
5. INFORMATION ON THE PKHB GROUP

5.1 Incorporation and Principal Activities

PKHB was incorporated in Malaysia on 12 July 2002 under the Act as a private limited company under the name Poh Kong Holdings Sdn Bhd. On 24 July 2002, the Company was converted into a public company and assumed its present name. The Company is principally an investment holding company.

5.2 History of PKHB

Subsidiary companies of PKHB specialise in retailing and manufacturing of jewellery. The history of the PKHB group of companies started in 26 March 1976, trading from a mere total area of 55 square feet with a total stock value of RM200,000. In 1982, expansion started with the first branch being set up in SS2 Petaling Jaya, Selangor Darul Ehsan, occupying a floor space area of 1,500 square feet and staff force of 20 people. The expansion pace in the 80's was gradual. Rapid growth came about after 1990 and as at 19 January 2004, PKHB has 55 outlets nationwide.

PKHB Group is the largest retail chain of gold and gemset jewellery in Malaysia. PKHB offers a wide range of gold ornaments and fine jewellery specially created by its team of skilled craftsmen and designers. To add variety to its range of fine jewellery, PKHB also carries local and imported jewellery. Its products are divided into two main categories, viz gold and gemset jewellery. Gold jewellery refers to items made primarily of gold while gemset jewellery includes precious and semi-precious stones. PKHB offers personalized designs and collection jewellery targeted at all segments of the market in Malaysia.

PKHB's presence is also seen in major industry events and promotional show cases. It is evident that PKHB has established brand awareness with the retail and corporate market based on its reputation in terms of product reliability and design.

The company specialises not only in the retailing of fine jewellery but also caters for personalised gold emblems, where each individual emblem carries the distinctive expression and identity of organization conveying special messages to their clients and their employees. These organisations include banking and other financial institutions, manufacturers and distributors as well as those in the government sector.

PKHB has set up a manufacturing plant in Shah Alam, Selangor Darul Ehsan at an approximate cost of RM12 million. PKHB intends to carry out the construction of the new plant in three phases. Currently, the first phase has been completed. The last 2 phases of the construction of the new plant with an estimated construction cost of RM6.0 million each, is expected to be part finance through bridging loan from financial institution(s) and the balance is from internal generated funds. The construction and completion dates are yet to be determined as the 2 phases will be constructed only when there is a need in the future. The foundation for the existing PKHB's factory building was designed for 6 stories building, which is meant for the constructions of Phase II and Phase III of the factory, an additional 2 stories for each phase, in future.

As a message of success, PKHB designer team won a gold medal for the "Gold Design Awards 1996" organized by the World Gold Council which was held in Italy. PKHB is recruiting and training new staff to maintain its high standard and is confident of strengthening its position as Malaysia's premier jewellery chain.

5. INFORMATION ON THE PKHB GROUP (Cont'd)**5.3 Changes In Share Capital**

The authorised share capital of PKHB is RM500,000,000 divided into 500,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital is RM64,000,000 comprising 64,000,000 ordinary shares of RM1.00 each. Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Issued and Paid-Up Share Capital RM
12.07.2002	2	1.00	Subscribers' shares	2
13.01.2004	44,419,795	1.00	Shares issued at an issue price of approximately RM1.20 per share in consideration for the Acquisitions	44,419,797
To be allotted	19,580,203	1.00	Public issue of shares	64,000,000

5.4 Business Overview

The corporate structure of PKHB upon listing is highlighted in Section 2.1 of this Prospectus. The principal activities of PKHB Group is investment holding, whilst its subsidiary companies are involved in manufacturing, trading, supplying and retailing of gold ornament, jewellerys and precious stones.

As at the date of this Prospectus, PKHB has no associated company.

The principal activities of PKHB's subsidiary companies are provided in Section 5.6 of this Prospectus.

5.4.1 Principal Products

PKHB Group is principally involved in the manufacturing, trading, supplying and retailing of gold jewellery. Its principal products manufactured in-house are mainly gold-based and this includes:-

- (i) jewellerys;
- (ii) fashion accessories;
- (iii) ornaments;
- (iv) coins;
- (v) medals; and
- (vi) corporate gifts and premiums.

PKHB Group also uses other precious metals and gemstones to complement its range of gold jewellery products. Some of these include:-

- (i) silver;
- (ii) platinum;
- (iii) semi-precious stones; and
- (iv) precious stones.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

5.4.2 Technology

The key technologies used by PKHB include the following:-

(a) Gold Recovery and Refining

The technology used by PKHB in its gold recovery and refining process is the Aqua Regia Process.

The general procedure for the Aqua Regia Process is to initially remove as much impurities as possible, and subsequently use Aqua Regia solution comprising nitric acid, hydrochloric acid and water to dissolve all the gold and other remaining impurities, whereby the impurities are subsequently removed, and the gold precipitated as gold powder.

(b) Manufacturing

There are two main methods of manufacturing jewellery, of which PKHB undertakes both of them:-

- (i) individually hand-made; and
- (ii) mass production.

The individually hand-made method primarily uses craft skills and simple tools. As such, technologies play a less important role while the skills of the crafts person is more important.

For mass production, technologies play a more important role. Depending on the method of manufacturing, different technologies are utilised. PKHB utilises two methods for its manufacturing process:-

- (i) lost wax casting; and
- (ii) stamping.

The technology involved in lost wax casting include the following:-

- (i) mould (master and copies) making;
- (ii) wax injection;
- (iii) creating a refractory mould using special investment powder; and
- (iv) casting using vacuum method.

Stamping technology normally incorporates a three-dimensional mould and die set to provide the shape of the item to be stamped by machine. Symmetrical pairs of stamped parts are normally required for one item and they are then soldered together. Coins and medals are also made through the stamping method, although they would not require any soldering.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

(c) Assaying

Assaying is the process of measuring the gold content of an item. Assaying technology is very important particularly for those involved in gold refining. Gold and its various alloys used as raw materials will need to be assayed for its gold content to determine the fineness (caratage). On completion of the refining process, the content of the finished product would also need to be assayed to determine accurately its gold content for certification purposes. In situations where gold alloys are created, assaying would be required to be undertaken to determine accurately the gold content.

There are many methods and technologies involved in the assaying of gold. PKHB uses the fire assay (cupellation) method. The fire assay involves taking a small scraping (approximately 250 milligrams) and weighting it accurately. It is then wrapped in a lead foil with some added silver and heated in a furnace at about 1,100⁰ centigrade to remove all base metals to give a gold-silver alloy. The gold-silver alloy is then placed in nitric acid to dissolve out all the silver leaving the pure gold, which is then weighted.

(d) Creating Gold Alloys

Gold alloys are created when gold is mixed with one or more other elements, mainly metals. Gold alloys are created mainly to obtain the following variations:-

- (i) colour;
- (ii) physical and mechanical properties; and
- (iii) gold content providing a wider price range.

Pure gold is deep yellow in colour and is soft and malleable. However, different colours, and physical and mechanical properties can be obtained by creating gold alloys. Examples of different colours of gold alloy are yellow, pale yellow, deep yellow, rich yellow, green yellow, pink/rose, red, white and purple.

Changes to physical and mechanical properties of gold alloy includes strength, hardness, tensile strength, elongation, malleability, melting point and density.

Some of the elements added to gold to create alloys include silver, palladium and copper.

However, the most common metals added to gold are silver and copper because of the similar crystal structure (face centred cubic), which enables ease of mixing over a large range of compositions. Other elements are often added to these three metals to obtain various colours, physical and mechanical properties and pricing.

The technology behind creating gold alloys is the ability to combine different elements in the precise proportion to provide the desired colour, physical and mechanical properties and price range.

