2013 Annual Report

Pelangi Publishing Group Bhd.
(593649-H)

(Incorporated in Malaysia)

Contents

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of PELANGI PUBLISHING GROUP BHD. will be held at Palm Resort Berhad, Melati Hall, Jalan Persiaran Golf, Off Jalan Jumbo, 81250 Senai, Johor on Friday, 21 March 2014 at 11.00 a.m to transact the following businesses:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 September 2013 together with the Directors' and Auditors' Reports thereon. — PLEASE REFER TO NOTE 1
2. To approve the payment of a single tier final dividend of 4% for the financial year ended 30 September 2013. — RESOLUTION 1
3. To approve the payment of Directors' fees for the financial year ended 30 September 2013. — RESOLUTION 2
4. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:
   a) Mr Vincent Wong Soon Choy – Article 123 — RESOLUTION 3
   b) Mr Sum Kown Cheek – Article 123 — RESOLUTION 4
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. — RESOLUTION 5

SPECIAL BUSINESS

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

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

"**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

ORDINARY RESOLUTION 2
CONTINUATION OF TERMS OF OFFICE AS INDEPENDENT DIRECTOR — RESOLUTION 7

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

ORDINARY RESOLUTION 3
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed RSM") — RESOLUTION 8

"**THAT** approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties mentioned under section 2.1.2 of the Circular to Shareholders dated 25 February 2014 which are necessary in the course of business of the Company and/or its subsidiaries for day-to-day operations and on normal commercial terms which are not more favorable to the related parties than those available to the public and not detrimental to the minority shareholders of the Company and such approval shall continue to be in force until:-

(a) the conclusion of the next AGM of the Company following the forthcoming AGM at which such Proposed Renewal of The Existing Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature was passed, at which time will lapse, unless by ordinary resolution passed at an AGM whereby the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965, ("Act") (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier.

7. To transact any other business appropriate to an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT
SINGLE TIER FINAL DIVIDEND OF 4%

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Twelfth Annual General Meeting, the single tier Final Dividend of 4% in respect of the financial year ended 30 September 2013 will be payable on 30 April 2014 to Depositors registered in the Record of Depositors at the close of business on 11 April 2014.

A Depositor shall qualify for entitlement only in respect of: -

a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 11 April 2014 in respect of transfer; and
b) Securities bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

CHIN NGEOK MUI (MAICSA NO. 7003178)
LEONG SIEW FOONG (MAICSA NO. 7007572)
HUAN CHUAN SEN @ AH LOY (MACS 01519)
Company Secretaries

Johor Bahru
25 February 2014

NOTES:

1. This Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.

   a. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and if he is not a Member of the Company, Section 149(1)(b) of the Companies Act, 1965 shall not be applicable. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to speak at the meeting.
   b. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

c. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where a member is an authorised nominee as defined under SICDA, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
d. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its officer or attorney.
e. The instrument appointing the proxy must be deposited at the Company's Registered Office situated at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia not less than forty-eight hours before the time appointed for holding the Meeting and any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

I. Ordinary Resolution 1

The Ordinary Resolution 1, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This is a renewal of a general mandate. The Company did not utilise the mandate granted in the preceding year's Annual General Meeting.

The authority will, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting.

The authority will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limiting to further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

II. Ordinary Resolution 2

Syahriza binti Senan is an Independent Director of the Company who has served the Company for more than nine years.

In line with the Malaysian Code on Corporate Governance 2012, the Nomination Committee has assessed her independence as defined in Bursa Securities Listing Requirements which has not been compromised all these while. In fact, she exercises her judgment in an independent and unfettered manner, discharge her duties with reasonable care, skill and diligent; bringing independent thought and experience to board deliberations and decision making process all these while which is valuable to the Company. To that, the Board recommends Syahriza binti Senan to continue her office as an Independent Director according to the resolution put forth in the forthcoming Annual General Meeting.

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

III. Ordinary Resolution 3

The Proposed RSM under Ordinary Resolution 3 was intended to renew the shareholders' mandate granted by the shareholders of the Company at an Annual General Meeting of the Company held on 22 March 2013.

The Proposed RSM is to facilitate transactions in the normal course of business of the Company and its subsidiaries ("the Group") which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

By obtaining the shareholders' mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

Further information on Proposed RSM is set out in the Circular to Shareholders of the Company which is dispatched together with the Annual Report of the Company for the financial year ended 30 September 2013.

CORPORATE INFORMATION

BOARD OF DIRECTORS

SUM KOWN CHEEK
(Executive Chairman and Managing Director)
LEE KHENG HON
(Executive Director)
TEH HUI GUAN
(Executive Director)
VINCENT WONG SOON CHOY
(Independent Non-Executive Director)
SAM YUEN @ SAM CHIN YAN
(Non-Independent Non-Executive Director)
SYAHRIZA BINTI SENAN
(Independent Non-Executive Director)

AUDIT COMMITTEE

VINCENT WONG SOON CHOY
Chairman
SYAHRIZA BINTI SENAN
Member
SAM YUEN @ SAM CHIN YAN
Member

NOMINATION COMMITTEE

VINCENT WONG SOON CHOY
Chairman
SYAHRIZA BINTI SENAN
Member

REMUNERATION COMMITTEE

VINCENT WONG SOON CHOY
Chairman
SYAHRIZA BINTI SENAN
Member
SUM KOWN CHEEK
Member

SECRETARIES

CHIN NGEOK MUI
LEONG SIEW FOONG
HUAN CHUAN SEN @ AH LOY

AUDITORS

ERNST & YOUNG
Chartered Accountants

REGISTERED OFFICE

SUITE 6.1A, LEVEL 6, MENARA PELANGI,
JALAN KUNING,TAMAN PELANGI,
80400 JOHOR BAHRU, JOHOR.
TEL: 07-332 3536
FAX: 07-332 4536

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN. BHD.
(COMPANY NO: 378993-D)
LEVEL 6, SYMPHONY HOUSE,
PUSAT DAGANGAN DANA,
1, JALAN PJU 1A/46,
47301 PETALING JAYA, SELANGOR.
TEL: 03-7481 8000
FAX: 03-7481 8008

