PELANGI PUBLISHING GROUP BHD
Company No. 200201025986 (593649-H)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2020
(The figures have not been audited)

	CURRENT 3 months ended		YEAR TO DATE 6 months ended	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	21,985	17,885	42,208	45,315
Cost of sales	(14,646)	(9,800)	(26,038)	(26,126)
Gross profit	7,339	8,085	16,170	19,189
Other income	50	489	245	1,475
Net of allowance for expected credit lossed on financial assets	491	83	1,028	(232)
Administrative expenses	(4,467)	(3,286)	(7,808)	(6,470)
Selling expenses	(1,641)	(1,491)	(3,188)	(2,927)
Other expenses	(589)	(589)	(1,129)	(1,112)
Operating profit	1,183	3,291	5,318	9,923
Finance costs	(130)	(153)	(269)	(312)
Finance income	-	68	92	123
Share of profit/(loss) of equity-accounted associate	58	(21)	(7)	(45)
Profit before tax	1,111	3,185	5,134	9,689
Tax expenses	(435)	(844)	(1,709)	(2,197)
Profit for the period	**676**	**2,341**	**3,425**	**7,492**
Other comprehensive income:				
Item that will be reclassified subsequently to profit or loss				
Foreign currency translation	612	161	592	(218)
Total comprehensive income for the period	1,288	2,502	4,017	7,274
Profit attributable to:				
Owners of the Company	**601**	**2,164**	**3,275**	**7,380**
Non-controlling interests	75	177	150	112
	676	2,341	3,425	7,492
Other comprehensive income attributable to:				
Owners of the Company	**1,265**	**2,311**	**3,854**	**7,156**
Non-controlling interests	23	191	163	118
	1,288	2,502	4,017	7,274
Earnings per share attributable to owners of the Company:				
Basic (Sen)	0.62	2.24	3.39	7.64

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 September 2019 and the accompanying notes attached to the Interim Financial Statements.

PELANGI PUBLISHING GROUP BHD
Company No. 200201025986 (593649-H)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020
(The figures have not been audited)

	As at 31.03.2020 RM'000	As at 30.09.2019 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	53,920	55,066
Investment properties	4,762	4,762
Investment in associate	145	155
Other investments	1,001	1,001
Intangible assets	-	3
Deferred tax assets	10,346	8,763
	70,174	69,750
Current assets		
Inventories	34,284	38,203
Trade receivables	27,091	16,533
Other receivables	1,128	1,284
Prepayment	2,305	1,839
Tax recoverable	601	2,061
Short-term investment	3,596	2,108
Cash and bank balances	11,652	9,816
	80,657	71,844
TOTAL ASSETS	**150,831**	**141,594**
EQUITY AND LIABILITIES		
Current liabilities		
Short-term borrowings	1,372	1,406
Trade payables	5,863	5,580
Other payables	26,166	21,915
Tax payable	1,565	288
	34,966	29,189
Non-current liabilities		
Long-term borrowings	10,411	11,044
Employees' benefits	456	491
Deferred tax liabilities	2,851	2,727
	13,718	14,262
Total liabilities	48,684	43,451
Equity attributable to owners of the parent		
Share capital	50,025	50,025
Treasury shares	(1,508)	(1,508)
Foreign exchange reserve	2,167	1,588
Employee share option reserve	292	303
Retained earnings	50,065	46,792
	101,041	97,200
Non-controlling interests	1,106	943
Total equity	102,147	98,143
TOTAL EQUITY AND LIABILITIES	**150,831**	**141,594**
Net assets per share attributable to owners of the parent (RM)	1.0460	1.0062

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 30 September 2019 and the accompanying explanatory notes to the Interim Financial Statements.