Examples of metal compositions to obtain desired colours are as follows:-

Gold Caratage	Gold by Weight % *	Silver by Weight % *	Copper by Weight % *	Colour
22	91.6	8.4	-	yellow
22	91.6	5.5	2.8	yellow
22	91.6	3.2	5.1	deep yellow
22	91.6	-	8.4	pink/rose
18	75.0	25.0	-	green-yellow
18	75.0	16.0	9.0	pale yellow
18	75.0	12.5	12.5	yellow

5. INFORMATION ON THE PKHB GROUP (Cont'd)

Gold Caratage	Gold by Weight % *	Silver by Weight % *	Copper by Weight % *	Colour
18	75.0	9.0	16.0	pink
18	75.0	4.5	20.5	red
14	58.5	41.5	-	pale green
14	58.5	30.0	11.5	yellow
14	58.5	9.0	32.5	red
9	37.5	62.5	-	white
9	37.5	55.0	7.5	pale yellow
9	37.5	42.5	20.0	yellow
9	37.5	31.25	31.25	rich yellow
9	37.5	20.0	42.5	pink
9	37.5	7.5	55.0	red

Note:-

* Sum of metal compositions may not add to 100% due to rounding.

Examples of physical and mechanical properties of gold alloys based on composition and condition of preparation:-

Carat	Composition %		Density g/cm ³	Melting Range °C	Condition	Hardness HV	Tensile Strengths N/mm ²
	Silver	Copper					
24	-	-	19.32	1064	Annealed	20	45
					Worked	55	200
22	5.5	2.8	17.9	995 - 1020	Annealed	52	220
					Worked	138	390
	3.2	5.1	17.8	964 - 982	Annealed	70	275
					Worked	142	463
21	4.5	8.0	16.8	940 - 964	Annealed	100	363
					Worked	190	650
	1.75	10.75	16.8	928 - 952	Annealed	123	396
					Worked	197	728
18	12.5	12.5	15.45	885 - 895	Annealed	150	520
					Worked	212	810
	4.5	20.5	15.15	890 - 895	Annealed	165	550
					Worked	227	880

(e) Jewellery Design and Technology

Technologies involved in jewellery design rely on material, production and finishing technologies, in addition to artisanship. In many situations, design is dictated by the available types of technology utilised. For example, a designer who designs a three-dimensional item will use stamping technology, while intricate designs may need to use electroforming technology.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

In addition, the use of innovative technology and methods could help create new designs such as:-

(i) powder metallurgy

Combining different colour gold or gold alloy powders layered or structured in innovative ways could result in interesting design and new effects.

(ii) gold clay

Gold or gold alloy powder is mixed with an organic binder which enables the designer to use it like a potter's clay to create innovative design and products.

(iii) laser engraving

With lasers to provide deep relief engraving, designers are able to create interesting designs and patterns on jewellery.

5.4.3 Patents, Trademarks and Franchises

PKHB has registered the "Poh Kong" trade mark for the following products in Malaysia, details of which are as follows:-

Issuing Authority	Trade Mark No.	Duration of Trademark	Description of Goods under Trade Mark
Registrar of Trade Marks, Ministry of Domestic Trade and Consumer Affairs, Malaysia	92005281	31 July 1992 until 31 July 2009	Precious metals and their alloys and goods in precious metal or coated therewith (except cutlery, forks and spoons), jewellery and all precious stones

PKHB has also obtained a sub-license for the "Disney" character jewellery, brief details of the arrangement are as follows:-

Licensor	Salient Terms of the Agreement with Licensor
Fun Character (Malaysia) Sdn Bhd	<p>Sub-licensed to manufacture and sell the products under the Disney copyrighted characters in all the styles as designed by Disney in Malaysia.</p> <p>Products to include pendants, rings, earrings, chokers, anklets, bracelets, brooches, tie pins/clips and tie chains.</p> <p>Characters to sell includes Mickey Mouse, Minnie Mouse, Donald Duck, Daisy Duck, Goofy, Pluto, Clarabelle Cow, Horace Horsecollar, Big Bad Pete and Uncle Scrooge/Huey/Louie/Dewey, Chip 'n Dale, Mortie & Ferdie, That's Donald, Minnie 'n Me, Winnie the Pooh, Tigger, Eeyore, Kanga, Roo, Rabbit, Piglet and Owl.</p> <p>Royalty payments are as follows:-</p> <p>(i) 5% of net invoice billings to retail outlets for 22 or 24 carat gold jewellery</p> <p>(ii) 7% of net invoice billings to retail outlets for all other articles.</p> <p>Present contract agreement is from 1 September 2003 to 31 August 2004.</p>

5. INFORMATION ON THE PKHB GROUP (Cont'd)

PKJ is also the owner of the "Tranz" brand. The Group is currently in the process of registering the trademark.

PKHB currently does not have any franchises. All its retail outlets are either wholly or partly owned.

5.4.4 Approvals, Major Licences and Permits

The principal licences/permits/certificates obtained for the activities of the Group are as follows:-

PKJM has been granted a license for manufacturing of jewellery of precious metals pursuant to the Industrial Co-ordination Act, 1975 from 23 May 2001.

5.4.5 Production Process

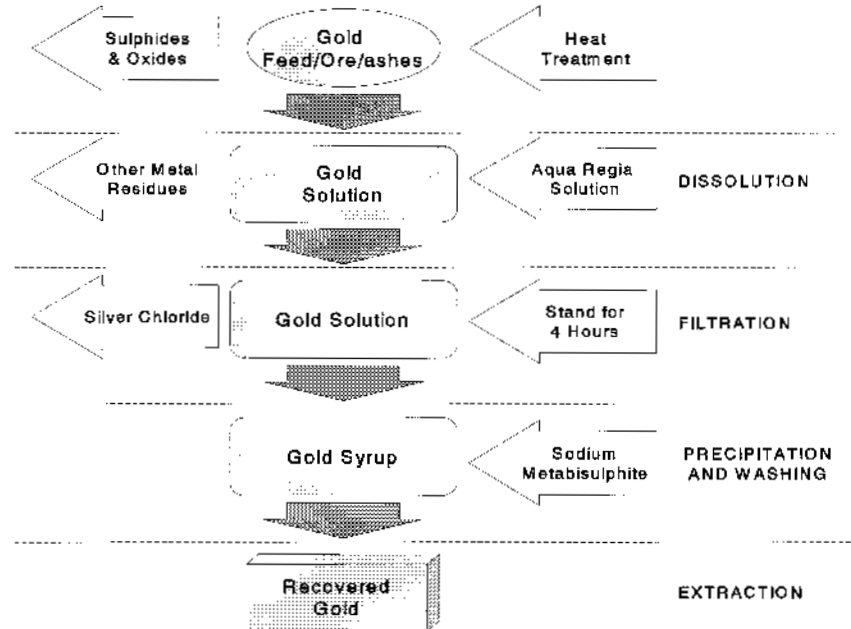
There are four main processes in the gold refining and manufacturing of jewellery:-

(a) Gold Recovery and Refining Processes

PKHB uses the Aqua Regia Process for its gold recovery and refining. Aqua Regia is the common name for nitrohydrochloric acid. The solution has the ability to dissolve gold and is made by mixing one part of nitric acid and three parts of hydrochloric.

Gold Recovery Process

The process flow for the recovery of gold is as depicted below:-



Feed material or ore or ashes containing gold in an impure state or raw form is put in a container and fired in a furnace to convert any sulfides to sulfates or oxides so that the resultant material will be soluble in Aqua Regia for further processing.