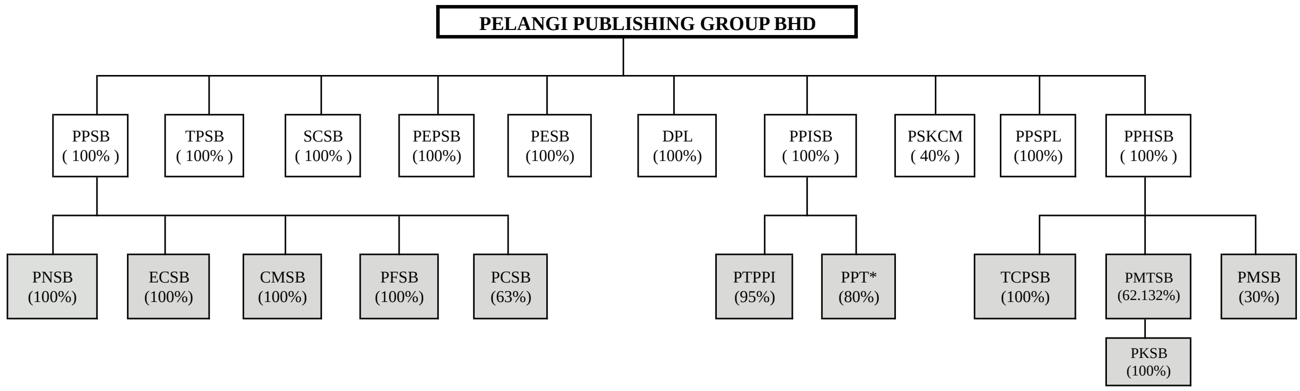
PRINCIPAL BANKERS

PUBLIC BANK BERHAD
MALAYAN BANKING BERHAD

STOCK EXCHANGE

MAIN MARKET OF THE
BURSA MALAYSIA SECURITIES BERHAD
Bursa Stock Code: 7190
WEB SITE: http://ppg.pelangibooks.com

CORPORATE STRUCTURE



Abbreviations

PPSB – Penerbitan Pelangi Sdn Bhd (89120-H)

TPSB – Tunas Pelangi Sdn Bhd (105652-A)

SCSB – Sutera Ceria Sdn Bhd (499589-M)

PEPSB – Pelangi ePublishing Sdn. Bhd. (939787-V)

PESB – Pelangi Education Sdn Bhd (458162-U)

DPL – Dickens Publishing Ltd. (7033325)

PPISB – Pelangi Publishing International Sdn Bhd (517605-P)

PSKCM – Pelangi Smart Kids Culture Media Pte. Ltd., Hebei (1300760346725)

PPSPL – Pelangi Publishing Singapore Pte. Ltd. (201112597C)

PPHSB – Pelangi Publishing Holdings Sdn Bhd (493518-H)

PNSB – Pelangi Novel Sdn. Bhd. (Formerly known as Pelangi Pictures Sdn Bhd) (379269-A)

ECSB – Elite Corridor Sdn Bhd (431111-V)

CMSB – Comtech Marketing Sdn Bhd (104669-W)

PFSB – Pelangi Formpress Sdn Bhd (172005-U)

PCSB – Pelangi Comics Sdn Bhd (838313-U)

PTPPI – PT Penerbitan Pelangi Indonesia (02.379.621.2-035.000)

PPT – Pelangi Publishing (Thailand) Co. Ltd (0108454722327)

TCPSB – The Commercial Press, Sdn. Berhad (2390-V)

PMTSB – Pelangi Multimedia Technologies Sdn Bhd (585971-M)

PMSB – Pelangi Multimedia Sdn Bhd (345998-T)

PKSB – Pelangi Kids Sdn. Bhd. (692155-U

Remark
* Percentage calculated based on Ordinary Shares Issued.

CHAIRMAN'S STATEMENT

Dear Shareholders,
It gives me great pleasure to present on behalf of the Board of Directors, the Annual Report and performance of Pelangi Publishing Group Bhd ("PPG") for the financial year ended 30 September 2013 (FY2013)

Financial Information
I would like to thank all our staff for yet another successful year. In the financial year ended 2013, we are pleased to announce that PPG achieved gross profit margin of 36.5%, as compared to last year's 36.0%. Net profit in 2013 rose to RM6.6 million compared to RM4.5 million in 2012. This was achievable due to:

1. Better management on recovery of long outstanding debts above 180 days of which the net effect in both years is RM3.4 million.
2. Foreign exchange gains from operations of RM437,000 in the current financial year.

Strong Growth in International Market
Our international expansion continues to grow year by year.

1. Pelangi Publishing (Thailand) Co. Ltd generated RM5.8 million in 2013 compared to RM3.9 million in 2012 (48% growth).
2. PT Penerbitan Pelangi Indonesia had recorded 8.4% increase in revenue in 2013 as compared to 2012.

Innovation
In a world that is becoming increasingly digital, PPG's strategy is gearing towards digital content and products. To celebrate the success of our transformation, we are proud to have introduced several activities to remain as Malaysia's key publisher.

We have launched QLearning, which allows our customers to access to variety of reference books via QR code. On top of that, we are looking to launch StudyFun in January 2014, an interactive and collaborative learning system with the usage of Smart Pens in the classroom setting.

We are also delighted to be launching a new local movie entitled "MoKissU" 黑斑吻 on 20th March 2014. Apart from the above, our E-Commerce platform, Pelangibooks.com is garnering increasing revenue and overwhelming response among our consumers.

Corporate Governance
In the management of our business, we are guided by the commitment to maintain the public trust given by all stakeholders to ensure the prevalence of a sound governance of policies, practices and internal controls.

The Board Charter and Code of Conduct of the Group is now available for the public's view in our corporate website.

Corporate Responsibility
PPG has always been constantly reminded of our responsibility towards the community. During the FY2013, the Group has undertaken several initiatives:

1. "Seeing is Believing" programme, in collaboration with Standard Chartered Bank, donates children reading materials and converts these into audio materials for blind children, in conjunction with World Sight Day.
2. Set up library for firefighters and family members of Bomba Tentera Darat Kem Mampaga Bentong.
3. Book donation under Pre-School Development Project to 10 long houses for Kuching Ministers Fellowship (KMF).
4. Organizing field trips for school children to PPG's factory in Bangi, Selangor and also visiting schools as part of our educational tour.
5. Monetary donations made to charitable organizations.

Delivering Value to the shareholders
Given our profitable results and availability of cash resources, the Directors extends the tradition to recommend a single tier final dividend of 4% (2 sen) per ordinary share of RM0.50 each amounting to RM1,934,578 in respect of the FY2013. The proposed dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. The consistent dividend payout reflects the Board's confidence in the Group's future performance and is in line with the objective to optimise the Group's capital structure and reward shareholders' loyalty.

Outlook and Prospects

This year shows a slow recovery in the Regional and Malaysian consumer market. Following the introduction of the less exam-oriented KSSR (Kurikulum Standard Sekolah Rendah) education syllabus in Malaysia, the Group anticipates better reading culture amongst Malaysian children, and in turn higher sales volume of our reading materials. The Group will continue to look for opportunities, to maintain its competitive advantage in Malaysia, and also to continuously penetrate the International markets. The Group will also be looking to move forward with more digital products as we believe they will be able to provide us with the opportunity to further enhance potential growth.

Acknowledgements

Once again, I wish to thank my colleagues in the Board for their ever growing support and counselling in guiding the management through another glorious year. My sincere gratitude and appreciation to our customers and partners for their continued trust and commitment to work with us; to our staff for their professionalism, loyalty and dedication to ensure that we are still relevant in the market and grow our business. And last but not least, to our shareholders for their generous support. We hope to deliver better successes and improve further in 2014.

Thank you.

Sum Kown Cheek
Executive Chairman and Group Managing Director

DIRECTORS' PROFILE

SUM KOWN CHEEK
Executive Chairman and Group Managing Director

Sum Kown Cheek, aged 61, Malaysian, was appointed as the Executive Chairman and Managing Director of the Company on 19 December 2003. He is a member of the Remuneration Committee.

