

8. FINANCIAL INFORMATION

8.1 Consolidated Profit and Dividend Record

A summary of the proforma consolidated audited results of the Group for the five (5) financial years ended 30 September 1999 to 2003 has been prepared for illustrative purposes only based on the audited accounts of the Group and the assumption that the current structure of the Group upon completion of the Acquisitions has been in existence throughout the period under review:-

	←-----Financial Year Ended 30 September-----→				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Turnover	43,306	46,929	49,360	53,338	58,877
EBIDTA	8,693	9,290	10,063	11,865	12,842
Interest expense	(660)	(576)	(554)	(476)	(445)
Depreciation and Amortisation	(1,804)	(2,123)	(2,237)	(2,827)	(2,351)
Profit before exceptional items	6,229	6,591	7,272	8,562	10,046
Exceptional items	-	-	-	-	-
Share of profits/losses of associated companies	-	-	-	-	16
PBT	6,229	6,591	7,272	8,562	10,062
Taxation	(396)	(1,757)	(2,255)	(2,753)	(2,773)
Profit after tax	5,833	4,834	5,017	5,809	7,289
Extraordinary items	-	-	-	-	-
Minority interests	(80)	(36)	(20)	(20)	(106)
Net profit	5,753	4,798	4,997	5,789	7,183
No. of Shares to be in issue of RM0.50 each ('000)	80,000	80,000	80,000	80,000	80,000
Gross EPS (Sen)^	7.79	8.24	9.09	10.70	12.58
Net EPS (Sen)^	7.19	6.00	6.25	7.24	9.00
Dividend Rate (%)^	2.48	8.75	2.81	-	-

Notes:-

- (i) 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 respective audited financial statements and adjusted accordingly for items relating to prior years.
- (ii) There were no extraordinary items/exceptional items in all the financial years/period under review.
- (iii) The revenue of the group represents sales from publishing and supplying of children's 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.
- (iv) The effective tax rates for financial year ended 30 September 2001 and 2002 were higher than the statutory tax rate applicable due principally to certain expenses being disallowed for taxation purposes.

8. FINANCIAL INFORMATION (Cont'd)

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.

[^] *The proforma gross earning per share, net earning per share and dividend rate are computed based on the enlarged issued and paid-up share capital of 80,000,000 shares after the completion of the Listing.*

8.2 Directors' Declaration on Financial Performance

As at 1 March 2004, being the latest practicable date prior to the printing of this Prospectus, the financial conditions and operations of the Group and its subsidiaries are not affected by any of the following:-

- i) Known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- ii) Material commitment for capital expenditure;
- iii) Unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group;
- iv) Known events, circumstance, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position; and
- v) Known trends, demand, commitment, events or uncertainties that have resulted in a substantial increase in revenue which is attributable to prices, volume of goods/services being sold and the introduction of new products/services or any other factors.

8. FINANCIAL INFORMATION (Cont'd)**8.3 Segmental Analysis of Revenue and Profits***Analysis of turnover by subsidiaries*

	Financial year ended 30 September				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
PPSB	31,866	33,441	35,486	39,845	45,010
Subsidiaries of PPSB:					
PFSB	2,419	2,824	2,977	3,001	2,898
CMSB	1,909	2,234	2,441	2,078	3,329
PLSB	-	-	-	-	-
ECSB	-	-	-	-	-
Sub-total:	36,194	38,499	40,904	44,924	51,237
TPSB	6,253	6,809	7,012	7,346	8,147
SCSB	-	-	-	-	706
PESB	-	-	46	78	116
PPISB	-	-	-	-	19
PPHSB	-	-	-	-	-
Subsidiary of PPHSB:					
TCP	2,678	3,344	3,406	3,597	4,689
Sub-total	2,678	3,344	3,406	3,597	4,689
Less: Consolidation adjustments	(1,819)	(1,723)	(2,008)	(2,607)	(6,037)
Total Group	43,306	46,929	49,360	53,338	58,877

8. FINANCIAL INFORMATION (Cont'd)*Analysis of profit after tax by subsidiaries*

	Financial year ended 30 September				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Pelangi Publishing	-	-	-	(4)	(7)
PPSB	4,482	4,005	4,208	4,935	4,907
Subsidiaries of PPSB:					
PFBSB	236	125	53	53	40
CMSB	101	37	(1)	(19)	95
PLSB	(3)	(1)	(2)	(5)	(4)
ECSB	(75)	(80)	(76)	(79)	(48)
Sub-total:	4,741	4,086	4,182	4,885	4,990
TPSB	967	800	861	926	1,249
SCSB	-	(86)	(95)	(129)	395
PESB	(3)	(3)	(18)	(8)	29
PPISB	-	-	(4)	(4)	9
PPHSB	-	-	2	12	(4)
Subsidiary of PPHSB:					
TCP	128	37	89	131	628
Sub-total	128	37	91	143	624
Total Group	5,833	4,834	5,017	5,809	7,289

