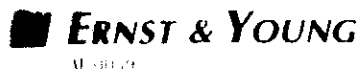

10. ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)



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ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

24 MAR 2004

The Board of Directors
PELANGI PUBLISHING GROUP BHD.
Suite 6.1A, Level 6, Menara Pelangi
80400 Johor Bahru
Johor

Dear Sirs

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus to be dated 31 March 2004 in connection with the public issue of 12,000,000 new ordinary shares of RM0.50 each in PELANGI PUBLISHING GROUP BHD. (hereinafter referred to as "Pelangi Publishing" or the Company) at an issue price of RM0.75 per ordinary share and the listing and the quotation for the entire issued and fully paid share capital of Pelangi Publishing comprising 80 million ordinary shares of RM0.50 each on the Second Board of the Malaysia Securities Exchange Berhad ("MSEB").

This report is prepared on a basis consistent with the accounting policies normally adopted by Pelangi Publishing and its subsidiaries, which are in accordance with applicable Approved Accounting Standards issued and adopted by the Malaysian Accounting Standards Board.

2. GENERAL INFORMATION

2.1 Incorporation

The Company was incorporated in Malaysia on 24 September 2002 as a public limited company.

2.2 Principal Activity

The principal activity of the Company is investment holding.

2.3 Restructuring and Flotation Scheme

In conjunction with the listing and the flotation of the entire issued and paid-up share capital of the Company on the Second Board of the MSEB, the Company undertook the following restructuring exercise :

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



AT 0039

(i) Acquisition of Subsidiaries

Acquisition of the entire issued and paid-up share capital of Penerbitan Pelangi Sdn. Bhd. (PPSB) together with its subsidiaries, Tunas Pelangi Sdn. Bhd. (TPSB), Sutera Ceria Sdn. Bhd. (SCSB), Pelangi Education Sdn. Bhd. (PESB), Pelangi Publishing International Sdn. Bhd. (PPISB) and Pelangi Publishing Holdings Sdn. Bhd. (PPHSB) together with its subsidiaries, for a total purchase consideration of RM33,588,135 based on the audited net tangible assets as at 30 September 2002. The consideration was satisfied by the issue of 64,299,996 ordinary shares of RM0.50 each in the Company at an issue price of approximately RM0.52 per ordinary share as follows:

Company	No. of shares acquired	Equity interest acquired %	Purchase consideration RM	No. of new shares in Pelangi Publishing issued
PPSB	2,500,000	100	22,403,505	42,888,516
TPSB	1,000,000	100	5,399,365	10,336,363
SCSB	4,003,752	100	3,693,411	7,070,542
PESB	300,000	100	263,995	505,383
PPISB	100	100	100	192
PPHSB	2,700,000	100	1,827,759	3,499,000
			<u>33,588,135</u>	<u>64,299,996</u>

Subsequent to 30 September 2002, PPISB increased its issued and paid-up share capital to 10,000 shares of RM1.00 by the issue of 9,900 shares. The balance 9,900 shares was acquired by Pelangi Publishing for a cash consideration of RM9,900.

The acquisitions were completed on 8 November 2003.

(ii) Rights Issue

Rights issue of 3,700,000 ordinary shares of RM0.50 each in Pelangi Publishing at an issue price of RM0.50 per shares. The rights issue was completed on 12 February 2004.

(ii) Public Offer

Public issue of 12,000,000 ordinary shares of RM0.50 each at an issue price of RM0.75 per share in Pelangi Publishing.

(iii) Offer For Sale

Offer for sale of 24,000,000 ordinary shares of RM0.50 each at an offer price of RM0.75 per share in Pelangi Publishing to the Bumiputera investors approved by MITI.

(iv) Listing

The listing of and the quotation for the entire enlarged issued and paid-up share capital of Pelangi Publishing comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of MSEL.

The Restructuring and Flotation Scheme have been approved by the following :

- (a) Securities Commission on 29 September 2003; and
- (b) Ministry of International Trade and Industry ("MITI") on 30 April 2003 and 3 March 2004.

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



2.4 Share capital

The authorised share capital of the Company is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each.

The present issued and paid-up share capital of the Company is RM34,000,000 comprising 68,000,000 ordinary shares of RM0.50 each.