Mr. Sum graduated from Universiti Sains Malaysia in 1978 and entered the teaching profession in the same year. In 1993, he left the teaching profession to join Penerbitan Pelangi Sdn Bhd as the Managing Director. Under his guidance, he spearheaded the Company to achieve rapid growth by securing local school textbook projects, expanding its product range by entering into children's books via securing Walt Disney licensee which subsequently placed Penerbitan Pelangi Sdn Bhd into the international publishing map. The Company has been awarded with strings of prestigious Awards including Enterprise 50 Award, SMI Recognition Award, Superbrands Status Award, Golden Bull Award, Anugerah Buku Negara (National Book Award) and The BrandLaureate Bestbrands Awards 2012. His regular participation in overseas book fairs and conferences equipped him with fresh ideas that were constantly being injected into publication of quality books. An entrepreneur with more than twenty (20) years of publishing experience, he has brought the Group to its present success and oversees all aspects of the Group's operation. He is also an Exco Member of the Malaysian Book Publishers Association (MABOPA) since 2011 and has represented the MABOPA to attend the Asia Pacific Publishers Association (APPA) 2012 Annual General Meeting in Sri Lanka and ASEAN Book Publishers Association meeting on 2012 organized by Singapore Book Publishers Association (SBPA) during the Singapore Publishing Symposium and Writers Festival.

He has no directorship in other public listed companies. His spouse Mdm Lai Swee Chiung, is a substantial shareholder of the Company. His elder brother, Mr. Sam Yuen @ Sam Chin Yan, is a Director and substantial shareholder of PPG. Please refer to page 102 of this Annual Report for his securities holding.

LEE KHENG HON
Executive Director

Lee Kheng Hon, aged 69, Malaysian, was appointed as the Executive Director of the Company on 19 December 2003.

Mr. Lee obtained his teaching qualification from the Regional Teacher Training Centre in 1966. He taught at the Petaling Garden Girls School, Selangor in 1967 before moving to teach at Maktab Sultan Abu Bakar, Johor Bahru (formerly known as English College) in 1973. He joined Penerbitan Pelangi Sdn Bhd in 1995 as the Personnel Manager. He is currently overseeing the printing operation of CMSB. He has no directorship in other public listed companies. Please refer to page 102 of this Annual Report for his securities holding.

VINCENT WONG SOON CHOY
Independent Non-Executive Director

Vincent Wong Soon Choy, aged 45, Malaysian, was appointed as an Alternate Director to Winston Paul Wong Chi-Huang of the Company on 10 January 2009. Subsequently, he became Independent Non-Executive Director on 1 January 2011. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

He obtained a Bachelor of Commerce Degree majoring in Accountancy and minor in Internal Audit from Flinders University of South Australia, Adelaide, Australia. He is also a Member of Malaysian Institute of Accountants (MIA) and a member of CPA Australia. He was the Head of Operations in Hwang-DBS Securities Bhd, Group Accountant for a public listed company Kia Lim Berhad, Accountant for Peninsula Securites Sdn Bhd and auditor with Ernst & Young. He has 16 years of working experience with exposures to corporate finance, auditing, compliance, tax planning, group accounts, corporate governance, corporate planning and restructuring. He is currently an Independent Non-Executive Director of Plastrade Technology Berhad, a company listed on the ACE Market of Bursa Securities. Please refer to page 102 of this Annual Report for his securities holding.

SAM YUEN @ SAM CHIN YAN
Non-Indepent Non-Executive Director

Sam Yuen @ Sam Chin Yan, aged 63, Malaysian, was appointed as Non-Independent Non-Executive Director of the Company on 14 January 2008. He is a member of the Audit Committee.

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

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

He is the elder brother of Mr Sum Kown Cheek, the Executive Chairman and Managing Director of the Company. Please refer to page 102 of this Annual Report for his securities holding.

SYAHRIZA BINTI SENAN
Independent Non-Executive Director

Syahriza Binti Senan, aged 36, Malaysian, was appointed as an Independent Non-Executive Director of the Company on 19 December 2003. She is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Cik Syahriza graduated from Monash University, in Melbourne, Australia. She holds a CPA-MBA and a Bachelor of Business (Accounting). She is also a member of Certified Practising Accountants (CPA) of CPA Australia.

Prior to joining Great Eastern Takaful, Syahriza was attached to Prudential, American International Assurance, Malaysia Mining Corporation and a local audit firm, Khairuddin, Hasyudeen & Razi (KHR). She has fourteen years of working experience with exposures to internal audit, risk management, finance, compliance as well as corporate planning and restructuring. She has no directorship in other public listed companies. Please refer to page 102 of this Annual Report for her securities holding.

TEH HUI GUAN
Executive Director

Teh Hui Guan, aged 50, Malaysian, was appointed as an Executive Director of the Company on 1 February 2012.

Upon completing his studies in 1980, Mr Teh assisted in the management of his family's business which is involved in trading of sundry products. Mr Teh became involved in the processed paper business when he was subsequently engaged as a sales executive in Springfield Corp. Sdn. Bhd., a paper trading company from 1987 to 1992. He subsequently founded Top Win Enterprise which is also involved in paper trading. Subsequently, in 1994, together with Wang-Zheng Corporation, Mr Teh founded New Top Win Corporation Sdn. Bhd. With his extensive experience in the processed paper business, Mr Teh is the primary force in the transformation of New Top Win Corporation Sdn. Bhd, from a small paper trading company to become one of the top five (5) paper importers, converters and distributors in Malaysia.

He does not have any directorship in other public company, family relationship with any directors and/or major shareholder of the Company and has no conflict of interest with the Company. Please refer to page 102 of this Annual Report for his securities holding.

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

POLICY ON CORPORATE GOVERNANCE OF PELANGI PUBLISHING GROUP BHD

The Board of Directors ("the Board") of Pelangi Publishing Group Bhd ("PPG") remains committed to ensure that the highest standards of corporate governance are practised throughout PPG and its subsidiary companies ("the Group"). It continues to be fully accountable to the shareholders and stakeholders, and will be bound to continually enhance the level of corporate governance in the management of the Group's business, its financial performance for the achievement of business profitability, preservation of long term shareholder value and the protection of shareholders' interests, without failing to take into account the interests of other stakeholders.

Notwithstanding the Group's structure, policies, procedures and practices that are set, PPG is still open to be reviewed for enhancement and improvement. The ultimate aim of the Board is to secure all principles and objectives to ensure transparency of management to parties who have interest in the Group.

The Board also maintains a strong leadership in the organisation to ensure efficiency, integrity, honesty and responsibility for the ethical management of the Group and the maintenance of good corporate values.