PELANGI PUBLISHING GROUP BHD
Company No. 200201025986 (593649-H)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 2020
(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 2019	50,025	(1,508)	1,588	303	46,792	97,200	943	98,143
Effects of MFRS 16	-	-	-	-	(2)	(2)	-	(2)
Total comprehensive income	-	-	579	-	3,275	3,854	163	4,017
Employee share option forfeited	-	-	-	(11)	-	(11)	-	(11)
At 31 March 2020	50,025	(1,508)	2,167	292	50,065	101,041	1,106	102,147
At 1 October 2018	50,025	(1,508)	1,544	316	45,569	95,946	697	96,643
Total comprehensive income	-	-	(224)	-	7,380	7,156	118	7,274
Employee share options granted	-	-	-	(1)	-	(1)	-	(1)
At 31 March 2019	50,025	(1,508)	1,320	315	52,949	103,101	815	103,916

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 2019 and the Notes to the Interim Financial Statements.

PELANGI PUBLISHING GROUP BHD
Company No. 200201025986 (593649-H)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 MARCH 2020
(The figures have not been audited)

	6 months ended	
	31.03.2020 RM'000	31.03.2019 RM'000
Cash flows from operating activities		
Profit before tax	5,134	9,689
Adjustments for :-		
Adjustments for non-cash items	5,623	2,443
Operating profit before working capital changes	10,757	12,132
Net change in current assets	(10,334)	(13,213)
Net change in current liabilities	4,499	5,585
Cash generated from operating activities	4,922	4,504
Tax paid	(500)	(1,325)
Net cash from operating activities	4,422	3,179
Cash flows from investing activities		
Acquisition of shares in subsidiary	-	(21)
Interest received	70	123
Proceeds from disposal of property, plant and equipment	1	36
Proceeds from termination investment	-	26
Purchase of property, plant and equipment	(464)	(645)
Placement of investment	(1,488)	-
Net cash used in investing activities	(1,881)	(481)
Cash flows from financing activities		
Interest paid	(269)	(312)
Proceeds from finance leases financing	-	188
Repayment of obligation under finance leases	(281)	(230)
Repayment of term loans	(471)	(443)
Repayment of lease liabilities	(587)	-
Net cash used in financing activities	(1,608)	(797)
Net increase in cash and cash equivalents	933	1,901
Effect of exchange rate changes	903	(260)
Cash and cash equivalents at beginning of year	9,316	13,248
Cash and cash equivalents at end of year	11,152	14,889

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

	6 months ended	
	31.03.2020 RM'000	31.03.2019 RM'000
Cash and bank balances	11,652	15,389
Less: Fixed deposits pledged with licensed banks	(500)	(500)
	11,152	14,889

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 30 September 2019 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 2019. 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 2019.

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 2019. 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 2019.

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

MFRS 16 Leases
MFRS 16 supercedes MFRS 117 Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 will affect primarily the accounting by lessees and requires a lessee to recognise assets and liabilities for all leases on the statement of financial position with an optional exemption for short term and low-value leases.

The statement of profit and loss and other comprehensive income will be affected as rental expenses will be replaced by interest expense and depreciation. The principal portion of the lease liability are classified within financing activities and only part of the payments that reflects interest expense can continue to be presented as operating cash flows in the statement of cash flow.

The Group has applied the modified retrospective approach with no restatement of comparative, under which the cumulative effect of initial recognition is recognised in retained earnings.

The effect arising from the initial application on the statement of financial position of the Group are as follow:

	Increase/(Decrease)
Asset	RM
Property, plant and equipment (Right-of-use assets)	162,663
Liability	
Short-term borrowings (Lease liabilities)	(164,664)
Net impact on equity	(2,001)

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:

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 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 2019 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 2019 to December 2019) before school term reopened in January 2020. 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 March 2020, a total of 164,000 employee share options lapsed.

8. Dividends

There was no dividend being paid, proposed or declared during the quarter under review.