Details of changes in the issued and paid-up share capital of Pelangi Publishing since the date of its incorporation are as follows:

Date of Allotment	Ordinary shares of RM0.50 each		Consideration	Cumulative total paid-up share capital	
	No.	RM		No.	RM
24.9.2002	* 2	2	Subscribers' share	2	2
13.2.2003	4	2	Share split	4	2
8.11.2003	64,299,996	32,149,998	Issued as consideration for the acquisition of PPSB, TPSB, SCSB, PESB, PPISB and PPHSB	64,300,000	32,150,000
12.2.2004	3,700,000	1,850,000	Rights issue	68,000,000	34,000,000

* Represents 2 ordinary shares of RM1.00 each before share splitting.

2.5 Subsidiaries

The information on the subsidiaries, all of which are private limited companies, is as follows:

(i) PPSB

PPSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 24 August 1982. Its current registered office is at Room 503, 5th Floor, Merlin Tower, Jalan Meldrum, 80000 Johor Bahru, Johor Darul Ta'zim.

As at the date of this report the authorised share capital of PPSB is RM5,000,000 comprising 5,000,000 ordinary share of RM1 each and the issued and paid-up share capital is made up of 2,500,000 ordinary shares of RM1 each.

The principal activities of PPSB are publishing and selling of publishing rights, books and other educational materials.

10. ACCOUNTANTS' REPORT (Cont'd)
 (Prepared for inclusion in this Prospectus)



AF 0039

Details of the subsidiaries of PPSB as at 1 March 2004, all of which are incorporated in Malaysia, are as follows:

Name	Date of incorporation	Authorised share capital RM	Issued and fully paid-up share capital RM	Effective interest %	Principal activities
Pelangi Library Sdn. Bhd. (PLSB)	9 March 1996	100,000	50,002	100	Currently inactive. The intended principal activities will be to produce and distribute teaching aids and education aids.
Elite Corridor Sdn. Bhd. (ECSB)	13 May 1997	1,000,000	500,000	100	Investment holding, property letting and property management.
Comtech Marketing Sdn. Bhd. (CMSB)	29 July 1983	1,000,000	500,000	80	Provision of typesetting and printing services.
Pelangi Formpress Sdn. Bhd. (PFSB)	14 July 1988	1,000,000	850,000	80	Printing computer forms and other types of printing services.

(ii) TPSB

TPSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 22 August 1983, and was previously known as Pelangi Gaya Pos Sdn. Bhd. Its current registered office is at Room 503, 5th Floor, Merlin Tower, Jalan Meldrum, 80000 Johor Bahru, Johor Darul Ta'zim.

As at the date of this report, the authorised share capital of TPSB is RM1,000,000 comprising 1,000,000 shares of RM1 each and the issued and paid-up share capital is made up of 1,000,000 ordinary shares of RM1 each.

The principal activities of TPSB are publishing and selling of publishing rights, books and other educational materials.

10. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)



SCSB

SCSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 23 November 1999. Its current registered office is at Room 503, 5th Floor, Merlin Tower, Jalan Meldrum, 80000 Johor Bahru, Johor Darul Ta'zim.

As at the date of this report, the authorised share capital of SCSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1 each and the issued and paid-up share capital is made up of 4,003,752 ordinary shares of RM1 each.

The principal activities of SCSB are investment holding, property letting and property management.

(iii) PESB

PESB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 23 February 1998. Its current registered office is at Room 503, 5th Floor, Merlin Tower, Jalan Meldrum, 80000 Johor Bahru, Johor Darul Ta'zim.

As at the date of this report, the authorised share capital of PESB is RM500,000 comprising 500,000 ordinary shares of RM1 each and the issued and paid-up share capital is made up of 300,000 ordinary shares of RM1 each.

The principal activities of PESB are franchise education operator and provision of education related training services.

(iv) PPISB

PPISB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 21 June 2000 and was previously known as Pelangi Printing Equipment Sdn. Bhd.. Its current registered office is at Room 503, 5th Floor, Merlin Tower, Jalan Meldrum, 80000 Johor Bahru, Johor Darul Ta'zim.

As at the date of this report, the authorised share capital of PPISB is RM100,000 comprising 100,000 ordinary shares of RM1 each and the issued and paid-up share capital is made up of 10,000 ordinary shares of RM1 each.