8. FINANCIAL INFORMATION (Cont'd)

8.4 Working Capital, Borrowings, Material Litigation, Material Commitments and Contingent Liabilities**8.4.1 Working Capital**

As at 1 March 2004 (being the latest practicable date prior to the printing of this Prospectus), the Directors of the Group are of the opinion that after taking into account the cashflow position, banking facilities available and gross proceeds from the Rights Issue and Public Issue, the Group will have adequate working capital for for the period of twelve (12) months from the date of this Prospectus.

8.4.2 Borrowings

As at 1 March 2004 (being the latest practicable date prior to the printing of this Prospectus), the total borrowings of the Group, all of which are local borrowings from financial institutions, amounted to approximately RM10.4 million comprising short-term borrowings, term loans and hire-purchases. As at 30 September 2003, the Group's short-term and long-term borrowings amounted to RM3.4 million and RM5.9 million respectively.

The Group has not defaulted in any of its payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of this Prospectus.

8.4.3 Material Litigation

Save as disclosed in section 1.9 of this Prospectus, Neither Pelangi Publishing nor its subsidiaries and associated companies, is engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of the Company or its subsidiaries and associated companies upon becoming enforceable and the Directors of Pelangi Publishing do not know any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and its subsidiaries and associated companies.

Nevertheless, the Board of Directors of the Company is of the opinion that the appeal by the plaintiff will not succeed as they have no basis to support their claims based on the comments made by the Learned Judge Datuk Ian Chin in his judgment. Hence, the Directors believe that there will be no financial implications arising from such claims.

8.4.4 Material Commitments

As at 1 March 2004, being the latest practicable date prior to the printing of this Prospectus, the Group does not have any material commitments that would have a substantial impact on the financial position of the Group.

8. FINANCIAL INFORMATION (Cont'd)

8.4.5 Contingent Liabilities

As at 1 March 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group does not have any contingent liabilities or capital commitments, which upon becoming enforceable, may have material impact on the profit or net asset value of the Group.

8.5 Trade Debt

An ageing analysis of the trade debtors of the Group (*excluding inter-company trade debts*) as at 30 September 2003 is set out below :-

* As at 30 September 2003	Ageing analysis							Total (RM'000)
	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	>180 days	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
Group trade receivables	5,435	2,744	1,637	2,731	2,345	1,206	2,644	18,742 [^]
Bad & doubtful debts already provided for:- Debtors >180 days								(2,235)
Total								16,507
Trade debts exceeding credit period								8,926

Note :-

[^] Excluding inter-company trade debts within the Group

8. FINANCIAL INFORMATION (Cont'd)

As at 30 September 2003, there were RM2.6 million trade debts (excluding inter-company trade debts within the Group) exceeding 180 days. Of the trade debts exceeding 180 days, the Group has collected RM1.4 million as at 1 March 2003. After excluding provisions for doubtful debts of RM2.2 million (as set out in the table above), there were RM6.7 million trade debts exceeding Group's credit period.

The Directors of Pelangi Publishing are of the opinion that trade debts exceeding credit period (net of doubtful debts provisions) are recoverable taking into consideration the long-term relationship between the Group and these customers and various credit control measures being implemented by the Group to minimize customer default.

8.6 Consolidated Profit Forecast and Assumptions

The Directors of Pelangi Publishing forecast that, the estimate proforma consolidated PBT and PAT for the financial year ending 2004 will be as follows:-

PROFORMA CONSOLIDATED PROFIT FORECAST

	Forecast financial year ending 30.9.2004 (RM'000)
Turnover	63,331
Consolidated PBT	10,975
Less : Taxation	(3,405)
Consolidated PAT	7,570
Less : MI	(71)
Consolidated PAT after MI	7,499
Less : Pre-acquisition profit	(781)
Profit attributable to shareholders	6,718
Enlarged no. of Shares ('000)	80,000
Gross EPS (Sen)	13.72
Net EPS (Sen)	9.37
Fully-diluted Net EPS* (Sen)	8.52
Gross PE multiple (times)^	5.47
Net PE (times)^	8.00
Fully-diluted Net PE multiple based on the IPO price of RM0.75 per share (times)	8.80

* This has been calculated based on Consolidated PAT after MI with an enlarged share capital of 88,000,000 shares (assuming the full conversion of ESOS).