PRINCIPLE STATEMENT

The Board is pleased to report to the shareholders that the Group has applied the Principles of Corporate Governance and Best Practices contained in the Malaysian Code on Corporate Governance. The manner and extent of compliance are stated as follows:-

SECTION 1: THE BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board consists of six (6) members comprising one (1) Executive Chairman, two (2) Executive Directors, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

PPG is in compliance with the Main Market Listing Requirements of Bursa Securities which require that at least two (2) directors or one-third (1/3) of the total number of Directors, whichever is higher, to be Independent Directors. PPG also complies with the gender requirement in Recommendation 2.2 of the Code as Syahriza binti Senan is the female Independent Director.

The Company recognises the contribution of Non-Executive Directors as equal Board members to the development of the Group's strategy as well as their role in representing the interests of public shareholders and providing a balanced and independent view to the Board. No individual or group of individuals dominates the Board's decision making and the number of directors reflects fairly the interest of the shareholders. The profile of the Board members is set out on pages 8 to 9 of the Annual Report.

Board Balance and Board Effectiveness

All Board members are individuals of calibre and credibility. The composition of the Board not only reflects the broad range of experience, skills and knowledge required to successfully direct and supervise the Group's business activities, but also the importance of independence in decision-making at the Board level.

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

The Nomination Committee constantly reviews the core competencies and experience of the Directors in order to enhance the Directors' participation in the Board to suit the ever-changing standards of corporate governance.

Supply of Information

The Directors are provided with an agenda and a compilation of Board papers prior to the due date of each Board Meeting.

At every Board Meeting and at any time at all, members of the senior management make themselves available to brief the Board on any specific matter essentially to assist the Directors in undertaking their duties for the Group.

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

The Board has the liberty to seek external independent professional advice if so required.

Board Meetings

The Board met five (5) times during the financial year 2013 during where it reviewed and approved various issues including the quarterly financial results of the Group for announcement to Bursa Securities, corporate announcements of the Group's business plan and strategy, and also the performance of the Group. The Board also reviewed the adequacy of the Group's internal control system.

Additional Board Meetings are held as and when required. When it is not possible to hold any meeting, a circular resolution will be passed by the Board. As at to date, all Directors have complied with the requirements in respect of Board Meeting attendance in accordance with the provision of PPG's Articles of Association. Details of the attendance of each Director at the Board Meetings held during the financial year 2013 are set out below:

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

Appointments of the Board and Re-election

Nomination Committee

The Board has established a Nomination Committee which is responsible for recommending and nominating new Directors for appointment by the Board.

The Nomination Committee comprises two (2) Independent Non-Executive Directors. The Committee is as follow:

Members of the Nomination Committee as at Year 2013

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

There was one (1) meeting held during the financial year, which was attended by all the committee members as mentioned below:-

Chairman	**Attendance**
Vincent Wong Soon Choy	1/1
Member	
Syahriza Binti Senan	1/1

The primary objectives of the Nomination Committee are to ensure that the Directors bring characteristics to the Board, which provide a required mix of responsibilities, skills and experience. The Nomination Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation. The Nomination Committee will also establish procedures and processes for the annual assessment of the effectiveness of the Board as a whole, the Committee of the Board and contribution of each individual Director.

The Committee has full and unrestricted access to the Company's records, properties and personnel. The Nomination Committee may use the services of professional recruitment firms to source for the right candidate for the Directorship.

The PPG's Articles of Association require all Directors to retire from office at least once in three (3) years and the retiring Directors are eligible for re-election at the Annual General Meeting. Directors who are appointed by the Board during the year are subject to re-election at the next Annual General Meeting following their appointments.

The Committee has undertaken the following activities for year 2013:-

a) Assessed annually the performance and effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director as well as the Independent Directors based on the process implemented by the Board pursuant with MCCG 2012.
b) Identified the Directors who are due for re-election by rotation or re-appointment pursuant to the Company's Articles of Association or other prevailing law.

To assist shareholders in their decision, details of the Directors seeking for re-election at the forthcoming Annual General Meeting are disclosed in page 1 of this Annual Report and the Directors' profiles are disclosed separately on pages 8 to 9 of this Annual Report. The detailed Terms of Reference of the Nomination Committee are available for reference at the Company's website http://ppg.pelangibooks.com/ and it will be reviewed from time to time.

Directors' Training

The Group acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of economy, technological advances in our core business, latest regulatory developments and management strategies. Therefore, the Directors are encouraged to evaluate their own training needs on a continuous process and to determine the relevant programmes, seminars and briefings that would enhance their knowledge to enable the Directors to discharge their responsibilities more effectively.

As at the date of this Annual Report, the training programmes and seminars attended by the Directors are as follow:

Directors	Training Programmes
Sum Kown Cheek	– Attended Expo 2013 Asia Pacific Publishers' Association Annual General Assembly Meeting.
	– Attended Expo China – ASEAN Publishing Expo
Sam Yuen @ Sam Chin Yan	– Audit Committee Expanded Governance Role which organized by Bursa Malaysia in Kuala Lumpur
Vincent Wong Soon Choy	– Tax Planning and Issues for Property Developers and Property Investors
Syahriza Binti Senan	– Forensic Accounting Preventing, Detecting & Investigation Frauds
	– Tasks Automation with Microsoft Excel 2007 Macro/VBA
	– Microsoft Excel 2010 (Advanced)

Mr Lee Kheng Hon and Mr Teh Hui Guan could not select any suitable training courses to attend in 2013.

Relationship of the Board to Management

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

The roles of Chairman and Managing Director are currently held by Mr Sum Kown Cheek. The Board considers this combined position to be in the best interests of the Group in view of Mr Sum's entrepreneurship, business acumen and vast experience in the publishing industry.

SECTION 2: DIRECTORS' REMUNERATION

Remuneration Policy and Procedure

The Remuneration Committee comprises two (2) Independent Non-Executive Directors and one (1) Executive Chairman cum Managing Director. The members are as follow:

Members of the Remuneration Committee as at Year 2013

	Name of Member	Directorship
Chairman	Vincent Wong Soon Choy	Independent Non-Executive Director
Members	Syahriza Binti Senan	Independent Non-Executive Director
	Sum Kown Cheek	Executive Chairman cum Managing Director

There was one (1) meeting held during the financial year, which were attended by all the members as mentioned below:-

Chairman	Attendance
Vincent Wong Soon Choy	1/1
Members	
Syahriza Binti Senan	1/1
Sum Kown Cheek	1/1

The Committee has full and unrestricted access to the Company's records, properties and personnel.

The detailed Terms of Reference of the Remuneration Committee are available for reference at the Company's website http://ppg.pelangibooks.com/ and it will be reviewed from time to time.

Directors' Remuneration

The details of the total remuneration accrued for the Directors of the Company during the financial year 2013 are as disclosed in Note 9 to the financial statements.

SECTION 3: SHAREHOLDERS

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. The shareholders are encouraged to participate in the question and answer session. Notice of the Annual General Meeting and Annual Reports are sent out to shareholders at least 21 days before the date of the meeting.

Besides the usual agenda for the Annual General Meeting, the Board provided opportunities for the shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to provide response to the questions raised by the shareholders during the meeting.

For re-election of Directors, the Board ensures that all relevant information regarding Directors who are retiring and who are willing to serve if re-elected is disclosed through the notice of meetings.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate a full understanding and evaluation of the issues involved.