PPISB has not commenced operations since the date of its incorporation. The proposed activity of PPISB is overseas investment holding.

(v) PPHSB

PPHSB was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 9 September 1999. Its current registered office is at Room 503, 5th Floor, Merlin Tower, Jalan Meldrum, 80000 Johor Bahru, Johor Darul Ta'zim.

As at the date of this report, the authorised share capital of PPHSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1 each and the issued and fully paid-up share is made up of 2,700,000 ordinary shares of RM1 each.

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



AF 0039

The principal activity of PPHSB is investment holding.

Details of the subsidiary of PPHSB as at 1 March 2004, which is incorporated in Malaysia, are as follows:

Name	Date of incorporation	Authorised share capital RM	Issued and fully paid-up share capital RM	Effective interest %	Principal activities
The Commercial Press, Sdn. Berhad (TCP)	14 August 1953	1,000,000	956,000	90	Provision of printing services.

Information on PPHSB's associated companies, which all are incorporated in Malaysia, is as follows:

Name	Date of incorporation	Authorised share capital RM	Issued and fully paid-up share capital RM	Effective interest %	Principal activities
Pelangi MindEdge Sdn. Bhd. (PMESB)	11 July 2002	100,000	100,000	30	Designing and producing educational CD-ROMs and IT related products.
Pelangi Multimedia Sdn. Bhd. (PMSB)	8 June 1995	100,000	100,000	30	Designing and producing internet and multimedia related products.

3. FINANCIAL STATEMENTS AND AUDITORS

The financial statements of Pelangi Publishing, PPSB, PLSB, ECSB, CMSB, PFSB, TPSB and SCSB for the financial period ended 30 September 2002 and financial year ended 30 September 2003 and the financial statements of PPISB and PESB for the financial year ended 30 September 2003 were audited by Ernst & Young. The financial statements were reported without any qualification.

The financial statements of all these companies prior to the appointment of Ernst & Young and all the other companies were audited by other firms of chartered accountants and their reports under review were not subject to any qualification.

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



AF 0039

4. SUMMARISED INCOME STATEMENTS

(i) The Group

We set out below the proforma consolidated financial results of Pelangi Publishing and its subsidiaries ("the Group") for the last five financial years ended 30 September 1999 to 2003, provided for illustrative purposes only, assuming that Pelangi Publishing had acquired the said subsidiaries since its incorporation. The proforma consolidated financial results are accounted for under the acquisition accounting method.

	<----- Financial Year Ended 30 September ----->				
	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	43,306	46,929	49,360	53,338	58,877
Profit before depreciation, amortisation, interest and taxation	8,693	9,290	10,063	11,865	12,842
Interest expenses	(660)	(576)	(554)	(476)	(445)
Depreciation and amortisation	(1,804)	(2,123)	(2,237)	(2,827)	(2,351)
Profit before share of results of associates	6,229	6,591	7,272	8,562	10,062
Share of results of associates	-	-	-	-	16
Profit before taxation	6,229	6,591	7,272	8,562	10,062
Taxation	(396)	(1,757)	(2,255)	(2,753)	(2,773)
Profit after taxation	5,833	4,834	5,017	5,809	7,289
Minority interests	(80)	(36)	(20)	(20)	(106)
Profits after tax and minority interests	5,753	4,798	4,997	5,789	7,183
Number of ordinary shares assumed to be in issue ('000)	64,300	64,300	64,300	64,300	64,300
Gross earnings per share (RM)	0.10	0.10	0.11	0.13	0.16
Net earnings per share (RM)	0.09	0.07	0.08	0.09	0.11

- (a) As the financial year of the companies in the Pelangi Publishing Group were different, the proforma consolidated income statements for the 4 years ended 30 September 2002 are arrived at based on time apportionment of the results as shown in the respective audited financial statements and adjusted accordingly for items relating to prior years.
- (b) There were no extraordinary items/exceptional items in all the financial years under review.
- (c) The revenue of Pelangi Publishing Group represents sales from publishing and supplying of children books, educational books, school's text and reference books and general books, typesetting, printing and trading in all kinds of education books. Revenue growth over the years under review was due to the expansion in the production facilities and securing of more contracts for the publication and printing of textbooks and revision books.