^ Based on the IPO price of RM0.75 per share

The principal assumptions upon which the above consolidated profit estimate and forecast have been made are as follows:

1. There will be no significant changes in the present principal activities and the structure of the Group.
2. There will be no material adverse changes to the Malaysian and world economic and political environment in which the Group, its suppliers and customers operate.

8. FINANCIAL INFORMATION (Cont'd)

3. There will be no significant changes in the present legislations and government regulations including tariffs, duties, levies and taxes affecting the activities or the market which the Group operates.
4. There will be no industrial disputes or any other abnormal factors or changes affecting operations or results of the Group.
5. There will not be any material fluctuation in inflation rates and exchange rates of foreign currencies against the Ringgit Malaysia and the Ringgit Malaysia will continue to be pegged at RM3.80 per USD1.00.
6. Existing financing facilities will remain available and the level of interest rates will not change materially from those prevailing. The Group will be able to obtain additional financing facilities at interest rates that approximate those currently available to the Group.
7. Capital expenditure will take place as planned with no material changes in the costs or prices.
8. There will be no unfavourable conditions affecting the publishing operations that will affect market demand for the products and services of the Group.
9. There will be no limitations on the availability of labour supply and raw materials and the Group continues to be able to source raw material locally.
10. There will be no material increase in wages, cost of production and other related costs which will adversely affect the Group.
11. There will be no significant changes in management structure and accounting policies adopted by the companies within the Group.
12. The tax liability will be at the prevailing tax rates. All tax incentives claimed will be approved by the Inland Revenue Board. The corporate tax rate for the estimate ad forecast years is assumed at 28%.
13. The proceeds from the rights and public issues of RM10,850,000 will be received by the second quarter of year 2004 and will be utilised in the following manner:

	RM'000
Repayment of term loan	2,100
Overseas Expansion	2,000
Working capital	5,450
Estimated expenses for corporate exercise	1,300
	10,850

8. FINANCIAL INFORMATION (Cont'd)

8.7 Sensitivity Analysis

Deviation of 5% on turnover

	As forecasted RM'000	Assuming turnover increases by 5% RM'000	% change	Assuming turnover decreases by 5% RM'000	% change
Forecast for financial year ending 30 September 2004					
Turnover	63,331	66,498	5.0	60,164	(5.0)
PBT	10,975	14,142	28.9	7,808	(28.9)

Deviation of 5% on Cost of Production

	As forecasted RM'000	Assuming cost of production increases by 5% RM'000	% change	Assuming cost of production decreases by 5% RM'000	% change
Forecast for financial year ending 30 September 2004					
Cost of Production	36,053	37,856	5.0	34,250	(5.0)
PBT	10,975	9,172	(16.4)	12,778	16.4

Deviation of 5% on Administration, Selling and Distribution Expenses ("ASDE")

	As forecasted RM'000	Assuming ASDE increases by 5% RM'000	% change	Assuming ASDE decreases by 5% RM'000	% change
Forecast for financial year ending 30 September 2004					
ASDE	15,840	16,632	5.0	15,048	(5.0)
PBT	10,975	10,183	(7.2)	11,767	7.2

8. FINANCIAL INFORMATION (Cont'd)

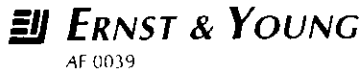
The Directors of Pelangi Publishing have assessed the sensitiveness of the forecast to fluctuation in major variables thereof. The Director's view is that the main vulnerability, in so far as the achievement of the forecast is concerned, are fluctuations in the selling price, cost of production and ASDE.

The Directors are of the opinion that the forecasted selling price, cost of production and ASDE are realistic. The Directors are satisfied with the adequacy and reliability of management accounting and forecast procedures and are confident of the achievability of the forecast.

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8. FINANCIAL INFORMATION (Cont'd)**8.8 Auditors' Letter on the Consolidated Profit Forecast of the Pelangi Publishing Group for the Financial Year Ending 30 September 2004 together with the bases and assumptions contained herein**

(Prepared for inclusion in this Prospectus)



AF 0039

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Suite 11.2A, Level 11
Menara Pelangi 2, Jalan Kuning
Taman Pelangi, 80400 Johor Bahru
Johor Darul Ta'zim, Malaysia.