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

In preparing the annual financial statements and quarterly announcements to shareholders, the Board has:

- Ensured that all applicable accounting standards and the Listing Requirements of Bursa Securities have been applied and followed consistently;
- Made reasonable and prudent judgements and estimates; and
- Prepared financial statements on the going concern basis, having made adequate resources to continue its operations for the foreseeable future.

The Audit Committee assists the Board in scrutinising the financial reports to ensure accuracy, completeness and adequacy of information before recommending to the Board for adoption.

The Statement by Directors pursuant to Section 169(15) of the Companies Act 1965 is set out on page 26 of this Annual Report.

Internal Control

The Board maintains a sound internal control framework to safeguard the shareholders' investment in the Group. The Board Statement on Risk Management and Internal Control furnished on pages 18 to 19 of this Annual Report provides an overview of the state of internal control within the Group.

RELATIONSHIP WITH AUDITORS

With the Internal Audit

The Group has outsourced the internal audit function to an independent service provider. The Group's Internal Audit performs its functions with impartiality, proficiency and due professional care. It undertakes regular monitoring of the Group's key controls and procedures, which is an integral part of the Group's system of internal control.

Draft audit reports prepared by the Internal Audit are first circulated to the management i.e. the heads of departments for deliberation before necessary corrective actions are adopted by the management.

In 2013, Internal Auditing on Human Resource and Payroll Management; and Treasury and Outsourcing Management has been carried out and the Audit Committee is briefed on the findings raised by the Internal Audit.

With the External Auditors

The Group through the Audit Committee has established a transparent and good working relationship with its External Auditors. The External Auditors, Messrs Ernst & Young, have continued to highlight to the Group their key findings and matters that require the Committee's attention with respect to each year's audit on the statutory financial statement. The role of the Audit Committee in relation to the external auditors is outlined in the Audit Committee Report set out on page 17 of this Annual Report.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

(a) Utilisation of Proceeds
No proceed was raised by the Company from any corporate exercise during the financial year.

(b) Share Buybacks
The Company did not exercise any Share Buybacks during the financial year.

(c) Options, Warrants or Convertible Securities
The Company did not issue any options, warrants or convertible securities during the financial year.

(d) Depository Receipt Programme
During the financial year, the Company did not sponsor any Depository Receipt Programme.

(e) Imposition of Sanctions and Penalties
There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

(f) Material Contracts
To the best of the Board's knowledge, there were no material contracts involving the Group with any of the substantial shareholders nor Directors in office as at 30 September 2013 except those disclosed under Recurrent Related Party Transactions.

(g) Material Contracts Relating to Loans
There were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest.

(h) Non-Audit Fees
The amount of non-audit fees for services provided by the external auditors to the Group for the financial year was amounted to RM5,000.

(i) Variance between Audited Results and Previously Announced Unaudited Results
There was no variance of 10% or more for the audited results of the Group deviating from the unaudited results as announced on 29 November 2013.

(j) Profit Guarantee
During the financial year, there were no profit guarantees given by the Company.

(k) Recurrent Related-Party Transactions
Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 27 to the Financial Statements and circular dated 25 February 2014.

Sum Kown Cheek
Executive Chairman and Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year. The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is stated on page 26 of this Annual Report.

The Directors are of the view that, in preparing the financial statements of the Company and the Group for the year ended 30 September 2013, the Company has adopted appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of audited financial statements.

The Directors are responsible for ensuring that the Company keeps adequate accounting records that disclose with reasonable accuracy the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

The Directors have ensured timely release of quarterly and annual financial results of the Company and the Group to Bursa Securities so that public and investors are informed of the Group's development.

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

AUDIT COMMITTEE REPORT

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

AUDIT COMMITTEE DIARY

Chairman	**Attendance**
Vincent Wong Soon Choy	5/5
Members	
Syahriza Binti Senan	5/5
Sam Yuen @ Sam Chin Yan	5/5

During the year 2013, the Audit Committee convened five (5) meetings, which were attended by all the members as mentioned above. These meetings were carried out with proper agendas and adequate notifications.

For year 2013, the Audit Committee has carried out its duties in accordance with its Terms of Reference in the following:

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

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

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

(d) Ensured the preparation of the Audited Financial Statements was in compliance with the applicable Financial Reporting Standards ["FRS"] and provisions of the Companies Act, 1965 before submission for approval by the Board.

(e) Monitored the compliance requirements in line with the new updates of Bursa Malaysia Securities Berhad, Securities Commission, FRS, legal and regulatory bodies.

(f) Reviewed the related party transactions by scrutinizing the business dealings between the Company, and its subsidiaries companies to ensure arm's length and always on commercial basis, including monitoring of the inter-company funds. Monitored the compliance of such transactions in line with the required Listing Requirements of Bursa Malaysia Securities Berhad such as announcements.

(g) Reviewed and approved all internal audit activities in accordance with the approved yearly plan. Discussed with the management on audit issues, recommendations and management's response to improve the system of internal control.

(h) Reviewed the External Auditor's Plan, and Fees for year end audit 2013 and make recommendations to the Board for approval.

(i) Reviewed the audit results and management letter of the External Auditors and ensuring management's response to reply.

(j) Reviewed the internal audit reports, ensuring management's response to reply and communicate to the Board on the issues raised and make recommendations to the Board for approval.

The detailed Terms of Reference of the Audit Committee can be viewed at the Company's website http://ppg.pelangibooks.com/ and it will be reviewed from time to time.

THE BOARD STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Pelangi Publishings Group Bhd ("the Group") recognises that it is the Board's responsibility to review the adequacy and integrity of the Group's system of internal control. The Board is committed to maintain and ensure that a system of internal control exists and operating effectively across the Group. The Board is pleased to provide this statement outlining the nature and scope of risk management and internal control of the Group for the financial year ended 30 September 2013 and up to the date of approval of this statement pursuant to paragraph 15.26(b), Practice Note 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITIES

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

The Board does not review the internal control system of its associated companies, as the Board does not have direct control over their operations. Notwithstanding that, the Group's interests are served through representation on the boards of the respective associated companies and receipts and review of the management accounts and inquiries thereon. These representations also provide the Board with information for timely decision-making on the continuity of the Group's investments based on the performance of the associated companies.

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

THE RISK AND CONTROL MANAGEMENT FRAMEWORK

The Board maintains an ongoing commitment for identifying, evaluating and managing significant risks faced by the Group in its achievement of objectives and strategies during the financial year under review. The Board had put in place a structured Risk Management Framework in order to manage key business risks faced by the Group effectively. The responsibility for the identification, assessment and management of the key business risk lies with the Executive Board and Senior Management. The Executive Board and Senior Management manage key business risks faced by the Group through constant communication among themselves and changes in the key business risks faced by the Group or emergence of new key business risks are highlighted to the Board, if any.