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



AF 0039

- (d) The effective tax rates for financial years ended 30 September 2001 and 2002 were higher than the statutory tax rate applicable due principally to certain expenses being disallowed for taxation purposes.

The effective tax rate for financial year ended 30 September 1999 was lower than the statutory tax rate due to tax waived pursuant to the Income Tax (Amendment) Act 1999.

The effective tax rate for financial year ended 30 September 2000 was lower than the statutory tax rate applicable due to the utilisation of brought forward unabsorbed capital allowance and business losses of a subsidiary.

- (e) The gross earnings per share has been calculated based on the profit before tax divided by the issued and paid-up share capital assumed to be in issue before the rights and public issue.
- (f) The net earnings per share has been calculated based on the profit after tax and minority interest divided by the issued and paid-up share capital assumed to be in issue before the rights and public issue.

(ii) The Company

The income statements of Pelangi Publishing based on the audited financial statements for the financial period from 24 September 2002 to 30 September 2002 and the financial year ended 30 September 2003 are as follows :

	Financial period from 24 September 2002 to 30 September 2002 RM'000	Financial year ended 30 September 2003 RM'000
Revenue	-	-
Loss before depreciation, interest and taxation	(4)	(7)
Depreciation	-	-
Interest expenses	-	-
Loss before taxation	(4)	(7)
Taxation	-	-
Net loss for the period/year	(4)	(7)
Weighted average number of ordinary shares in issue	2	4
Gross loss per share (RM)	(2,079)	(1,679)
Net loss per share (RM)	(2,079)	(1,679)

- (a) There were no extraordinary items/exceptional items in the financial period/year under review.
- (b) The Company has not generated any revenue since the commencement of operation.
- (c) The gross loss per share have been calculated based on the loss before taxation divided by the weighted average number of ordinary shares in issue of the respective financial period/year.
- (d) The net loss per share have been calculated based on the loss after taxation divided by the weighted average number of ordinary shares in issue of the respective financial period/year.

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



AF 0039

(iii) PPSB

The income statements of PPSB based on the audited financial statements for the past five financial years/period ended 30 September 2003 are as follows :

	Financial year ended 31 December			9 months period ended	Financial year ended
	1999	2000	2001	30 September 2002	30 September 2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	32,767	33,666	36,093	30,822	45,010
Profit before depreciation, interest and taxation	6,299	6,600	7,549	6,929	7,833
Depreciation	(988)	(1,187)	(1,293)	(1,324)	(1,133)
Interest expenses	(161)	(171)	(125)	(68)	(77)
Profit before taxation	5,150	5,242	6,131	5,537	6,623
Taxation	(31)	(1,607)	(1,733)	(1,658)	(1,971)
Profit after taxation	5,119	3,635	4,398	3,879	4,652
Weighted average number of ordinary shares in issue ('000)	2,386	2,500	2,500	2,500	2,500
Gross earnings per share (RM)	2.16	2.10	2.45	2.21	2.65
Net earnings per share (RM)	2.15	1.45	1.76	1.55	1.86

- (a) There were no extraordinary items/exceptional items in all the financial years/period under review.
- (b) Revenue in year 1999 increased by 12% from year 1998 mainly because of new contracts secured to publish school textbooks. Revenue growth of 3% from year 1999 to year 2000 was due to the growth in sales of children books which was boosted by Disney movies launched in that year and PPSB's co-operation with other reputable publishers to produce other titles of children books. In year 2001, the 7% growth from year 2000 was due to overseas expansion efforts and additional textbook and workbook sales that spun off from school textbook contracts.

The annualised sales for period ended 30 September 2002 has shown an increase of 14% from year 2001 due to the spun off effects from the new school textbooks in year 2001 which has resulted in the increase in the production and sales of its related revision and reference books and additional overseas rights books published.

The sales for the year ended 30 September 2003 has shown an increase of 10% from the annualised sales for the period ended 30 September 2002. This increase is mainly due to the introduction of English school textbooks for secondary schools by the Ministry of Education.

- (c) The effective tax rate for year 1999 was lower than the statutory tax rate due to tax waived pursuant to the Income Tax (Amendment) Act 1999. The effective tax rates for financial year ended 31 December 2000, financial period ended 30 September 2002 and financial year ended 30 September 2003 were higher than the statutory tax rate applicable due principally to certain expenses being disallowed for taxation purposes.
- (d) The gross earnings per share have been calculated based on the profit before taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.

10. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)



AF 0039

- (e) The net earnings per share have been calculated based on the profit after taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.

(iv) **PLSB**

The income statements of PLSB based on the audited financial statements for the past five financial years/periods ended 30 September 2003 are as follows :

	9 months period ended 31 December	Financial year ended 31 December	9 months period ended 30 September	Financial year ended 30 September
	1999	2000	2002	2003
	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-
Loss before depreciation, interest and taxation	(3)	(1)	(5)	(4)
Depreciation	-	-	-	-
Interest expenses	-	-	-	-
Loss before taxation	(3)	(1)	(5)	(4)
Taxation	-	-	-	-
Loss after taxation	(3)	(1)	(5)	(4)
Weighted average number of ordinary shares in issue ('000)	50	50	50	50
Gross loss per share (RM)	(0.06)	(0.02)	(0.10)	(0.08)
Net loss per share (RM)	(0.06)	(0.02)	(0.10)	(0.08)

- (a) There were no extraordinary items/exceptional items in all the financial years/periods under review.
- (b) PLSB ceased its trading activity since financial year 1998 and was dormant since then.
- (c) PLSB incurred minimal tax liability on the interest income.
- (d) The gross loss per share have been calculated based on the loss before taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.
- (e) The net loss per share have been calculated based on the loss after taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.

10. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)



AF 0039

(v) ECSB

The income statements of ECSB based on the audited financial statements for the past five financial years/period 30 September 2003 are as follows :

	Financial year ended 31 December		9 months period ended 30 September		Financial year ended 30 September
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-
Loss before depreciation, interest and taxation	-	(30)	(15)	(15)	(17)
Depreciation	-	-	-	-	-
Interest expenses	(66)	(55)	(58)	(46)	(31)
Loss before taxation	(66)	(85)	(73)	(61)	(48)
Taxation	-	-	-	-	-
Loss after taxation	(66)	(85)	(73)	(61)	(48)
Weighted average number of ordinary shares in issue ('000)	500	500	500	500	500
Gross loss per share (RM)	(0.13)	(0.17)	(0.15)	(0.12)	(0.10)
Net loss per share (RM)	(0.13)	(0.17)	(0.15)	(0.12)	(0.10)

- (a) There were no extraordinary items/exceptional items in all the financial years/period under review.
- (b) ECSB has not generated any revenue since commencement of operation.
- (c) Prior year adjustment has been made to the audited financial results of ECSB for the reversal of interest on borrowings and incidental costs capitalised as part of the cost of property since year 1998. In accordance with International Accounting Standard No. 23 - Borrowing Costs, borrowing costs should be capitalised as part of the cost of the asset only when such costs were directly attributable to the acquisition of a qualifying asset. The borrowing costs reversed to the respective year/period are as follow:

	Financial year ended 31 December		9 months period ended 30 September		Financial year ended 30 September
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Borrowing costs incurred	103	66	55	-	-

- (d) The gross loss per share have been calculated based on the loss before taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.
- (e) The net loss per share have been calculated based on the loss after taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.

10. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)



(vi) **CMSB**

The income statements of CMSB based on the audited financial statements for the past five financial years/period ended 30 September 2003 are as follows :

	Financial year ended 31 December		9 months period ended 30 September	Financial year ended 30 September
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
Revenue	2,084	2,284	2,493	1,455
Profit before depreciation, interest and taxation	372	211	218	143
Depreciation	(148)	(153)	(158)	(115)
Interest expenses	(52)	(40)	(44)	(28)
Profit before taxation	172	18	16	-
Taxation	(18)	(20)	(17)	(19)
Profit after taxation	154	(2)	(1)	(19)
Weighted average number of ordinary shares in issue ('000)	166	220	220	220
Gross earnings/ (loss) per share (RM)	1.04	0.08	0.07	-
Net earnings/ (loss) per share (RM)	0.93	(0.01)	-	(0.09)

- (a) There were no extraordinary items/exceptional items in all the financial years/period under review.
- (b) Revenue increased by 50% from year 1998 to year 1999 due to change in CMSB business strategy which diverted its activities from that of a printing broker to printing of final products and there were more printing jobs generated from the additional machine acquired in year 1999.