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Fax : (07) 334-1749
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**Reporting Accountants' Report on Profit Forecast
(prepared for inclusion in the Prospectus to be dated 31 March 2004)**

24 MAR 2004

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

Dear Sirs

**CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 30 SEPTEMBER 2004**

We have reviewed the forecast of consolidated profit after taxation and minority interests of Pelangi Publishing Group Bhd. ("Pelangi Publishing") and its subsidiaries ("the Group") for the year ending 30 September 2004 as set out in Section 8.6 of the Prospectus to be dated 31 March 2004, in accordance with the professional standard in Malaysia applicable to the review of forecasts, AI 810. The forecast has been prepared in connection with the following proposals:

- (i) Public issue of 12,000,000 ordinary shares of RM0.50 each in Pelangi Publishing at an offer price of RM0.75 per share and 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; and
- (ii) 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 the Malaysia Securities Exchange Berhad.

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the directors as set out in Section 8.6 of the Prospectus and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the year ended 30 September 2003. The directors of Pelangi Publishing are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

A forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variations could be material.

8. FINANCIAL INFORMATION (Cont'd)

(Prepared for inclusion in this Prospectus)

 **ERNST & YOUNG**


AF: 0039

Subject to the matters stated in the preceding paragraphs:


- (a) nothing has come to our attention which causes us to believe that the assumptions made by the directors, as set out in Section 8.6 of the Prospectus, do not provide a reasonable basis for the preparation of the forecast of consolidated profit after taxation and minority interests; and
- (b) in our opinion, the forecast of consolidated profit after taxation and minority interests, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the year ended 30 September 2003.

The accompanying forecast and this letter have been prepared solely for the purposes stated above, in connection with the aforementioned proposals. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully



ERNST & YOUNG
AF:0039
Chartered Accountants
Johor Bahru, Malaysia



WUN MOW SANG
No. 1821/12/04(J)
Partner

8. FINANCIAL INFORMATION (Cont'd)

(Prepared for inclusion in this Prospectus)

PELANGI PUBLISHING GROUP BHD*(Incorporated in Malaysia)***CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 30 SEPTEMBER 2004
TOGETHER WITH THE UNDERLYING ASSUMPTIONS**

	Forecast 2004 RM'000
TURNOVER	<u>63,331</u>
PROFIT BEFORE TAXATION AND AFTER MINORITY INTERESTS	10,872
TAXATION	(3,373)
PROFIT AFTER TAXATION AND AFTER MINORITY INTERESTS	7,499
LESS : PRE-ACQUISITION PROFIT	(781)
	<u>6,718</u>
NUMBER OF SHARES IN ISSUE ('000)	<u>80,000</u>
EARNINGS PER SHARE (SEN)	<u>8.40</u>

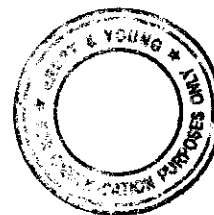
The principal assumptions upon which the consolidated profit forecast has been made are set out below:

1. There will be no significant changes in the present principal activities and the structure of the Group.
2. There will be no material adverse changes to the Malaysian and world economic and political environment in which the Group, its suppliers and customers operate.
3. There will be no significant changes in the present legislations and government regulations including tariffs, duties, levies and taxes affecting the activities or the market which the Group operates.
4. There will be no industrial disputes or any other abnormal factors or changes affecting operations or results of the Group.
5. There will not be any material fluctuation in inflation rates and exchange rates of foreign currencies against the Ringgit Malaysia and the Ringgit Malaysia will continued to be pegged at RM3.80 per US\$1.

8. FINANCIAL INFORMATION (Cont'd)

(Prepared for inclusion in this Prospectus)

PELANGI PUBLISHING GROUP BHD
(Incorporated in Malaysia)



**CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 30 SEPTEMBER 2004
TOGETHER WITH THE UNDERLYING ASSUMPTIONS (Cont.)**

6. Existing financing facilities will remain available and the level of interest rates will not change materially from those prevailing. The Group will be able to obtain additional financing facilities at interest rates that approximate those currently available to the Group.
7. Capital expenditure will take place as planned with no material changes in the costs or prices.
8. There will be no unfavourable conditions affecting the publishing operations that will affect market demand for the products and services of the Group.
9. There will be no limitations on the availability of labour supply and raw materials and the Group continues to be able to source raw materials locally.
10. There will be no material increase in wages, cost of production and other related costs which will adversely affect the Group.
11. There will be no significant changes in management structure and accounting policies adopted by the companies within the Group.
12. The tax liability will be at the prevailing tax rates. All tax incentives claimed will be approved by the Inland Revenue Board. The corporate tax rate for the forecast year is assumed at 28%.
13. The proceeds from the rights and public issues of RM10,850,000 will be received by April 2004 and will be utilised in the following manner:

	RM'000
Repayment of term loan	2,100
Overseas expansion	2,000
Working capital	5,450
Estimated expenses for corporate exercise	1,300
	10,850

8. FINANCIAL INFORMATION (Cont'd)

8.9 Directors' Commentary on Achievability of Profit Forecast

For the financial year 2004, the Group is expected to increase its profit after tax to RM7.5 million on the back of a 10% increase in turnover. The improved profit is mainly aided by better cost control, increased publications arising from the new publishing house in Bangi, Selangor which is expected to commence operations in that year and the interest savings arising from early retirement of its term loan from its listing proceeds. Other business activities like overseas operations, multimedia products and printing services also contribute to the Group's profitability.