A combination of water, nitric acid and hydrochloric acid or Aqua Regia solution is added to the gold residue and allowed to stand for approximately 4 hours to facilitate reaction.

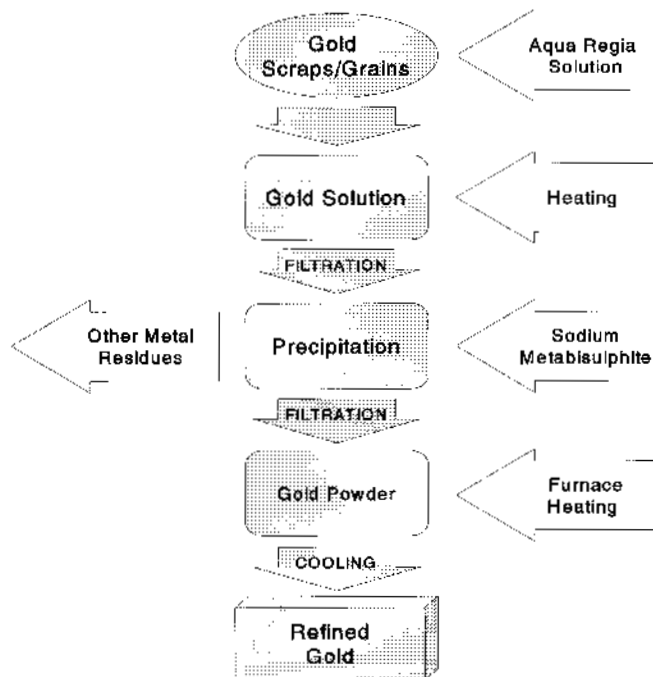
5. INFORMATION ON THE PKHB GROUP (Cont'd)

When the etching reaction in Aqua Regia ends, the dissolution reactor will contain a diphasic product (composed by two phases) of solid and liquid. In the liquid part, there is presence of gold, copper, iron, etc. The solid part is formed essentially by the gold

The resultant solution and precipitate (which is the gold) is then filtered to extract the gold in powdered form.

Gold Refining Process

The process flow of gold refining is as depicted in the diagram below:-



Gold scrap or grain is placed in a container where a solution of nitric acid and hydrochloric acid or Aqua Regia is added to react with the material. The heat is applied to aid dissolution. The solution is then filtered to extract other residual solid metals such as silver in the form of silver chloride. The silver metal is then extracted using another process. Sodium metabisulphite is added to precipitate the gold as residue.

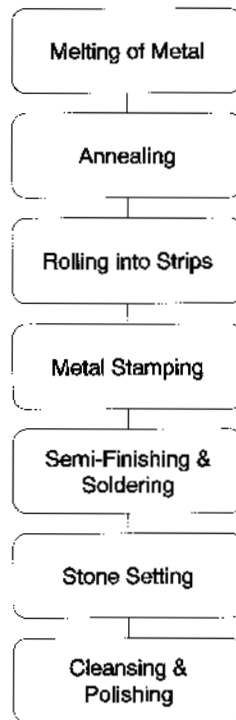
The gold residue is filtered through a strainer and put into a clay crucible. The refined gold is then melted to form gold ingot.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

(b) Stamping Process

Stamping process is one of two means of mass production undertaken by PKHB. As a means of mass production, it involves fabricating a large quantity of one specific product design at a time through a series of stamping of metal strips using moulds and dies.

The stamping process is depicted in the figure below:-



The stamping process for manufacturing jewellery begins after the final design has been approved or selected. Gold or other precious metals in its initial bar or strip form is first heated in a furnace to melt the metal.

The metal is then put through an annealing process. This process involves the heating of the metal up to a temperature below the melting point of the metal ranging between 550°C and 600°C. At this temperature, it will make the metal soft enough to work on.

The soft metal is then rolled into strips and flats. During the rolling process, the metal will become hard and brittle, and therefore it has to be annealed regularly. The metal has to be heated in an annealing furnace or with a torch until it becomes cerise red to rearrange the atoms in an orderly way and so as to make the metal soft and malleable again.

The strips of flat metal are then stamped to produce the required shapes and sizes for the piece of Jewellery.

The stamping machine uses hydraulics to punch the desired shape and size using moulds and dies.

In most situations, the stamping process creates two matching halves that would be required to be soldered together.

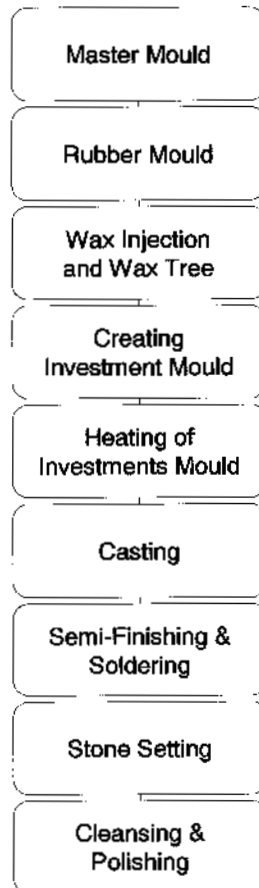
5. INFORMATION ON THE PKHB GROUP (Cont'd)

The addition of clasps and pins are then soldered on before other precious stones are set on the piece of jewellery. It then goes through a final process of cleaning and polishing.

(c) Lost Wax Casting Process

Lost wax casting, sometimes also known as investment casting is one of two means of mass production undertaken by PKHB.

The lost wax casting process is depicted in the figure below:-



5. INFORMATION ON THE PKHB GROUP (Cont'd)

Firstly a master mould is made of the original designed piece of jewellery. The master mould is commonly made from hard metal alloy, usually comprising silver and gold.

From this master mould, several rubber mould copies are made. This is done by surrounding the master mould with sheet rubber in a mould frame. It is then placed in a heated press and vulcanised. On cooling, the rubber sheet is then cut into half, thus releasing the master mould.

The rubber mould is used to make many copies of the master mould in wax. This is done by injecting molten wax into the rubber mould cavity. On cooling, the wax is removed to give a copy of the original master mould in wax. These wax copies are then joined together in a tree formation, sometimes referred to as an investment casting tree.

The investment casting tree is then suspended in a metal flask, and "investment" powder, which has been mixed with water to form a slurry, is poured around it. Investment powder is similar to plaster of paris. Once the plaster has hardened, the flask is then inverted and placed in a kiln and the wax is slowly melted out until only the negative cavity, which is the exact shape of the base jewellery, is cast in the plaster mould.

Molten metal, for example gold or gold alloy, is then poured or injected into this negative space and allowed to cool and solidify. Once the metal has been cooled and solidified, the plaster mould is broken to reveal the base jewellery.

Thereafter, the next few steps would depend on the design of the jewellery and may incorporate some combination of the following:-

- (i) cutting;
- (ii) grinding;
- (iii) soldering; and
- (iv) stone (precious or semi-precious) setting.

Once all the components of the jewellery are in place, it goes through the cleansing and polishing processes to bring the jewellery to its final polished state. The finishing and polishing processes are semi-automatic and manual processes using machines, and are carried out for each individual jewellery.

(d) Individual Hand-Made Production

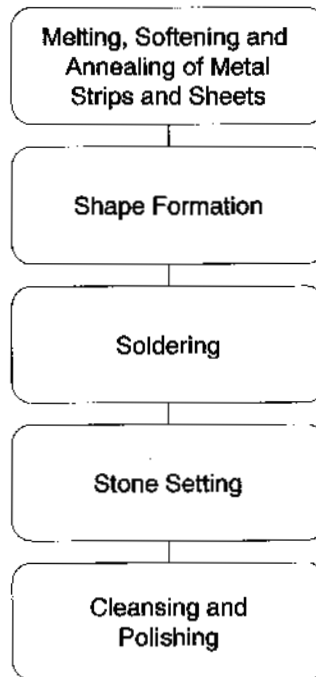
Hand-made process is the oldest form of jewellery making where each jewellery is made from scratch without the assistance of any moulds.