The revenue increase by 10% from year 1999 to year 2000 was due to increase in machine capacity where CMSB was able to secure more orders.

In year 2001, CMSB was been able to secure some print jobs from the local authorities. This has resulted in a 9% growth in revenue.

The annualised revenue for the period ended 30 September 2002 was 22% lower than the preceding year mainly due to the sales cycle of the industry whereby the bulk of the revenue only come in at the end of the year. Approximately 42% of sales will inevitably fall into the next financial year when CMSB changed its financial year end from 31 December to 30 September.

The revenue for the year ended 30 September 2003 has shown an increase of 72% from the annualised sales for the period ended 30 September 2002 due to peak sales at the end of the year and the switch to focus on printing of books.

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



AF 0039

- (c) In financial year 1998, the lower effective tax rate was due to the reversal of deferred taxation benefits.

The effective tax rate for financial year ended 31 December 1999 was lower than the statutory tax rate due to tax waived pursuant to the Income Tax (Amendment) Act 1999.

The effective tax rates for financial year ended 31 December 2000 and 2001, financial period ended 30 September 2002 and financial year ended 30 September 2003 were higher than the statutory tax rate applicable due principally to certain expenses being disallowed for taxation purposes.

- (d) The gross earnings/(loss) per share have been calculated based on the profit/(loss) before taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.
- (e) The net earnings/(loss) per share have been calculated based on the profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.

(vii) PFSB

The income statements of PFSB based on the audited financial statements for the past five financial years/period ended 30 September 2003 are as follows:

	Financial year ended 31 December		9 months period ended 30 September	Financial year ended 30 September
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
Revenue	2,516	2,927	2,993	2,253
Profit before depreciation, interest and taxation	603	423	377	326
Depreciation	(189)	(234)	(201)	(210)
Interest expenses	(49)	(57)	(83)	(56)
Profit before taxation	365	132	93	60
Taxation	(83)	(59)	(47)	(19)
Profit after taxation	282	73	46	41
Weighted average number of ordinary shares in issue ('000)	850	850	850	850
Gross earnings per share (RM)	0.43	0.16	0.11	0.07
Net earnings per share (RM)	0.33	0.09	0.05	0.05

- (a) There were no extraordinary items/exceptional items in all the financial years/period under review.

10. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)



AF 0039

- (b) Revenue in year 1999 and 2000 increased by 18% and 16% respectively due to new business from two major customers. In year 2001, PFSB's growth was affected by the economic crisis and reduction of business volume from stock broking companies. These factors have resulted in lower growth rate of 2%.

The revenue for year ended 30 September 2003 has shown a decrease of 4% from the annualised revenue for period ended 30 September 2002 mainly due to substitution of computer paper with letterhead paper by companies.

- (c) The effective tax rate for financial year ended 31 December 1999 is lower than the statutory tax rate due to tax waived pursuant to the Income Tax (Amendment) Act 1999. The taxation charged in this financial year relates to deferred taxation liabilities.

The disproportionate tax rate for financial year ended 31 December 2000 was due to tax charged arising from deferred taxation, and utilisation of unabsorbed capital allowance and business losses.

The effective tax rates for financial period ended 30 September 2002 and financial year ended 30 September 2003 were higher than the statutory tax rate applicable due principally to certain expenses being disallowed for taxation purposes.

- (d) The gross earnings/(loss) per share have been calculated based on the profit/(loss) before taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.
- (e) The net earnings/(loss) per share have been calculated based on the profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.

(viii) TPSB

The income statements of TPSB based on the audited financial statements for the past five financial years ended 30 September 2003 are as follows :

	< -----Financial year ended 30 September----- >				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	6,253	6,809	7,012	7,346	8,147
Profit before depreciation, interest and taxation	1,194	1,384	1,472	1,564	1,986
Depreciation	(135)	(161)	(177)	(190)	(193)
Interest expenses	(82)	(54)	(51)	(44)	(36)
Profit before taxation	977	1,169	1,244	1,330	1,757
Taxation	(10)	(369)	(383)	(404)	(508)
Profit after taxation	967	800	861	926	1,249
Weighted average number of ordinary shares in issue ('000)	909	1,000	1,000	1,000	1,000
Gross earnings per share (RM)	1.07	1.17	1.24	1.33	1.76
Net earnings per share (RM)	1.06	0.80	0.86	0.93	1.25

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



AI 0039

- (a) There were no extraordinary items/exceptional items in all the financial years under review.
- (b) Revenue for year 1999 increased by 46% due to sales orders for Chinese school textbooks from PPSB, a sister company as a result of contract awarded by the Ministry of Education to the latter. In addition, TPSB was also producing and selling revision and reference books based on these new textbooks. In year 2000 to 2002, TPSB was able to maintain a constant growth in its revenue.