The Board of Directors of Pelangi Publishing confirm that the profit forecast of the Company and the underlying bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans of Pelangi Publishing and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast of Pelangi Publishing are achievable and the assumptions made are reasonable.

Nevertheless, in light of the current economic environment in Malaysia and globally, certain assumptions, including interest and exchange rates, may differ significantly from actual, should the economic situation differ significantly from the date of this profit forecast and this may have a material impact on Pelangi Publishing's profit forecast.

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8. FINANCIAL INFORMATION (Cont'd)

8.10 Dividend Forecast and Policy

Based on the consolidated profit forecast for the financial year 30 September 2004, and on the assumption that the present basis for calculating taxation and the rates of taxation will remain unchanged, the Directors of Pelangi Publishing anticipate that they will be in a position to propose, based on the enlarged issued share capital of 80,000,000 Shares, a dividend of 5.0% for the financial year ending 30 September 2004.

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

The intended appropriation of the consolidated profit forecast for the financial year ending 30 September 2004 is as follows:-

	Forecast financial year ending 30 September 2004 RM'000
Consolidated PBT	10,975
Less : Taxation	(3,373)
Consolidated PAT	7,602
Less : Minority interest	(103)
Consolidated PAT	7,499
Less : Pre-acquisition profits	(781)
Less : Proposed dividend (less 28% tax)	(1,440)
Consolidated retained profit for the year	<u>5,278</u>
Gross Dividend per Share (sen)	2.50
Net Dividend per Share (sen)	1.80
Gross Dividend yield based on the IPO price of RM0.75 per Share (%)	3.33
Net Dividend yield based on the IPO price of RM0.75 per Share (%)	2.40
Net Dividend cover (times)	5.21

Investors should note that future dividends might be waived if:-

- (a) The group records a loss instead of the forecast profits; or
- (b) The payment of the dividends would adversely affect the Group's cashflows and operations.

8. FINANCIAL INFORMATION (Cont'd)**8.11 Proforma Consolidated Balance Sheets of Pelangi Publishing**

(Prepared for inclusion in this Prospectus)

The Proforma Consolidated Balance Sheets of **Pelangi Publishing** as at 30 September 2003 as set out below are provided for illustrative purposes only.

	Audited as at 30.9.2003 (RM'000)	(I) After Interim dividend of PPSB (RM'000)	(II) After Acquisitions (RM'000)	(III) After (II) and Rights Issue (RM'000)	(IV) After (III) and Public Issue (RM'000)	(V) After (IV) and ESOS (RM'000)
NON-CURRENT ASSETS						
Property, plant and equipment	-	-	29,313	29,313	31,313	31,313
Associates	-	-	40	40	40	40
Other investments	-	-	50	50	50	50
Deferred tax assets	-	-	292	292	292	292
	-	-	29,695	29,695	31,695	31,695
CURRENT ASSETS						
Inventories	-	-	8,120	8,120	8,120	8,120
Trade receivables	-	-	16,319	16,319	16,319	16,319
Other receivables	-	-	2,263	2,263	2,263	2,263
Tax recoverable	-	-	10	10	10	10
Marketable securities	-	-	868	868	868	868
Cash and bank balances	-	(1,500)	6,643	8,493	12,093	18,093
	-	(1,500)	34,223	36,073	39,673	45,673
CURRENT LIABILITIES						
Short term borrowings	-	-	3,411	3,411	3,411	3,411
Trade payables	-	-	2,731	2,731	2,731	2,731
Other payables	11	11	11,211	11,211	11,211	11,211
Tax payable	-	-	352	352	352	352
	11	11	17,705	17,705	17,705	17,705
NET CURRENT ASSETS/(LIABILITIES)						
	(11)	(1,511)	16,518	18,368	21,968	27,968
	(11)	(1,511)	46,213	48,063	53,663	59,663
FINANCED BY/(REPRESENTED BY):						
Share capital	*	-	32,150	34,000	40,000	44,000
Share premium	-	-	1,438	1,438	3,138	5,138
Retained profits	(11)	(11)	(11)	(11)	(11)	(11)
Shareholders' equity	(11)	(11)	33,577	35,427	43,127	49,127
Reserve on consolidation	-	(1,500)	5,949	5,949	5,949	5,949
Minority interests	-	-	669	669	669	669
	(11)	(1,511)	40,195	42,045	49,745	55,745
NON-CURRENT LIABILITIES						
Long term loans	-	-	3,314	3,314	1,214	1,214
Hire purchase payables	-	-	2,543	2,543	2,543	2,543
Deferred tax liabilities	-	-	161	161	161	161
	-	-	6,018	6,018	3,918	3,918
	(11)	(1,511)	46,213	48,063	53,663	59,663
Net Tangible Asset/(Liabilities) per share (RM)	(2,750)	(377,750)	0.61	0.61	0.61	0.63