INTERNAL AUDIT FUNCTION

The review of the adequacy and integrity of the Group's internal control system is outsourced to an independent service provider, who, through the Audit Committee provides the Board with much of the assurance it requires in respect of the adequacy and integrity of the Group's systems of the internal control. Internal audit plan in respect of financial year ended 30 September 2013 was drafted, after taking into consideration existing and emergent key business risks identified during the update exercise of key risk profile of the Group, and was reviewed and approved by the Audit Committee prior to execution.

During financial year ended 30 September 2013, the independent service provider conducted two (2) cycles of internal control reviews on key business processes in accordance to the internal Audit Plan. Upon the completion of the internal audit field work, the internal audit reports were presented to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans are presented and deliberated. Update on the status of action plans as identified in the previous internal audit report are presented at subsequent Audit Committee meeting for review and deliberation.

INTERNAL CONTROL SYSTEM

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

- **Board of Directors/Board Committees**
  Board Committees (i.e. Audit Committee, Remuneration Committee and Nomination Committee) being established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.
  Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Group Managing Director for the Board's review and approval, after taking into account risk consideration and responses.

- **Organisation Structure and Authorisation**
  The Group has a well-defined organization structure in place. The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated accordingly to competent staffs to ensure operational efficiency. Furthermore, there is close involvement in daily operations of the Group by the Executive Directors and Senior Management.

- **Policies and Procedures**
  The Group has documented policies and procedures to regulate key operations in compliance with International Organisation for Standardisation ("ISO") certification and such policies and procedures are periodically reviewed and updated to ensure its relevance.

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

- **Monitoring and Review**
  Management meetings are held at regular interval. During the meetings, the Senior Management also reviews and discusses operational performance and other significant operational issues arising.
  Apart from the above, the quarterly financial performance review containing key financial results and previous corresponding financial results are presented to the Board for their review.

ASSURANCE PROVIDED BY THE GROUP MANAGING DIRECTOR AND GROUP ACCOUNTANT

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

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

CONCLUSION

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

Financial Statements

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2013.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are as disclosed in Note 14 to the financial statements.

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

Results

	Group RM	Company RM
Profit/(loss) net of tax	6,590,678	(415,913)
Profit/(loss) attributable to owners of the parent	6,382,409	(415,913)

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

Dividends

The amount of dividend paid by the Company since 30 September 2012 was as follows:

	RM
In respect of the financial year ended 30 September 2012:	
Single tier final dividend of 4.0% on 96,728,900 ordinary shares (2.0 sen per ordinary share) declared on 22 March 2013 and paid on 15 April 2013	1,934,578

Dividends (cont'd)

At the forthcoming Annual General Meeting ("AGM"), a single tier final dividend in respect of the financial year ended 30 September 2013, of 4.0% on 96,728,900 ordinary shares, amounting to a dividend payable of RM1,934,578 (2.0 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 September 2014.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are :

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

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
The Company	**1 October 2012**	**Acquired**	**Sold**	**30 September 2013**
Direct interest :				
Sum Kown Cheek	22,236,093	-	-	22,236,093
Lee Kheng Hon	3,434,965	-	-	3,434,965
Sam Yuen @ Sam Chin Yan	1,589,762	-	-	1,589,762
Teh Hui Guan	575,500	-	-	575,500
Deemed interest :				
Sum Kown Cheek	3,437,465	-	-	3,437,465
Sam Yuen @ Sam Chin Yan	5,682,500	-	-	5,682,500
Syahriza Binti Senan	13,750	-	-	13,750

	Number of ordinary shares of RM1 each			
Subsidiary - Pelangi Comics Sdn Bhd	**1 October 2012**	**Acquired**	**Sold**	**30 September 2013**
Direct interest				
Sum Kown Cheek	3,500	-	-	3,500

	Number of ordinary shares of USD1,000 each			
Subsidiary - PT Penerbitan Pelangi Indonesia	**1 October 2012**	**Acquired**	**Sold**	**30 September 2013**
Direct interest				
Sum Kown Cheek	5	-	-	5

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

Treasury shares

The Company did not repurchase any of its issued ordinary shares from the open market during the financial year.

As at 30 September 2013, the Company held as treasury shares a total of 3,271,100 of its 100,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM1,407,602 and further relevant details are disclosed in Note 24 to the financial statements.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps :

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

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Other statutory information (cont'd)

(e) As at the date of this report, there does not exist :

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

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

(f) In the opinion of the directors :

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 JAN 2014

Sum Kown Cheek

Lee Kheng Hon

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Sum Kown Cheek and Lee Kheng Hon, being two of the directors of Pelangi Publishing Group Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 93 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act,1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 35 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 JAN 2014

Sum Kown Cheek

Lee Kheng Hon

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Sum Kown Cheek, being the director primarily responsible for the financial management of Pelangi Publishing Group Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 94 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Sum Kown Cheek)
at Johor Bahru in the State of Johor)
Darul Ta'zim on

22 JAN 2014

Sum Kown Cheek

Before me,

PESURUHJAYA SUMPAH
NO. J. 210
HARCHARAN SINGH
A/L CHANCHEL SINGH
MALAYSIA

No. 2, Jalan Kencana Mas 1/5,
Tebrau Business Park

Independent auditors' report to the members of
Pelangi Publishing Group Bhd.
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Pelangi Publishing Group Bhd, which comprise the statements of financial position as at 30 September 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 93.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the members of
Pelangi Publishing Group Bhd. (cont'd)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2013 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirement

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

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

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

1. As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 October 2012 with a transition date of 1 October 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statement of financial position as at 30 September 2012 and 1 October 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 September 2012 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the year ended 30 September 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 October 2012 do not contain misstatements that materially affect the financial position as of 30 September 2013 and financial performance and cash flows for the year then ended.

2. The supplementary information set out in Note 35 to the financial statements on page 94 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

   This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Wun Mow Sang
1821/12/14(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 22 JAN 2014

Statements of comprehensive income
For the financial year ended 30 September 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	4	66,421,358	69,366,414	-	6,000,000
Cost of sales		(42,206,906)	(44,418,142)	-	-
Gross profit		24,214,452	24,948,272	-	6,000,000
Other item of income					
Other operating income	5	1,782,198	1,718,236	33,401	37,060
Other items of expenses					
Administration expenses		(8,833,150)	(9,412,124)	(304,980)	(257,061)
Selling expenses		(5,035,471)	(7,746,806)	-	-
Other expenses		(2,745,110)	(3,011,981)	(133,734)	(18,299)
Finance costs	6	(335,419)	(463,839)	-	-
Share of results of associates		29,603	(6,887)	-	-
Profit/(loss) before tax	7	9,077,103	6,024,871	(405,313)	5,761,700
Income tax expenses	10	(2,486,425)	(1,501,369)	(10,600)	(1,510,000)
Profit/(loss) net of tax		6,590,678	4,523,502	(415,913)	4,251,700
Other comprehensive income:					
Gain on fair value changes of other investment		3	18	-	-
Foreign currency translation		326,167	185,797	-	-
Other comprehensive income for the year, net of tax		326,170	185,815	-	-
Total comprehensive income for the year		6,916,848	4,709,317	(415,913)	4,251,700
Profit attributable to:					
Owners of the parent		6,382,409	4,696,990	(415,913)	4,251,700
Minority interest		208,269	(173,488)	-	-
		6,590,678	4,523,502	(415,913)	4,251,700