9. Segment information

	Quarter ended		Financial year ended	
	31.03.2020 RM'000	**31.03.2019 RM'000**	**31.03.2020 RM'000**	**31.03.2019 RM'000**
Segment Revenue				
Revenue				
Publishing	21,443	17,169	40,062	43,068
Printing	2,282	2,483	5,774	5,420
Education	152	236	358	417
Others	873	762	1,653	1,677
Total revenue including inter segment sales	24,750	20,650	47,847	50,582
Elimination of inter-segment sales	(2,765)	(2,765)	(5,639)	(5,267)
Total revenue	21,985	17,885	42,208	45,315
Segment Results				
Publishing	974	3,412	4,670	9,572
Printing	(130)	(310)	113	(276)
Education	(10)	22	27	59
Others	371	167	530	568
Total operating profit	1,205	3,291	5,340	9,923

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

The Malaysia government imposed the Movement Control Order (MCO) from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order (CMCO) from 4 May 2020 to 9 June 2020. In Thailand, the partial lockdown was from 26 March to 16 May and second phase partial lockdown from 17 May onwards. In Indonesia, the partial lockdown (PSBB) was from 10 April to 24 May. The Group revenue and operation are affected from 19 March onwards. As of the date of this report, the Group has identified major fixed and variable costs and several cost reduction measures have been taken.

There were no material events subsequent to the end of the current financial quarter other than the above mentioned.

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 March 2020.

15. Significant related party transactions

The following are significant related party transactions:

	Quarter ended		Financial year ended	
	31.03.2020 RM'000	**31.03.2019 RM'000**	**31.03.2020 RM'000**	**31.03.2019 RM'000**
Rental expense	19	19	38	38

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

16. Performance review (YTD Q2 2020 vs YTD Q2 2019)

Publishing Segment

Publishing Segment generated revenue of RM40.06 million for the current period ended 31 March 2020, as compared to RM43.07 million for the comparative period ended 31 March 2019. Publishing Segment recorded operating profit of RM4.67 million in the current period, as compared to RM9.57 million in the comparative period, a decrease of RM4.90 million.

Challenging business environment has led to weaker revenue contribution from school workbook-related sales in Malaysia and Indonesia, while revenue increase of RM2.10 million contributed by Pelangi Publishing Thailand reduced the impact of revenue decrease in other Publishing subsidiaries this quarter.

The segment's lower operating profit was mainly as a result of lesser revenue contribution from Malaysia textbook tenders and school workbook-related sales. Besides, lower operating profit was contributed by unrealised loss on foreign exchange of RM1.49 million recorded in Pelangi Publishing Indonesia, as a result from the strengthening of Malaysia Ringgit against Indonesian Rupiah.

Printing Segment

Printing Segment generated revenue of RM5.77 million for the current period ended 31 March 2020 as compared to RM5.42 million for the comparative period ended 31 March 2019, an increase of RM0.35 million. Besides better revenue performance, this segment has incurred lesser costs this current period, as compared to last year, as Comtech Marketing underwent major organisation restructuring and printing plant relocation

As a result, this segment recorded higher operating profit this quarter, improved from RM0.28 million loss to RM0.11 million gain.

Education Segment

The Education Segment generated revenue of RM0.36 million in the current period ended 31 March 2020, as compared to RM0.42 million in the comparative period ended 31 March 2019. The decrease of revenue by RM0.06 million was contributed by the loss of course fee revenue after we discontinue our Claz'room animation courses in Johor Bahru, after our contract with Claz'room Academy ended in December 2019.

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 RM1.65 million in the current period as compared to RM1.68 million for the comparative period ended 31 March 2019 with a decrease of RM0.03 million.

The Other Segment includes rental and other investment income.