* Represents RM2 comprising 4 ordinary shares

8. FINANCIAL INFORMATION (Cont'd)

8.12 Auditors' Letter on the Proforma Consolidated Balance Sheets (Prepared for inclusion in this Prospectus)



■ Chartered Accountants
Suite 11.2A, Level 11
Menara Pelangi 2, Jalan Kuning
Taman Pelangi, 80400 Johor Bahru
Johor Darul Ta'zim, Malaysia.

■ Phone (07) 334 1740
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Reporting Accountants' Report on Proforma Consolidated Balance Sheets (prepared for inclusion in the Prospectus to be dated 31 March 2004)

24 MAR 2004

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

Dear Sirs

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2003

We report on the proforma consolidated balance sheets set out in Section 8.11 of the Prospectus to be dated 31 March 2004, which have been prepared for illustrative purposes only, to provide information about how the consolidated balance sheet of Pelangi Publishing Group Bhd. ("Pelangi Publishing") and its subsidiaries as at 30 September 2003 that has been presented might have been affected by the following proposals had the proposals been completed on that date:

- (i) Public issue of 12,000,000 ordinary shares of RM0.50 each in Pelangi Publishing at an offer price of RM0.75 per share and 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; and
- (ii) 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 the Malaysia Securities Exchange Berhad.

It is the responsibility solely of the directors of Pelangi Publishing to prepare the proforma consolidated balance sheets in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the proforma consolidated balance sheets with responsible officers of Pelangi Publishing. Our work involved no independent examination of any of the underlying financial information other than our audit of the consolidated financial statements that included the audited consolidated balance sheet as at 30 September 2003, on which we reported to the members of the Company as of the date of our report.

8. FINANCIAL INFORMATION (Cont'd)



AF: 0019

In our opinion:

- (a) the proforma consolidated balance sheets have been properly compiled on the bases stated; and
- (b) within the context of the assumed date of the proposals:
 - (i) such bases are consistent with the accounting policies of the Pelangi Publishing Group; and
 - (ii) the adjustments set out are appropriate for the purposes of the proforma consolidated balance sheets pursuant to the Guidelines.

The accompanying proforma balance sheets and this letter have been prepared solely for the purposes stated above, in connection with the aforementioned proposals. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

A handwritten signature in black ink, appearing to be a stylized 'EY' or similar mark.

ERNST & YOUNG
AF:0039
Chartered Accountants
Johor Bahru, Malaysia

A handwritten signature in black ink, appearing to be 'WUN MOW SANG' written in a cursive style.

WUN MOW SANG
No. 1821/12/04(3)
Partner

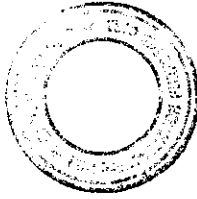
8. FINANCIAL INFORMATION (Cont'd)



PELANGI PUBLISHING GROUP BHD.
 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2003

Audited as at 31.09.03 RM'000	Adjustment Proforma I		Adjustment Proforma II		Adjustment Proforma III		Adjustment Proforma IV		Adjustment Proforma V	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS										
Property, plant and equipment	-	-	29,313	29,313	-	29,313	2,000	31,313	-	31,313
Associates	-	-	40	40	-	40	-	40	-	40
Other investments	-	-	50	50	-	50	-	50	-	50
Deferred tax assets	-	-	292	292	-	292	-	292	-	292
	-	-	29,695	29,695	-	29,695	2,000	31,695	-	31,695
CURRENT ASSETS										
Inventories	-	-	8,120	8,120	-	8,120	-	8,120	-	8,120
Trade receivables	-	-	16,319	16,319	-	16,319	-	16,319	-	16,319
Other receivables	-	-	2,263	2,263	-	2,263	-	2,263	-	2,263
Tax recoverable	-	-	10	10	-	10	-	10	-	10
Marketable securities	-	-	868	868	-	868	-	868	-	868
Cash and bank balances	-	(1,500)	8,143	6,643	1,850	8,493	3,600	12,093	6,000	18,093
	-	(1,500)	35,723	34,223	1,850	36,073	3,600	39,673	6,000	45,673
CURRENT LIABILITIES										
Short term borrowings	-	-	3,411	3,411	-	3,411	-	3,411	-	3,411
Trade payables	-	-	2,731	2,731	-	2,731	-	2,731	-	2,731
Other payables	11	-	11,200	11,211	-	11,211	-	11,211	-	11,211
Tax payable	-	-	352	352	-	352	-	352	-	352
	11	-	17,694	17,705	-	17,705	-	17,705	-	17,705
NET CURRENT ASSETS/(LIABILITIES)	(11)	(1,500)	18,029	16,518	1,850	18,368	3,600	21,968	6,000	27,968
	(11)	(1,500)	47,724	46,213	1,850	48,063	5,600	53,663	6,000	59,663