Hand-made process is used under one of the following conditions:-

- (i) required to be produced in very limited quantity;
- (ii) cannot be produced using either stamping or casting method; and
- (iii) one-off customised item for a specific customer.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

Hand-made process is as depicted in the figure below:-



The first few steps in the hand-made process involve a series of melting, softening and annealing of the metal in its various forms including strips and sheets.

The annealed metal is then rolled, drawn, formed and shaped into the required design.

Where required, clasps and pins are then soldered before precious stones are set on the piece of jewellery.

Finally it goes through the cleansing and polishing process.

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5. INFORMATION ON THE PKHB GROUP (Cont'd)

5.4.6 Market Share/Ranking

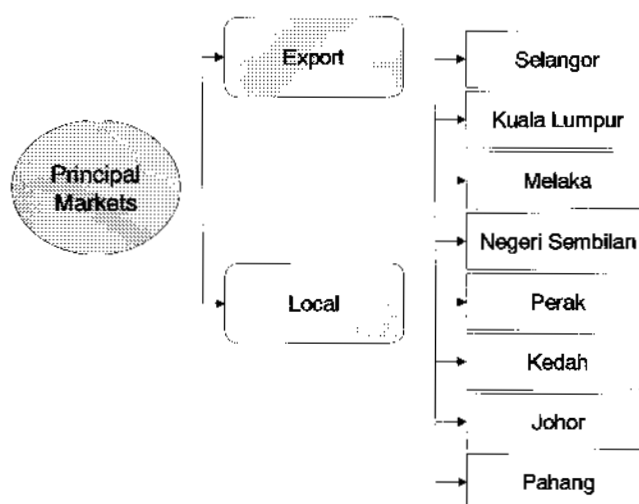
In 2003, the market size for the jewellery industry was estimated at RM1.9 billion. Based on turnover of PKHB Group for the financial year ended 31 July 2003, the market share of PKHB in the jewellery industry was estimated at 15%.

In the context of the number of retail outlets in Malaysia, PKHB was the market leader with 54 retail outlets in 2003.

(Source: Assessment of the Gold Jewellery Industry prepared by Vital Factor Consulting Sdn Bhd)

5.4.7 Principal Markets

The principal markets of PKHB comprised both local and export markets and this is as depicted in the diagram below:-



Although the local market contributed approximately 100% of PKHB's total revenue for the financial year ended 31 July 2003, these are segmented into two types of customers namely consumer customers and corporate customers. Export sales, namely to Singapore, were however, recorded for the financial year ended 31 July 2002 amounting to approximately 0.05% of the Group's revenue.

For the financial year ended 31 July 2003, the Group's revenue from the local markets can be segmented as follows:-

States	Proportion of Group Revenue (%) ^
Selangor	55
Kuala Lumpur	24
Perak	5
Melaka	6
Johor	5
Negeri Sembilan	3
Kedah	2
Pahang	1
Total	100*

Notes:-

* Total exceed 100% due to rounding

^ Based on the revenue of PKHB Group from the local market for the financial year ended 31 July 2003 of RM293.56 million

5. INFORMATION ON THE PKHB GROUP (Cont'd)

Although all of the revenue of PKHB is derived from the local market, it is relatively well spread across eight states and territory within Peninsular Malaysia. Within Klang Valley, Selangor and Kuala Lumpur combined represented the highest revenue contribution, which amounted to approximately 78.6% of total revenue for the financial year ended 31 July 2003.

The large revenue contribution from Kuala Lumpur and Selangor is mainly because PKHB has most of its retail stores within the two state and federal territory. Currently, there are thirty nine (39) retail outlets within Kuala Lumpur and Selangor representing approximately 70% of total retail outlets within the PKHB.

Most of PKHB's retail outlets are located in shopping malls. As at 19 January 2004, the fifty five (55) retail outlets of the Group are located in the following places:-

Company Name	Location of Outlet(s)
SELANGOR	
1 PKJ	Jalan 52/4, Petaling Jaya
2 PKJ (SS2)	Jalan SS2/55, Petaling Jaya
3 PKJ (Jaya)	Jaya Shopping Centre, Petaling Jaya
4 PKJ (S. Parade)	Subang Parade, Petaling Jaya
5 PKJ (BU)	1-Utama Shopping Centre, Petaling Jaya
6 PKJ (S. Parade)	Sunway Pyramid Mega Mall, Petaling Jaya
7 PKJ (Summit)	Summit City, Subang
8 PKJ	Amcorp Mall, Petaling Jaya
9 PKJ (SS2)	Tesco Hypermarket, Damansara Mutiara, Petaling Jaya
10 PKJ (Puchong)	Tesco Hypermarket, Puchong
11 PKJ (G.Wall)	Tesco Hypermarket, Klang
12 PKJ (O. Klang)	Pasaraya Ocean, Klang
13 PKJ (Banting)	Xtra Supercentre, Klang
14 PKJ (G. Wall, O.Klang)	Bukit Raja Shopping Centre, Klang (2 outlets)
15 PKJ (O. Klang)	Shaw Centre Point, Klang
16 DB	Klang Parade, Klang
17 PKJ (G.Wall)	Alam Sentral Plaza, Shah Alam
18 PKJ (Banting)	Megah Supermarket, Banting
19 PKJ (G. Wall)	Kompleks Sungai Buloh, Selangor
20 PKJ (O. Kajang)	Bangi Utama Shopping Complex, Bangi
21 PKJ (O. Kajang)	Plaza Metro Kajang, Kajang
22 PKJ (Ampang)	Ampang Point Shopping Centre, Ampang
23 PKJ (Ampang)	Spectrum Shopping Mall, Ampang
24 PKJ (T. Mines)	The Mines Shopping Fair, Sri Kembangan
25 PKJ (BU)	1-Utama Shopping Centre, Phase 2A, Petaling Jaya
KUALA LUMPUR	
26 PKJ (T. Mall)	The Mall (2 outlets)
27 PKJ (Maluri)	Jusco, Taman Maluri
28 PKJ (W. Maju)	Alpha Angle, Wangsa Maju
29 PKJ (Selayang)	Warta Superstore, Selayang
30 PKJ (O.K. Road)	Pearl Point Shopping Centre, Old Klang Road
31 PKJ (Maluri)	Leisure Mall, Cheras
32 PKJ (T. Mall)	Pasaraya Ocean, Selayang
33 PKJ (Bangsar)	Bangsar Shopping Complex, Bangsar
34 PKJ (MV)	Mid Valley-Mega Mall
35 PKJ (Maluri)	Pandan Capital Shopping Mall, Pandan Jaya
36 PKJ (S. Parade)	Berjaya Times Square, Kuala Lumpur
37 PKJ (SS2)	Jusco Metro Prima, Kepong

5. INFORMATION ON THE PKHB GROUP (Cont'd)

MALACCA

38	PKJ (Malacca)	Jusco Shopping Centre, Air Keroh
39	PKJ (J.T. Malacca)	Mahkota Parade, Melaka Jaya (2 outlets)
40	PKJ (O. Malacca)	Pasaraya Ocean, Jalan Tun Mamat
41	PKJ (Peringgit)	Tesco Hypermarket, Peringgit

JOHOR

42	PKJ (Muar)	Wetex Parade, Muar
43	PKJ (B. Pahat)	Summit Parade, Batu Pahat
44	PKJ (O. Johor Bahru)	Jusco Permas Jaya, Johor Bahru
45	PKJ (Tmn. Uni. JB)	Jusco Taman Universiti, Johor Bahru

NEGERI SEMBILAN

46	PKJ (G. Seremban)	The Store, Seremban
47	PKJ (O. Seremban)	Terminal One, Seremban
48	PKJ (O. Seremban)	Pasaraya Ocean, Seremban

PERAK

49	PKJ (O. Ipoh)	Pasaraya Ocean, Ipoh
50	PKJ (K. City)	Kinta City Shopping Centre, Ipoh

KEDAH

51	PKJ	Star Parade, Alor Setar
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PAHANG

52	PKJ (O. Kuantan)	Pasaraya Ocean, Kuantan
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5.4.8 Types, Sources and Availability of Raw Materials

All the raw materials used by the PKHB are sourced directly either from manufacturers or suppliers.