Statements of comprehensive income (cont'd)
For the financial year ended 30 September 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Total comprehensive income attributable to:					
Owners of the parent		6,687,071	4,872,680	(415,913)	4,251,700
Non-controlling interests		229,777	(163,363)	-	-
		6,916,848	4,709,317	(415,913)	4,251,700
Earnings per share attributable to owners of the parent (sen per share)					
Basic	11	6.46	4.76		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated statement of financial position as at 30 September 2013

	Note	30.9.2013 RM	30.9.2012 RM	1.10.2011 RM
Non-current assets				
Property, plant and equipment	12	39,309,845	31,767,994	33,670,843
Investment properties	13	1,952,980	1,952,980	1,952,980
Investment in associates	15	113,704	76,944	85,846
Other investments	16	26,587	26,584	26,566
Intangible assets	17	-	-	-
Deferred tax assets	23	3,291,874	3,726,026	2,475,950
		44,694,990	37,550,528	38,212,185
Current assets				
Inventories	18	28,160,029	28,913,615	28,337,424
Trade and other receivables	19	12,690,230	15,558,480	16,805,450
Prepayment		643,260	758,183	687,448
Tax recoverable		1,485,691	457,338	1,671,335
Cash and bank balances	20	30,077,314	28,010,707	18,333,848
		73,056,524	73,698,323	65,835,505
Total assets		117,751,514	111,248,851	104,047,690
Equity and liabilities				
Current liabilities				
Loans and borrowings	21	1,154,551	1,413,999	1,598,257
Trade and other payables	22	22,846,573	17,608,306	12,792,710
Income tax payable		404,884	868,547	175,837
		24,406,008	19,890,852	14,566,804
Net current assets		48,650,516	53,807,471	51,268,701
Non-current liabilities				
Loans and borrowings	21	2,236,620	5,068,408	6,444,848
Deferred tax liabilities	23	1,436,841	1,599,816	1,604,637
		3,673,461	6,668,224	8,049,485
Total liabilities		28,079,469	26,559,076	22,616,289
Net assets		89,672,045	84,689,775	81,431,401

Consolidated statement of financial position as at 30 September 2013 (cont'd)

	Note	30.9.2013 RM	30.9.2012 RM	1.10.2011 RM
Equity attributable to owners of the parent				
Share capital	24	50,000,000	50,000,000	50,000,000
Treasury shares	24	(1,407,602)	(1,407,602)	(1,407,602)
Fair value reserve	25	97	94	76
Foreign exchange reserve	25	348,548	43,889	(131,783)
Retained earnings	26	40,743,107	36,295,276	33,049,219
		89,684,150	84,931,657	81,509,910
Non-controlling interests		(12,105)	(241,882)	(78,509)
Total equity		89,672,045	84,689,775	81,431,401
Total equity and liabilities		117,751,514	111,248,851	104,047,690

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company statement of financial position as at 30 September 2013

	Note	30.9.2013 RM	30.9.2012 RM	1.10.2011 RM
Non-current assets				
Investment in subsidiaries	14	33,337,797	33,337,797	33,337,797
Investment in associates	15	369,907	369,907	369,907
		33,707,704	33,707,704	33,707,704
Current assets				
Other receivables	19	17,171,558	19,715,203	15,867,837
Tax recoverable		13,827	1,549,879	91,470
Cash and bank balances	20	1,707,537	1,443,296	2,433,187
		18,892,922	22,708,378	18,392,494
Total assets		52,600,626	56,416,082	52,100,198
Equity and liability				
Current liability				
Other payables	22	189,041	154,006	138,889
Net current assets		18,703,881	22,554,372	18,253,605
Non-current liability				
Deferred tax liabilities	23	-	1,500,000	-
Total liabilities		189,041	1,654,006	138,889
Net assets		52,411,585	54,762,076	51,961,309
Equity attributable to owners of the parent				
Share capital	24	50,000,000	50,000,000	50,000,000
Treasury shares	24	(1,407,602)	(1,407,602)	(1,407,602)
Retained earnings	26	3,819,187	6,169,678	3,368,911
Total equity		52,411,585	54,762,076	51,961,309
Total equity and liabilities		52,600,626	56,416,082	52,100,198

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of changes in equity
For the financial year ended 30 September 2013

			Attributable to owners of the parent					
			Non-Distributable				Distributable	
Group	**Note**	**Total Equity RM**	**Share capital RM**	**Treasury shares RM**	**Fair value reserve RM**	**Foreign exchange reserve RM**	**Retained earnings RM**	**Non-controlling interests RM**
Opening balance at 1 October 2012		84,689,775	50,000,000	(1,407,602)	94	43,889	36,295,276	(241,882)
Total comprehensive income		6,916,848	-	-	3	304,659	6,382,409	229,777
Transactions with owners								
Dividends on ordinary shares	33	(1,934,578)	-	-	-	-	(1,934,578)	-
Total transactions with owners		(1,934,578)	-	-	-	-	(1,934,578)	-
Closing balance at 30 September 2013		89,672,045	50,000,000	(1,407,602)	97	348,548	40,743,107	(12,105)
Opening balance at 1 October 2011		81,431,401	50,000,000	(1,407,602)	76	(131,783)	33,049,219	(78,509)
Total comprehensive income		4,709,317	-	-	18	175,672	4,696,990	(163,363)
Transactions with owners								
Disposal of equity stake in subsidiary	14	(10)	-	-	-	-	-	(10)
Dividends on ordinary shares	33	(1,450,933)	-	-	-	-	(1,450,933)	-
Total transactions with owners		(1,450,943)	-	-	-	-	(1,450,933)	(10)
Closing balance at 30 September 2012		84,689,775	50,000,000	(1,407,602)	94	43,889	36,295,276	(241,882)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Pelangi Publishing Group Bhd.
(Incorporated in Malaysia)

Statements of changes in equity (cont'd)
For the financial year ended 30 September 2013

			Non-Distributable		Distributable
Company	**Note**	**Total Equity RM**	**Share capital RM**	**Treasury shares RM**	**Retained earnings RM**
Opening balance at 1 October 2012		54,762,076	50,000,000	(1,407,602)	6,169,678
Total comprehensive income		(415,913)	-	-	(415,913)
Transactions with owners					
Dividends on ordinary shares	33	(1,934,578)	-	-	(1,934,578)
Total transactions with owners		(1,934,578)	-	-	(1,934,578)
Closing balance at 30 September 2013		52,411,585	50,000,000	(1,407,602)	3,819,187
Opening balance at 1 October 2011		51,961,309	50,000,000	(1,407,602)	3,368,911
Total comprehensive income		4,251,700	-	-	4,251,700
Transactions with owners					
Dividends on ordinary shares	33	(1,450,933)	-	-	(1,450,933)
Total transactions with owners		(1,450,933)	-	-	(1,450,933)
Closing balance at 30 September 2012		54,762,076	50,000,000	(1,407,602)	6,169,678