8. FINANCIAL INFORMATION (Cont'd)



PELANGI PUBLISHING GROUP BHD.
 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2003 (Cont'd)

Audited as at 31.09.03 RM'000	Adjustment Proforma I		Adjustment Proforma II		Adjustment Proforma III		Adjustment Proforma IV		Adjustment Proforma V	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FINANCED/(REPRESENTED) BY :										
Share capital	*	-	32,150	32,150	1,850	34,000	6,000	40,000	4,000	44,000
Share premium	-	-	1,438	1,438	-	1,438	1,700	3,138	2,000	5,138
Retained profits	(11)	(11)	-	(11)	-	(11)	-	(11)	-	(11)
Shareholders' equity	(11)	(11)	33,588	33,577	1,850	35,427	7,700	43,127	6,000	49,127
Reserve on consolidation	-	(1,500)	7,449	5,949	-	5,949	-	5,949	-	5,949
Minority interests	-	-	669	669	-	669	-	669	-	669
	(11)	(1,500)	41,706	40,195	1,850	42,045	7,700	49,745	6,000	55,745
NON-CURRENT LIABILITIES										
Long term loans	-	-	3,314	3,314	-	3,314	(2,100)	1,214	-	1,214
Hire purchase payables	-	-	2,543	2,543	-	2,543	-	2,543	-	2,543
Deferred tax liabilities	-	-	161	161	-	161	-	161	-	161
	-	-	6,018	6,018	-	6,018	(2,100)	3,918	-	3,918
	(11)	(1,500)	47,724	46,213	1,850	48,063	5,600	53,663	6,000	59,663
Number of ordinary shares	**	**	64,300	64,300	68,000	68,000	80,000	80,000	88,000	88,000
Net tangible assets	(11)	(1,511)	39,526	39,526	41,376	41,376	49,076	49,076	55,076	55,076
Net Tangible Assets /(Liabilities) per share (RM)	(2,750)	(377,750)	0.61	0.61	0.61	0.61	0.61	0.61	0.61	0.63

* Represents RM2.

** Represents 4 ordinary shares.

8. FINANCIAL INFORMATION (Cont'd)**PELANGI PUBLISHING GROUP BHD.**
(Incorporated in Malaysia)**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2003**

1. The proforma consolidated balance sheets of PELANGI PUBLISHING GROUP BHD., (hereinafter referred to as "Pelangi Publishing" or "the Company") have been prepared for illustrative purposes only to show the effects on the audited balance sheet of Pelangi Publishing as at 30 September 2003, after accounting for the effects of the Proposals as stated in Notes 2, 3, 4, 5 and 6 had the Proposals been implemented and completed on that date and by application of the accounting policies consistent with those previously adopted in the preparation of the audited financial statements.

2. **PROFORMA I - AFTER INCORPORATING THE INTERIM DIVIDEND OF PPSB**

Proforma I incorporates the interim dividend of RM1,500,000 payable to existing shareholders of Penerbitan Pelangi Sdn. Bhd. (PPSB). The interim dividend is to be adjusted against goodwill on consolidation.

3. **PROFORMA II - AFTER INCORPORATING THE ACQUISITION OF SUBSIDIARIES**

Proforma II incorporates Proforma I and the acquisition by Pelangi Publishing 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 consideration of RM33,588,065 based on the audited net tangible assets as at 30 September 2002 to be satisfied by the issue of 64,299,996 new ordinary shares in Pelangi Publishing of RM0.50 each at a price of RM0.52 per share and RM9,900 by cash for the 9,900 ordinary shares in PPISB which were issued subsequent to 30 September 2002.

Reserve on consolidation arising from the above acquisitions is RM7,997,000 of which RM548,000 has been set off against the existing subsidiaries goodwill.