Gold Bullion

Gold bullion is one of the major raw materials used by the Group for the manufacturing of gold jewellery. Gold bullion represented approximately 24.8% of the total raw material and finished product purchases of PKHB for the financial year ended 31 July 2003. PKHB currently sources all its gold bullion from local dealers, MKS Precious Metals Sdn Bhd and United Overseas Bank Berhad. These local dealers are the ones that import gold bullion into Malaysia. PKHB is not overly dependent on its gold bullion suppliers because gold bullion is a commodity and easily available from other local suppliers or globally. In Malaysia, the import of gold (including gold plated with platinum) unwrought or in semi-manufactured forms amounted to approximately RM3.0 billion in 2002 (*Source: Prospects and Future Plans of PKHB prepared by Vital Factor Consulting Sdn Bhd*).

As there are ample sources of supply of gold bullion, the threat in supply is minimised. To date, PKHB has not encountered any major problems in sourcing gold bullion as a raw material.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

Finished Products

PKHB also buys a significant amount of finished products. This is a common practice in the industry. The need to purchase finished products from third parties is because of the large range of products available within the jewellery industry. Thus it is not practical for PKHB's to manufacture such a wide range of products for retail.

However, PKHB is not heavily dependent on any of these suppliers and this is reflected by the fact that purchases of finished products are widely distributed among different suppliers. There are fourteen finished product suppliers in PKHB's top 20 supplier list. The Group's largest supplier of finished products, Mei Heng Trading Sdn Bhd, only represented approximately 4.79% of total purchases of the Group for the financial year ended 31 July 2003.

According to Malaysian Industrial Development Authority ("MIDA"), there are 48 companies issued with manufacturing licences for the manufacturing of jewellery (*Source: Business Overview of PKHB prepared by Vital Factor Consulting Sdn Bhd*). As such there are sufficient alternative jewellery manufacturers for PKHB to source for finished products.

5.4.9 Quality Control Procedure

(a) Necessity Products

Gold jewellery may not be regarded as necessity products, however, it is a common item found in most households. This is partly due to the fact that, in addition to aesthetic reasons, gold jewellery is also regarded as a popular form of investment.

Results from the Household Expenditure Survey in Malaysia undertaken by the Department of Statistics also indicate a growth in expenditure on jewellery. The average annual household expenditure on jewellery, rings and precious stones, of which gold jewellery is included in the category, (as defined by the Department of Statistics) grew at an average annual rate of approximately 3.0% between 1993/94 and 1998/99.

Growth in household expenditure on gold jewellery indicates a continuing market demand for these types of items.

(b) Product Quality

PKHB places significant emphasis on product quality and adheres to stringent quality standards. This is reflected in the fact that the Group has its own internal quality assurance to ensure that the standard of product quality is maintained.

Some of the processes and procedures to maintain quality include the following:-

- (i) Assay laboratory for analysis testing to determine the pureness and caratage of gold before using it in the manufacturing process. Similarly, all mixtures of precious metals have to undergo a similar analysis.
- (ii) An in-house gold refinery process, which enables the Group to use refined gold in every batch as opposed to using scrap. The use of refined gold will ensure that the physical properties of gold and the texture will remain consistent and ultimately impact on the quality of the final product.
- (iii) All precious gemstones have to undergo internal valuation for grading depending on quality and cut of gemstones. As at 19 January 2004, the Group has six (6) skilled and experienced valuers.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

- (iv) The Group has its own internal quality assurance to ensure that the standard of quality of the final product is maintained. As at 19 January 2004, there were 10 personnel responsible for quality assurance.
- (v) The Group has a pool of highly skilled craftsmen that focuses on producing customised gold jewellery with complex designs, with and without precious stones. As at 19 January 2004, the Group has a total of 74 craftsmen in its operations.

PKHB's quality designs are further confirmed by winning the World Gold Council Europe's Gold Design Award for its Layang-Layang Collection in 1996. The event was organised by the World Gold Council.

5.4.10 Research and Development ("R&D")

PKHB recognises the importance of undertaking continuing R&D to maintain and enhance its competitive advantages. The constant enhancement of competitive advantages is critical in a highly competitive market place, thus sustaining PKHB's business growth and success in the long term.

Being an integrated jewellery manufacturer and retailer, PKHB has the capabilities and facilities to undertake R&D in-house. Many jewellery retailers that do not undertake manufacturing would have to rely on third party's fabricators to provide them with new products and designs. However, any new products and designs would not be exclusive to any one retailer.

One other major advantage that PKHB has with its in-house R&D and manufacturing facilities is that it can react very quickly to changes in consumer preferences and jewellery trends without having to rely on third parties.

PKHB's R&D activities are undertaken by its subsidiary company, namely PKJM. PKHB undertakes R&D in two main areas namely materials and product design.

The policy on R&D on product design and product quality are as follows:-

- (i) to conduct market research on new design by exploring for the latest trends and innovative designs;
- (ii) to develop new trendy designs that cater for all age group in local market;
- (iii) to develop products which are trendy and practical while minimising the production cost; and
- (iv) to improve the product quality by conducting research on new technology and new production techniques, and later employ such technology and techniques in the production.

The R&D activities allows the in-house brand i.e. Tranz to continuously come out with new trendy and popular design.

The amount spent for the last three (3) financial years are as follows:-

Financial Year Ended 31 July	Amount Spent on R&D (RM)	% Over Turnover
2001	159,581	0.06
2002	317,815	0.11
2003	272,313	0.09

5. INFORMATION ON THE PKHB GROUP (Cont'd)

(a) Materials

Precious metal alloys, especially gold alloys, provide PKHB significant scope to create new products. This is because alloys can provide a wide range of colour, physical and mechanical properties, and price range. The combination of these three main areas enables PKHB to create products that are unique and accurately target various consumer groups.

Although many of the compositions of alloys are well documented, PKHB would need to undertake its own R&D for the following reasons:-

- (i) The actual alloy needs to be produced physically to see if the resultant colour is appealing, the material is conducive to various manufacturing processes, and the impact of implementation for mass production;
- (ii) The combinations in terms of elements and their respective ratios are virtually unlimited. As such, there continue to be significant scope for PKHB to create its 'own' desired alloys that may not be well documented;
- (iii) PKHB constantly has to meet the requirements and specifications of its in-house retailers. In some situations, it requires materials that PKHB has not previously used before. As such, R&D has to be undertaken to meet retailers' requirements and specifications; and
- (iv) As PKHB undertakes its own in-house product design, R&D in materials play a key role in supporting new product designs.

(b) Product Design

Jewellery is primarily purchased for its aesthetic values in addition to its inherent investment value. As such, jewellery as with any fashion items, would constantly require new designs to ensure that PKHB continues to meet the changing needs and preferences of consumers.