17. Comparison of current quarter with preceding quarter results (Q2 2020 vs Q1 2020)

The Group reported profit before tax of RM1.11 million for the current quarter ended 31 March 2020 as compared to the profit before tax of RM4.02 million in the preceding quarter ended 31 December 2019. 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

Education remains the Group's key development area in the long run. In the face of the Covid-19 pandemic, with public health being placed as the utmost priority, retail businesses are operating under strict rules and schools remain shut for an unforeseeable timeline. Public examinations, such as Ujian Pencapaian Sekolah Rendah (UPSR) and Pentaksiran Tingkatan Tiga (PT3) in Malaysia, have been canceled this year. As countries begin to restart economies, cautious consumer spending and social distancing are expected to continue for the coming months, and new normal consumer behavior might change lifestyles and modus operandi thereafter. Pelangi Publishing Group strives to be ready for this change.

During lockdowns or movement control order, classes were moved from physical classrooms to online classrooms, with the use of readily available online platforms. Parents were forced to adapt, as they have to equip their children with electronic devices and Internet connection, and have to get more involved in their children's daily learning. This pandemic presented to the world an opportunity to experiment digital education at homes. The Group was deeply involved in this entire experiment, as our education subsidiary conducted classes over online meeting platforms and our publishing subsidiaries offered digital solutions to students, parents and teachers. Our partnership with FrogAsia and YTL Communications has also helped us reach more students during this period.

Blended learning with both physical and digital materials will emerge as the preferred classroom learning method in the foreseeable future, providing children with an all rounded learning experience. We recognize the growing importance of remote learning, and we aim to help teachers and parents educate their children effectively under this challenging environment. The Group not only plans to provide educational content in various digital formats, but also provide trainings to our educators in delivering digital content effectively. We will closely monitor the latest market direction and will ensure customer experience is well taken care during this adaptation process.

Retail sales historically contributed a significant portion of the Group's total revenue. Low footfall into retail stores will negatively impact the Group's revenue in coming months, while the pandemic has sped up the Group's development in digital marketing and involvement in online stores, through our own online bookstore Pelangibooks.com. More attention will also be placed in developing potential sales channels such as convenient stores, hypermarkets and neighborhood chain stores, on top of the online sales channels.

Leveraging on the Group's strong content bank, experienced editorial teams and household brand name, the Group will adapt to market needs in rolling out suitable products, that are also affordable and practical for education purpose at the same time. Digital learning products will become the Group's focal point in product development in coming months.

Adapting into the new market environment during this current down cycle, changes in business models and organization restructuring will become inevitable. The Group believes our organization agility in adapting to changes, coupled with cost control measurements, will help the Group continue to grow as the preferred education service provider in ASEAN in the long run.

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	
	31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Income tax:				
Malaysian	(542)	(936)	(2,765)	(4,042)
Overseas	(472)	(156)	(472)	(332)
Deferred tax:				
Malaysian	574	500	1,676	2,404
Overseas	5	(252)	(148)	(227)
Total tax expenses	(435)	(844)	(1,709)	(2,197)

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 31.03.2020		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short term	1,372	-	1,372
Long term	10,411	-	10,411
	11,783	-	11,783

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	
	31.03.2020	**31.03.2019**	**31.03.2020**	**31.03.2019**
Net profit for the year (RM'000)	601	2,164	3,275	7,380
Weighted average number of ordinary shares in issue ('000)	96,598	96,598	96,598	96,598
Earnings per share (Sen)	0.62	2.24	3.39	7.64

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	
	31.03.2020 RM'000	**31.03.2019 RM'000**	**31.03.2020 RM'000**	**31.03.2019 RM'000**
a) Interest income	-	(68)	(92)	(123)
b) Other income	(50)	(489)	(245)	(1,475)
c) Interest expense	130	153	269	312
d) Depreciation and amortisation	621	637	1,351	1,307
e) Provision for and write off receivables	60	16	364	425
f) Provision for and write off of inventories	860	787	2,631	1,900
g) (Gain)/loss on disposal of property, plant and equipment	(13)	10	(13)	(23)
h) Loss/(Gain) on foreign exchange	1,864	(24)	1,780	(447)
i) Reversal of impairment loss on receivables	(551)	(99)	(1,392)	(193)

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 May 2020.