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated statement of cash flows
For the financial year ended 30 September 2013

	2013 RM	2012 RM
Cash flows from operating activities		
Profit before tax	9,077,103	6,024,871
Adjustments for :		
Bad debts written off	5,548	22,500
Depreciation of property, plant and equipment	2,315,117	2,518,888
Dividend income	(24)	-
Finance costs	335,419	463,839
Gain on disposal of property, plant and equipment	(1,030,695)	(1,078,767)
Gain on disposal of investment in subsidiary	-	(12)
Impairment loss on receivables		
- Trade receivables	258,205	2,352,213
- Other receivables	515	25,801
Impairment loss on trade receivables recovered	(216,064)	(240,495)
Impairment loss on trade receivables written back	(1,621,248)	(93,866)
Interest income	(463,785)	(389,685)
Property, plant and equipment written off	2,520	17,223
Share of results of associates	(29,603)	6,887
Unrealised foreign exchange loss	103,258	833,883
Operating profit before working capital changes	8,736,266	10,463,280
Changes in working capital		
Inventories	753,586	(576,191)
Trade and other receivables	4,441,294	(819,183)
Prepayment	114,923	(70,735)
Trade and other payables	5,135,009	3,981,713
Cash generated from operations	19,181,078	12,978,884
Tax paid	(3,724,917)	(862,830)
Interest paid	(335,419)	(463,839)
Net cash generated from operating activities	15,120,742	11,652,215

Consolidated statement of cash flows (cont'd)
For the financial year ended 30 September 2013

	2013 RM	2012 RM
Cash flows from investing activities		
Dividend received	24	-
Interest received	463,785	389,685
Purchase of property, plant and equipment	(10,080,539)	(902,521)
Proceeds from disposal of equity stake in subsidiary	-	2
Proceeds from disposal of property, plant and equipment	1,430,675	1,388,900
Net cash (used in)/generated from investing activities	(8,186,055)	876,066
Cash flows from financing activities		
Dividend paid on ordinary shares	(1,934,578)	(1,450,933)
Repayment of obligation under finance leases	(457,720)	(540,285)
Proceeds from finance leases	246,400	-
Repayment of term loans	(3,061,294)	(1,063,019)
Net cash used in financing activities	(5,207,192)	(3,054,237)
Net increase in cash and cash equivalents	1,727,495	9,474,044
Effect of exchange rate changes on cash and cash equivalents	339,112	210,209
Cash and cash equivalents at beginning of the year	27,810,707	18,126,454
Cash and cash equivalents at end of the year (Note 20)	29,877,314	27,810,707

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company statement of cash flows
For the financial year ended 30 September 2013

	2013 RM	2012 RM
Cash flows from operating activities		
(Loss)/profit before tax	(405,313)	5,761,700
Adjustments for :		
Dividend income	-	(6,000,000)
Interest income	(33,401)	(37,060)
Operating loss before working capital changes	(438,714)	(275,360)
Changes in working capital		
Other receivables	(1,956,355)	(3,347,366)
Other payables	35,035	15,117
Cash used in operations	(2,360,034)	(3,607,609)
Tax refunded	25,452	31,591
Dividend received	4,500,000	4,000,000
Net cash generated from operating activities	2,165,418	423,982
Cash flows from investing activity		
Interest received	33,401	37,060
Net cash generated from investing activity	33,401	37,060
Cash flows from financing activity		
Dividend paid on ordinary shares	(1,934,578)	(1,450,933)
Net cash used in financing activity	(1,934,578)	(1,450,933)
Net increase/(decrease) in cash and cash equivalents	264,241	(989,891)
Cash and cash equivalents at beginning of the year	1,443,296	2,433,187
Cash and cash equivalents at end of the year (Note 20)	1,707,537	1,443,296

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements
For the financial year ended 30 September 2013

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad. The principal places of business of the Company are located at Lot 8, Jalan P10/10, Kawasan Perusahaan Bangi, Bandar Baru Bangi, 43650 Bangi, Selangor Darul Ehsan and 66, Jalan Pingai, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim. The registered office of the Company is located at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor Darul Ta'zim.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as disclosed in Note 14. There have been no significant changes in nature of the Group's activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

These financial statements for the year ended 30 September 2013 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

For all periods up to and including the year ended 30 September 2012, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards in Malaysia ("FRS"). These financial statements for the year ended 30 September 2013 are the first that the Group and the Company has prepared in accordance with MFRS and MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 October 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS affected the Group's financial position, financial performance and cash flows is set out in Note 2.2 below. The transition from FRS to MFRS has not had a material impact on the equity and total comprehensive income. Accordingly, notes related to the statement of financial position as at date of transition are not presented except for cash and cash equivalents.

The financial statements have also been prepared on the historical cost basis and are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company.

2. Summary of significant accounting policies (cont'd)

2.2 Application of MFRS 1

The audited financial statements of the Group and the Company for the year ended 30 September 2012 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for year ended 30 September 2012 except as discussed below:

Cash and cash equivalents

Under FRS, the Group and Company defined all their cash on hand and at banks and short-term deposits as cash and cash equivalents where they were readily convertible to known amounts of cash and were subject to insignificant risk of changes in value.

Upon the transition to MFRS, the Group and the Company have redefined their cash and cash equivalents to mean cash on hand and at banks, and short-term deposits for purposes of meeting short-term funding requirements.

The effect of transition from FRS to MFRS on the comparative statement of cash flows of the Group is as follows:

	FRS as at 30.9.2012 RM	Effect of transition to MFRS RM	MFRS as at 30.9.2012 RM
Other deposits not for short-term funding requirements	-	200,000	200,000
Cash and cash equivalents at beginning of year	18,326,454	(200,000)	18,126,454
Cash and cash equivalents at end of year	28,010,707	(200,000)	27,810,707

The above changes did not have any impact on the financial position and financial performance of the Group.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into Ringgit Malaysia ("RM") at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency (cont'd)

(c) Foreign operations (cont'd)

The principal exchange rates used for every unit of foreign currency ruling at the reporting date are as follows:

	2013 RM	2012 RM
100 Thai Baht	9.6362	10.0522
100 Indonesian Rupiah	0.0358	0.0312
100 Hong Kong Dollars	42.0097	40.9399
1 Great Britain Pound	5.2666	4.9829

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Freehold land is measured at cost less impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	99 years
Buildings	50 years
Plant, machinery and motor vehicles	5 to 10 years
Renovation	5 years
Other assets	3 to 5 years

Capital work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

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

(b) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development.

2. Summary of significant accounting policies (cont'd)

2.8 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (cont'd)

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group’s investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group’s share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the associate’s identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group’s share of the associate’s profit or loss for the period in which the investment is acquired.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group’s investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company’s separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of its financial assets at initial recognition and the categories include loans and receivables and available-for-sale financial assets.

(a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in the preceding category.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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

2. Summary of significant accounting policies (cont'd)

2.12 Financial assets (cont'd)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

2.13 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.