Product design is a key success factor in the jewellery industry. Designs could come in various forms, including, among others, the following:-

- (i) colour;
- (ii) shape;
- (iii) pattern;
- (iv) material;
- (v) combination of materials;
- (vi) finishing; and
- (vii) method of manufacturing.

PKHB emphasises significantly on product design in its research and development activities. To-date, PKHB has accumulated approximately 30,000 designs over its 27 years of operations. However, at any one point in time, approximately 3,000 designs are being used for its manufacturing process.

5.4.11 Interruptions in Business For the Past Twelve (12) Months

Saved as disclosed below, the Group has not experienced any significant interruptions in its business activities which have had any significant effect on its operations during the last twelve months.

One of the outlets of PKJ (G.Wall) which is located in Great Wall Shopping Centre, Klang, Selangor Darul Ehsan caught fire on 19 May 2003. However, the Directors of PKHB are of the opinion that there is no significant effects on its operation.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

5.4.12 Employees As At 19 January 2004

The PKHB Group currently has the following number of employees:-

Category	Bumiputera	Chinese	Indian	Other Malaysian	Foreigner	Total
Management and Professional	-	97	-	-	-	97
Technical and Supervision	7	496	3	-	-	506
Clerical	3	184	-	-	-	187
Factory Floor Workers:-						
Skilled Workers	2	48	-	-	10	60
Semi-skilled Workers	7	3	-	-	4	14
Unskilled Workers	5	-	2	-	14	21
General Workers	38	40	-	-	1	79
TOTAL	62	868	5	-	29	964

As at 19 January 2004, the number of contract staff is 8.

PKHB continuously provides training and development for its management and technical employees through courses and seminars organised by both professional and governmental bodies.

PKHB's employees are not members of any trade unions and to date, no industrial disputes have transpired in the Group's 27 years of operation. The average number of years of service of its key employees is about 20 years.

5.4.13 Distribution Network and Marketing Strategies

PKHB's marketing strategies are focused on the retailing of gold jewellery supported by its in-house gold refinery, jewellery design and manufacturing facilities.

(a) Retailing Strategy

The major thrust of PKHB's retail strategy is to position itself as a leader in the retailing of gold jewellery supported by the following strategy:-

- (i) to provide a comprehensive range of products;
- (ii) to provide exclusively designed products;
- (iii) extensive retail coverage;
- (iv) corporate and product branding; and
- (v) retail promotions.

The above retail marketing strategies are primarily designed to reach out to as wide a consumer base as possible, as well as winning sales from as many consumers as possible.

5. **INFORMATION ON THE PKHB GROUP (Cont'd)**

Provide Comprehensive Range of Gold Jewellery Products

PKHB's products are either manufactured in-house or purchased from third parties. The need to purchase from third parties is primarily to provide a comprehensive range of gold jewellery, plus a small complementary range of non-gold jewellery. This is because it is not practical for PKHB's in-house manufacturing to meet such a diverse range of jewellery.

As such, by providing a comprehensive range of jewellery, especially gold jewellery, PKHB uses a two-prong supply approach of in-house manufacturing and third party products.

Provide Exclusively Designed Products

One of PKHB's competitive advantages is its in-house manufacturing plant. To maximise from this competitive advantage, in-house designed jewellery are exclusive to its own retail outlets.

The availability of exclusive designed gold jewellery in PKHB's retail outlets would provide an additional reason for consumers to shop at PKHB's retail outlets.

Extensive Retail Coverage

PKHB has the most retail jewellery outlets in Malaysia, amounting to 55 retail outlets in eight (8) states and territories.

As at 19 January 2004, PKHB has 545 personnel under its sales division that are focused on retailing through its current retail outlets. This provides the Group with an extensive coverage to reach a large proportion of consumers.

Corporate and Product Branding

PKHB has approximately 27 years track record in the jewellery industry trading under the name 'Poh Kong'. As such, it has build tremendous brand equity for its corporate name 'Poh Kong' which is used in all 55 of its retail outlets in Malaysia.

This corporate brand building would provide consumers with assurance of the quality of products. Within the jewellery industry, confidence in product quality is important as jewellery is a high priced item and sometimes regarded as an investment item, especially for gold jewellery. Many consumers would not have sufficient expertise or the equipment to verify authenticity or fineness (caratage) of precious metal and gemstones. Thus, many consumers would need to rely on the reputation of the retailer to ensure product authenticity and quality.

PKHB also markets a range of its products under its other brand name 'Tranz' and a third party brand name under 'Disney' characters. Disney character jewellery is targeted at the children and young teens. The Tranz range of products is targeted at the young adult female professionals. The ownership of the Tranz brand name is under PKJ.

The use of these two main brands would create differentiation of PKHB from other jewellers, to attract and retain incremental customers.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

Retail Promotions

As the focus of PKHB is in retail, promotions play a key role in the areas of:-

- (i) corporate name and brand building;
- (ii) creating consumer awareness;
- (iii) creating corporate image; and
- (iv) communicating PKHB's product benefits and values.

In the long run, the success of its retail promotions would translate to increases in sales.

For the financial year ended 31 July 2003, PKHB spends approximately RM1.4 million for total advertisement and promotional activities.

PKHB utilises the following marketing and promotional vehicles:-

- (i) Tying up with third parties such as credit card companies to access new database of customers for direct marketing; and
- (ii) Product advertisements and promotions on radio and television media and also in various magazines and press media, for special events and festive periods such as Valentine's Day, Mother's Day, weddings, birthdays and festive seasons.

As part of its strategy to promote its products and services and as well as identify likely consumer trends, PKHB also actively exhibits and attends exhibitions as follows:-

- (i) Malaysia International Jewelex;
- (ii) Jewellery and Watch Fair Hong Kong;
- (iii) VicenzaOro2, Italy;
- (iv) Luxury China, China;
- (v) Surabaya Jewellery Fair, Indonesia.

(b) Distribution Channel Strategy

PKHB utilises mainly direct channels of distribution through its own established network of 55 retail outlets throughout Peninsular Malaysia and wholeselling to Singapore.

Thus, the direct sales approach enables the Group to work closely with its customers to have a better understanding of their preferences and needs, so as to create and source products that meet these preferences and needs.

PKHB's extensive retailing network will provide wide sales coverage for its products in Malaysia.

5.4.14 Production/Operation Capacities and Output

The current capacity utilization for manufacturing and gold refining of PKHB are as follows:-

Products	Capacity Utilisation (%)
Manufacturing	50 – 60
Gold Recovery & Refining	40 – 50

PKHB's current production facilities are able to handle a 100% increase with minimum capital investments. This provides it with significant room for expansion, especially as it gears up to manufacture jewellery for third parties outside the group as well as for export.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

5.4.15 Principal Assets

The list of landed properties of the Company is set out in Section 9 of this Prospectus.

5.5 Listing Scheme

In conjunction with the listing of PKHB's shares on the Main Board of the MSEB, the Company undertook the following exercises which were approved by the MITI and SC on 30 July 2003 and 29 December 2003 respectively. The details of the aforesaid exercises are as follows:-

5.5.1 Dividends

On 7 January 2004, certain companies within the PKHB Group declared net dividend amounting to approximately RM8,705,888 in aggregate from their respective retained earnings accounts based on the retained earnings for the financial year ended 31 July 2003, of which RM3,336,912 is from dividend receipts from companies within the Group.

