-	-	-	-	(483)	(483)	-	(483)
Employee share option forfeited	-	-	-	(5)	-	(5)	-	(5)
At 30 June 2019	50,025	(1,508)	1,619	311	51,125	101,572	953	102,525
							\	
At 1 October 2017	50,025	(1,508)	581	348	46,978	96,424	643	97,067
Total comprehensive income	-	-	452	-	5,884	6,336	142	6,478
Dividend	-	-	-	-	(1,932)	(1,932)	-	(1,932)
Employee share options granted	-	-	-	(35)	-	(35)	-	(35)
At 31 June 2018	50,025	(1,508)	1,033	313	50,930	100,793	785	101,578

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 30 JUNE 2019
(The figures have not been audited)

	9 months ended	
	30.06.2019	**30.06.2018**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before tax	8,294	7,892
Adjustments for non-cash items	4,936	5,305
Operating profit before working capital changes	13,230	13,197
Net change in current assets	(13,917)	(7,230)
Net change in current liabilities	6,839	(7,240)
Cash generated from/(used in) operating activities	6,152	(1,273)
Tax paid	(1,913)	(3,420)
Net cash from/(used in) operating activities	4,239	(4,693)
Cash flows from investing activities		
Acquisition of shares in subsidiary	(21)	-
Interest received	246	242
Proceeds from disposal of property, plant and equipment	10	367
Proceeds from termination investment	26	-
Purchase of property, plant and equipment	(2,164)	(2,265)
Net cash used in investing activities	(1,903)	(1,656)
Cash flows from financing activities		
Dividend paid on ordinary shares	(483)	(1,932)
Interest paid	(460)	(492)
Proceeds from finance leases financing	197	951
Repayment of obligation under finance leases	(125)	(323)
Repayment of term loans	(671)	(647)
Placement of fixed deposit with licensed bank	-	-
Net cash used in financing activities	(1,542)	(2,443)
Net increase/(decrease) in cash and cash equivalents	794	(8,792)
Effect of exchange rate changes	(9)	797
Cash and cash equivalents at beginning of year	13,248	20,068
Cash and cash equivalents at end of year	14,033	12,073

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

	9 months ended	
	RM'000	**RM'000**
Cash and bank balances	14,533	12,573
Less: Fixed deposits pledged with licensed banks	(500)	(500)
	14,033	12,073

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 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 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 except for the following :

Employees's Share Option Scheme ("ESOS")
As at 30 June 2019, a total of 66,000 employee share options lapsed.

8. Dividends

A single tier dividend of 0.50 sen per ordinary share on 96,597,500 ordinary shares of RM0.50 each amounting to RM482,988 in respect of the financial year ended 30 September 2018 was paid on 26 April 2019.

9. Segment information

	Quarter ended		Financial year ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Segment Revenue				
Revenue				
Publishing	15,447	12,533	58,515	54,945
Printing	2,552	2,361	7,972	8,269
Education	249	160	666	462
Others	2,365	2,825	4,042	4,361
Total revenue including inter segment sales	20,613	17,879	71,195	68,037
Elimination of inter-segment sales	(5,711)	(4,136)	(10,978)	(7,109)
Total revenue	14,902	13,743	60,217	60,928
Segment Results				
Publishing	(1,178)	855	8,474	7,172
Printing	(175)	(193)	(423)	155
Education	44	20	103	42
Others	86	426	669	935
Total operating profit	(1,223)	1,108	8,823	8,304

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 30 June 2019.

15. Significant related party transactions

The following are significant related party transactions:

	Quarter ended		Financial year ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Rental expense	19	19	57	57

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

16. Performance review (YTD Q3 2019 vs YTD Q3 2018)

Publishing Segment

Publishing Segment generated revenue of RM58.52 million for the current period ended 30 June 2019 if compared to RM54.95 million for the current comparative period ended 30 June 2018. Publishing Segment recorded operating profit of RM8.47 million in the current period compared to RM7.17 million in the comparative period, an increase of RM1.30 million.

The increase of revenue is mainly from the open market book sales especially school workbook and children book sales in Malaysia and Thailand, despite the lower textbook revenue from the Malaysian Ministry of Education.

Besides higher revenue, the segment's higher operating profit was also contributed by lower operating expenses related to textbook revenue and unrealised gain on foreign exchange of RM0.76 million as a result from the strengthening of Indonesian Rupiah and Thai Baht against Malaysia Ringgit.

Printing Segment

Printing Segment generated revenue of RM7.97 million for the current period ended 30 June 2019 as compared to RM8.27 million for the comparative period ended 30 June 2018. In response to lower demand in commercial print jobs, Comtech Marketing Sdn Bhd is currently undergoing organisational restructuring and reducing operational costs by relocating its printing plant. Relocation of printing plant has temporarily caused the delay in sales delivery and incurred extra costs in the short term. The Group expects the printing business to improve in coming months.

Education Segment

The Education Segment remains as a minor segment within the Group. This Segment generated revenue of RM0.67 million in the current period ended 30 June 2019, as compared to RM0.46 million in the comparative period ended 30 June 2018. The increase of revenue by RM0.21 million was mainly driven by the increase in number of students enrolling in the Group's childcare centre in Johor Bahru.

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 RM4.04 million in the current period as compared to RM4.36 million for the comparative period ended 30 June 2018 with a decrease of RM0.32 million.

17. Comparison of current quarter with preceding quarter results (Q3 2019 vs Q2 2019)

The Group reported loss before tax of RM1.40 million for the current quarter ended 30 June 2019 as compared to the profit before tax of RM3.19 million in the preceding quarter ended 31 March 2019. The net loss in this quarter includes an additional provision of doubtful debts of 0.97 million.

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 countries.

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	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Income tax:				
Malaysian	20	1,678	(4,022)	(1,959)
Overseas	(229)	(803)	(561)	(978)
Deferred tax:				
Malaysian	389	(1,119)	2,793	671
Overseas	(42)	1	(269)	392
Total tax expenses	138	(243)	(2,059)	(1,874)

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 30.06.2019		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short term	1,455	-	1,455
Long term	11,371	-	11,371
	12,826	-	12,826

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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Net profit for the year (RM'000)	(1,341)	642	6,039	5,884
Weighted average number of ordinary shares in issue ('000)	96,598	96,598	96,598	96,598
Earnings per share (Sen)	(1.39)	0.66	6.25	6.09

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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Net profit for the year (RM'000)	(1,341)	642	6,039	5,884
Weighted average number of ordinary shares in issue ('000)	96,598	96,598	96,598	96,598
Effect of dilution arising from ESOS ('000)	-	42	-	42
Weighted averge number of ordinary shares for diluted earnings per share ('000)	96,598	96,640	96,598	96,640
Diluted earnings per share (Sen)	(1.39)	0.66	6.25	6.09

No diluted earnings per share is presented as there are no potential dilutive ordinary shares for the current quarter.

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	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
a) Interest income	(123)	(70)	(246)	(242)
b) Other income	(41)	50	(1,610)	(994)
c) Interest expense	148	166	460	492
d) Depreciation and amortisation	700	701	2,007	2,089
e) Impairment loss/write off receivables	1,888	437	2,215	660
f) Provision for and write off of inventories	277	(785)	2,177	1,864
g) Loss/(gain) on disposal of property, plant and equipment	26	(4)	3	(366)
h) (Gain)/loss on foreign exchange	(314)	(125)	(761)	1,542
i) Reversal of impairment loss/recovered on receivables	(132)	(173)	(989)	(639)
j) Exceptional items:				
- employee benefit expenses	-	(7)	-	(35)

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 29 August 2019.