The revenue for year ended 30 September 2003 has shown an increase of 11% due to the earlier orders from East Malaysia for the next academic year and lesser sales return during the year.

- (c) The effective tax rate for financial year ended 30 September 1999 was lower than the statutory tax rate due to tax waived pursuant to the Income Tax (Amendment) Act 1999.

The effective tax rates for financial years ended 30 September 2000, 2001, 2002 and 2003 were higher than the statutory tax rate applicable due principally to certain expenses being disallowed for taxation purposes.

- (d) The gross earnings per share have been calculated based on the profit before taxation divided by the weighted average number of ordinary shares in issue of the respective financial year.
- (e) The net earnings per share have been calculated based on the profit after taxation divided by the weighted average number of ordinary shares in issue of the respective financial year.

(ix) SCSB

The income statements of SCSB based on the audited financial statements for the past four financial years/periods ended 30 September 2003 since its incorporation on 23 November 1999 are as follows :

	Financial period from 23 November 1999 to 31 December 2000 RM'000	Financial year ended 31 December 2001 RM'000	9 months period ended 30 September 2002 RM'000	Financial year ended 30 September 2003 RM'000
Revenue	-	-	-	706
Profit/(Loss) before depreciation, interest and taxation	(35)	(6)	(25)	664
Depreciation	(78)	(81)	(82)	(83)
Interest expenses	-	-	-	-
Profit/(Loss) before taxation	(113)	(87)	(107)	581
Taxation	(2)	(1)	-	(186)
Profit/(Loss) after taxation	(115)	(88)	(107)	395
Weighted average number of ordinary shares in issue ('000)	1,396	2,450	3,947	4,004
Gross earnings/(loss) per share (RM)	(0.08)	(0.04)	(0.03)	0.15
Net earnings/(loss) per share (RM)	(0.08)	(0.04)	(0.03)	0.10

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in this Prospectus)



AF 0039

- (a) There were no extraordinary items/exceptional items in all the financial years/periods under review.
- (b) No revenue was generated from its operation prior to financial year ended 30 September 2003. The revenue for the year ended 30 September 2003 represents rental income.
- (c) The taxation for financial year ended 31 December 2001 and financial periods ended 31 December 2000 and 30 September 2002 charged represents income tax on interest income.

The effective tax rate for financial year ended 30 September 2003 was higher than statutory tax rate applicable due principally to certain expenses being disallowed for taxation purposes.

- (d) The gross earnings/(loss) per share have been calculated based on the profit/(loss) before taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.
- (e) The net earnings/(loss) per share have been calculated based on the profit/(loss) after taxation divided by the weighted average number of ordinary shares in issue of the respective financial year/period.

(x) PESB

The income statements of PESB based on the audited financial statements for the past five financial years/period ended 30 September 2003 are as follows :

	Financial year			9 months	Financial year
	ended 31 December			period ended	ended
	1999	2000	2001	30 September	30 September
	RM'000	RM'000	RM'000	2002	2003
				RM'000	RM'000
Revenue	-	-	61	63	116
Profit/(Loss) before depreciation, interest and taxation	(2)	(3)	(23)	2	33
Depreciation	-	-	-	(3)	(3)
Interest expenses	-	-	-	-	-
Profit/(Loss) before taxation	(2)	(3)	(23)	(1)	30
Taxation	-	-	-	(1)	(1)
Profit/(Loss) after taxation	(2)	(3)	(23)	(2)	29
Weighted average number of ordinary shares in issue ('000)	100	207	300	300	300
Gross profit/(loss) per share (RM)	(0.02)	(0.01)	(0.08)	(0.01)	0.10
Net profit/(loss) per share (RM)	(0.02)	(0.01)	(0.08)	(0.01)	0.10