5.5.2 Revaluation

Based on the revaluation reports prepared by Colliers Jordan Lee & Jaafar (JH) Sdn Bhd, a registered independent professional valuer, the total market value of the respective companies' land and buildings is RM32,620,000. The total audited net books value of the respective companies' land and buildings as at 31 July 2002 (save for Jungmax of which the audited net book value is as at 28 February 2002) is RM29,416,736. The revaluation surplus of RM3,203,264 will be incorporated in the accounts of the respective companies for the financial year ending 31 July 2004.

The Reporting Accountants is of the opinion that the abandoned properties as referred to in Section 9.1 of this Prospectus stated at cost or net book value is acceptable based on the assurance that two of the Directors, namely, Dato' Choon Yee Seiong and Cheong Tock Chong have provided a personal guarantee to cushion for any diminution in values of the abandoned properties.

In addition to the above, in order to determine the adjusted audited NTA for the purchase consideration of the companies acquired, the investments in the respective companies are revalued up to the audited NTA value of the respective companies within the Group as at 31 July 2002 (save for Jungmax and Lian Seng Tang Sdn Bhd, which are revalued up to the latest audited NTA as at 28 February 2002 and 31 December 2001 respectively) and adjustments for subsequent events. Please refer to Section 5.5.7 for adjustment to the NTA based on conditions imposed by the SC.

5.5.3 Acquisition of PKJM

PKHB had on 28 May 2003 entered into a conditional SPA with the vendors of PKJM for the acquisition of 2,000,000 ordinary shares of RM1.00 each representing the entire equity interest of PKJM as follows:-

- (a) Acquisition of 55% equity interest in PKJM by PKHB from Precious for a cash consideration of RM12,680,970; and

5. INFORMATION ON THE PKHB GROUP (Cont'd)

(b) Acquisition of 45% equity interest in PKJM by PKHB from the existing individual shareholders of PKJM for a purchase consideration of RM10,375,339 satisfied via the following:-

- 38% of the purchase consideration or RM3,942,629 is satisfied by the issuance of 3,285,524 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per share; and
- 62% of the purchase consideration of RM6,432,710 is satisfied by the issuance of RM6,432,710 nominal value of ICULS of RM1.00 each in PKHB.

The vendors of PKJM and their respective shareholding therein and the number of new ordinary shares of RM1.00 and ICULS of RM1.00 each in PKHB issued to them pursuant to the Acquisition of PKJM are as follows:-

Vendors	No. of ordinary shares held in PKJM	% of issued and paid-up share capital in PKJM	No. of new ordinary shares of RM1.00 each in PKHB	Number of ICULS of RM1.00 each in PKHB	Cash * (RM)
Precious	1,100,000	55.00	-	-	12,680,970
Choon Wan Joo	400,000	20.00	1,460,233	2,858,982	-
Choon Yee Bin	400,000	20.00	1,460,233	2,858,982	-
Ong Han Woon	100,000	5.00	365,058	714,746	-
Total	2,000,000	100.00	3,285,524	6,432,710	12,680,970

Note:-

* Pursuant to the SPA dated 28 May 2003 between PKHB and the vendors of PKJM, Precious expressly agreed that the sum of RM12,680,970 shall on the completion date be deemed paid by PKHB to Precious and thereafter the same shall be treated as inter-company loan from Precious to PKHB. The said sum shall be repaid from the proceeds of the Listing within 30 days from the receipt of the same.

The purchase consideration of RM23,056,309 was arrived at based on the audited consolidated NTA of PKJM as at 31 July 2002 of RM23,592,832 adjusted for revaluation deficit of land and buildings amounted to RM239,442 and revaluation deficit of investments amounted to RM297,081. Please refer to Section 5.5.7 for adjustment to the NTA based on conditions imposed by the SC.

The Acquisition of PKJM was completed on 13 January 2004.

5.5.4 Acquisition of PKJ Group

PKHB had on 28 May 2003 entered into a conditional SPA with the vendors of PKJ Group to acquire the 13,000,000 ordinary shares of RM1.00 each representing the entire equity interest of PKJ Group for a purchase consideration of RM35,422,410 satisfied via the following:-

- (i) 38% of the purchase consideration or RM13,460,516 is satisfied by the issuance of 11,217,097 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per share; and
- (ii) 62% of the purchase consideration or RM21,961,894 is satisfied by the issuance of RM21,961,894 nominal value of ICULS of RM1.00 each in PKHB.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

The vendors of PKJ Group and their respective shareholding therein and the number of new ordinary shares of RM1.00 and ICULS of RM1.00 each in PKHB issued to them pursuant to the Acquisition of PKJ Group are as follows:-

Vendors	No. of ordinary shares held in PKJ Group	% of issued and paid-up share capital in PKJ Group	No. of new ordinary shares of RM1.00 each in PKHB	Number of ICULS of RM1.00 each in PKHB
Dato' Choon Yee Seiong	6,760,000	52.00	5,832,890	11,420,185
Chong Teck Chong	3,575,000	27.50	3,084,702	6,039,521
Choon Nee Siew	1,755,000	13.50	1,514,309	2,964,856
Choon Yoke Ying	520,000	4.00	448,684	878,476
Choon Wan Joo	195,000	1.50	168,256	329,428
Datin Hon Wee Fong	130,000	1.00	112,171	219,619
Choon Yee Fook	65,000	0.50	56,085	109,809
Total	13,000,000	100.00	11,217,097	21,961,894

The purchase consideration of RM35,422,410 was arrived at based on the audited consolidated NTA of PKJ Group as at 31 July 2002 of RM35,051,574 adjusted for revaluation surplus of land and buildings amounting to RM446,048 and revaluation deficit of investments amounting to RM75,212. Please refer to Section 5.5.7 for adjustment to the NTA based on conditions imposed by the SC.

The Acquisition of PKJ Group was completed on 13 January 2004.

5.5.5 Acquisition of Precious Group

PKHB had on 28 May 2003 entered into a conditional SPA with the vendors of Precious Group to acquire 300,000 ordinary shares of RM1.00 each representing the entire equity interest of Precious for a purchase consideration of RM48,518,495 satisfied via the following:-

- 38% of the purchase consideration or RM18,437,028 is satisfied by the issuance of 15,364,190 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per share; and
- 62% of the purchase consideration or RM30,081,467 is satisfied by the issuance of RM30,081,467 nominal value of ICULS of RM1.00 each in PKHB.

The vendors of Precious Group and their respective shareholding therein and the number of new ordinary shares of RM1.00 and ICULS of RM1.00 each in PKHB issued to them pursuant to the Acquisition of Precious Group are as follows:-

Vendors	No. of ordinary shares held in Precious Group	% of issued and paid-up share capital in Precious Group	No. of new ordinary shares of RM1.00 each in PKHB	Number of ICULS of RM1.00 each in PKHB
Dato' Choon Yee Seiong	156,000	52.00	7,989,379	15,642,364
Cheong Teck Chong	82,500	27.50	4,225,153	8,272,404
Choon Nee Siew	40,500	13.50	2,074,166	4,060,999
Choon Yoke Ying	12,000	4.00	614,567	1,203,258
Choon Wan Joo	4,500	1.50	230,462	451,221

5. INFORMATION ON THE PKHB GROUP (Cont'd)

Vendors	No. of ordinary shares held in Precious Group	% of issued and paid-up share capital in Precious Group	No. of new ordinary shares of RM1.00 each in PKHB	Number of ICULS of RM1.00 each in PKHB
Datin Hon Wee Fong	3,000	1.00	153,642	300,814
Choon Yee Fook	1,500	0.50	76,821	150,407
Total	300,000	100.00	15,364,190	30,081,467

The purchase consideration of RM48,518,495 was arrived at based on the audited consolidated NTA of Precious Group as at 31 July 2002 of RM1,678,054 adjusted for revaluation surplus of land and buildings amounted to RM520,678, revaluation surplus of investments amounted to RM46,319,763, disposal of investment in PKJM amounted to RM12,680,970 and proceeds from disposal of investment in PKJM amounted to RM12,680,970. Please refer to Section 5.5.7 for adjustment to the NTA based on conditions imposed by the SC.