4. **PROFORMA III - AFTER INCORPORATING PROFORMA II AND RIGHTS ISSUE**

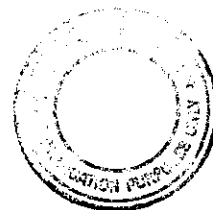
Proforma III incorporates Proforma II and the rights issue of 3,700,000 new ordinary shares of RM0.50 each in Pelangi Publishing at an issue price of RM0.50 per shares on the basis of approximately one (1) new ordinary share for every seventeen (17) existing ordinary shares held.

5. **PROFORMA IV - AFTER INCORPORATING PROFORMA III AND PUBLIC ISSUE**

Proforma IV incorporates Proforma III and the public issue of 12,000,000 new ordinary shares of RM0.50 each at an offer price of RM0.75 per share and the utilisation of the proceeds from the rights.

6. **PROFORMA V - AFTER INCORPORATING PROFORMA IV AND ESOS**

Proforma V incorporates Proforma IV and the Employee Share Option Scheme ("ESOS") of 8,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per share.

8. FINANCIAL INFORMATION (Cont'd)**PELANGI PUBLISHING GROUP BHD.**
*(Incorporated in Malaysia)***NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**
AS AT 30 SEPTEMBER 2003 (Con't)

7. The proceeds from the rights issue and the public issue will be utilised as follows :-

	RM'000
Repayment of bank borrowings	2,100
Overseas expansion plan	2,000
Working capital	5,450
Estimated listing expenses	1,300
	<u>10,850</u>

Estimated listing expenses of RM1,300,000 is written off against share premium account.

8. SHARE CAPITAL

The movements of the issued and paid up share capital of Pelangi Publishing after taking into account the interim dividend of PPSB, the proposed acquisition, the rights issues, the public issue and the ESOS are as follows :-

	RM'000
As at 30 September 2003 and after share split	*
Interim dividend of PPSB	-
As per Proforma I	*
Shares issued pursuant to acquisition of subsidiaries	32,150
As per Proforma II	32,150
Rights issue	1,850
As per Proforma III	34,000
Public issue	6,000
As per Proforma IV	40,000
ESOS	4,000
As per Proforma V	<u>44,000</u>

* Represent RM2.

8. FINANCIAL INFORMATION (Cont'd)

PELANGI PUBLISHING GROUP BHD.
(Incorporated in Malaysia)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2003 (Con't)

**9. RESERVES**

The movements of the reserves of Pelangi Publishing after taking into account the interim dividend of PPSB, the proposed acquisition, the rights issues, the public issue and the ESOS are as follows :-

	Retained Profits RM'000	Share Premium RM'000	Total Reserves RM'000
As at 30 September 2003 and after share split	(11)	-	(11)
Interim dividend of PPSB	-	-	-
As per Proforma I	(11)	-	(11)
Shares issued pursuant to acquisition of subsidiaries	-	1,438	1,438
As per Proforma II	(11)	1,438	1,427
Rights issue	-	-	-
As per Proforma III	(11)	1,438	1,427
Public issue	-	3,000	3,000
Listing expenses	-	(1,300)	(1,300)
As per Proforma IV	(11)	3,138	3,127
ESOS	-	2,000	2,000
As per Proforma V	(11)	5,138	5,127

9. DIRECTORS' REPORT

Pelangi Publishing Group Bhd. (593649 H)

Suite 6.1A, Level 6 Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru

24 MAR 2004

Registered Office:
Pelangi Publishing Group Bhd.
Suite 6.1A, Level 6, Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor

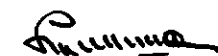
The Shareholders of
Pelangi Publishing Group Bhd. ("Pelangi Publishing")

Dear Sir/Madam

On behalf of the Directors of Pelangi Publishing, I wish to report that after making due enquiries that during the period from 30 September 2003, being the date to which the last audited accounts of Pelangi Publishing and its subsidiaries (the "Group") have been made, up to the date hereof, being a date not earlier than fourteen days before the issue of this Prospectus that :-

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in Section 8.4.5 of this Prospectus, there are no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group;
- (e) there have not been, since the last audited accounts of the Group and including all corporations which form part of the Group, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relations to any borrowings in which we are aware of; and
- (f) since the last audited accounts of the Group, save as disclosed in the Accountants' Report and Proforma Consolidated Balance Sheet as set out in Section 10 and 8.11 of this Prospectus, there has been no changes in published reserve nor any unusual factors affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors of
Pelangi Publishing Group Bhd.



Sum Kown Cheek
Executive Chairman and Managing Director