The Acquisition of PJ Group was completed on 13 January 2004.

5.5.6 Acquisitions By PKHB

PKHB had on 28 May 2003 entered into thirty-three (33) conditional SPAs with certain existing individual vendors to acquire their respective equity interest in subsidiaries and associated companies of PKJ Group and Precious Group.

The total purchase consideration for the Acquisitions by PKHB of RM44,176,881 will be satisfied via the following:-

- (i) for the acquisitions of PKJ (Tmn Uni. JB) and PKJ (Peringgit) with a total purchase consideration of RM1,090,912 is satisfied by the issuance of an aggregate of 909,094 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per share;
- (ii) for the acquisitions of the remaining subsidiaries and associated companies of PKJ Group and Precious Group with a total purchase consideration of RM43,085,969 is satisfied via the following:-
 - 38% of the purchase consideration or RM16,372,666 is satisfied by the issuance of 13,643,890 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per share; and
 - 62% of the purchase consideration or RM26,713,303 is satisfied by the issuance of RM26,713,303 nominal value of ICULS of RM1.00 each in PKHB.

The details of the respective companies and the equity interest acquired from the respective companies are as follows:-

	No. of issued and paid-up share capital	Percentage of equity interest acquired pursuant to the Acquisitions by PKHB (%)	Adjusted NTA (RM)	Purchase Consideration based on percentage of equity interest acquired (RM)	Mode of Settlement	
					No. of new ordinary shares of RM1.00 each shares	No. of ICULS of RM1.00 each in PKHB
PKJ (Tmn Uni. JB)	1,200,000	46.28	1,178,537	545,456	454,547	-
PK (Peringgit)	1,200,000	46.06	1,184,303	545,456	454,547	-
Subtotal				1,090,912	909,094	-

5. INFORMATION ON THE PKHB GROUP (Cont'd)

	No. of issued and paid-up share capital	Percentage of equity interest acquired pursuant to the Acquisitions by PKHB (%)	Adjusted NTA (RM)	Purchase Consideration based on percentage of equity interest acquired (RM)	Mode of Settlement	
					No. of new ordinary shares of RM1.00 each shares	No. of ICULS of RM1.00 each in PKHB
PKJ (SS2)	691,609	52.00	41,179,446	21,411,664	6,780,360	13,275,232
PKJ (G. Wall)	500,000	40.00	5,608,232	2,243,338	710,390	1,390,870
PKJ (T. Mall)	250,000	29.90	13,202,234	3,947,468	1,250,032	2,447,430
PKJ (Jaya)	500,000	10.00	9,414,091	941,409	298,113	583,673
PKJ (Maluri)	500,000	26.32	11,705,690	3,080,586	975,519	1,909,963
PKJ (S. Parade)	500,000	47.00	13,323,915	6,262,240	1,983,043	3,882,588
PKJ (O. Kajang)	500,000	15.00	2,237,520	335,628	106,283	208,088
PKJ (Malacca)	500,000	37.00	1,411,518	522,262	165,383	323,802
PKJ (W. Maju)	500,000	12.00	4,300,317	516,038	163,412	319,944
PKJ (Banting)	1,450,000	40.28	3,527,384	1,420,684	449,883	880,824
PKJ (O. Kuantan)	500,000	14.00	1,513,718	211,921	67,108	131,391
PKJ (O. Ipoh)	1,000,000	14.40	3,253,798	468,547	148,374	290,499
PKJ (O. Johor Bahru)	1,750,000	0.57	1,349,663	7,714	2,442	4,784
PKJ (J.T. Malacca)	1,700,000	3.53	2,473,679	87,306	27,647	54,130
PKJ (Selayang)	500,000	15.00	1,870,010	280,502	88,826	173,911
PKJ (Ampang)	1,000,000	10.00	5,482,307	548,231	173,606	339,904
PKJ (O.K. Road)	1,000,000	3.50	2,097,130	73,404	23,245	45,510
PKJ (K. City)	1,800,000	0.56	1,580,962	8,783	2,782	5,445
PKJ (Bangsar)	500,000	*	684,376	2	*	2
PKJ (B. Pahat)	1,000,000	*	1,215,823	2	*	2
PKJ (O. Seremban)	500,000	*	621,375	2	*	2
PKJ (Muar)	500,000	*	818,288	4	2	2
PKJ (MV)	1,500,000	28.33	1,545,227	437,814	138,641	271,445
PKJ (Summit)	500,000	*	662,886	2	*	2
PKJ (T. Mines)	500,000	*	887,212	4	2	2
PKJ (O. Malacca)	500,000	*	531,718	2	*	2
PKJ (Puchong)	1,800,000	0.56	602,560	3,348	1,060	2,076
PKD	100,000	*	238,086	4	2	2
PK Properties	2,000,000	9.96	2,292,959	228,379	72,320	141,595
PKJ (O.S.Klang)	500,000	10.00	486,725	48,673	15,413	30,177
DB	200,000	*	841,639	8	2	6
Subtotal				43,085,969	13,643,890	26,713,303
Total				44,176,881	14,552,984	26,713,303

Note:-

* Negligible

5. INFORMATION ON THE PKHB GROUP (Cont'd)

PKHB had on the same day entered into three (3) conditional SPAs with the vendors of the following companies with adjusted net liabilities for a cash consideration of RM1.00 each.

	No. of issued and paid-up share capital	No. of shares pursuant to the Acquisitions by PKHB	Adjusted Net Liabilities (RM)
PKJ (Franchise)	2	2	(12,643)
GB (Klang)	100,000	2	(22,353)
PKJ (T1, Seremban)	500,000	2	(9,160)

The purchase considerations for the acquisition of subsidiaries and associated companies of PKJ Group and Precious Group are based on the audited NTA as at 31 July 2002 of the respective companies adjusted for revaluation of land and buildings and investments for the respective companies. Please refer to Section 5.5.7 for adjustment to the NTA based on conditions imposed by the SC.

The Acquisitions by PKHB was completed on 13 January 2004.

5.5.7 SC's Condition on the Acquisitions

SC had vide its approval letter dated 29 December 2003 imposed a condition that PKHB has to ensure that prior to completion of the Acquisitions, the NTA of Jungmax and Lian Sin Tang Sdn Bhd are not less than their respective NTA as at 28 February 2002 and 31 December 2001 respectively, whereas the NTA for the subsidiaries of PKHB, with the exception of PKJ (Franchise), GB (Klang) and PKJ (T1, Seremban), are not less than their NTA as at 31 July 2002.

The Reporting Accountants, Messrs. GEP Associates had on 12 January 2004 confirmed that with the exception of the following companies, the NTA of the subsidiaries of PKHB as at 31 July 2003 were higher than their respective NTA as at 31 July 2002.

Company	Audited NTA as at 31 July 2002 (RM)	Audited NTA as at 31 July 2003 (RM)	Deficit (RM)
Precious	1,678,054	1,550,550	127,504
PKJ (O.Johor Bahru)	1,356,102	1,274,279	81,823
PKJ (B.Pahat)	1,215,823	1,136,939	78,884
PKJ (Puchong)	602,560	449,666	152,894
PKJ (O.S.Klang)	486,725	478,626	8,099
PKJ (Export)	3,260	534	2,726
K.E.Likwong	409,852	389,348	20,504
Jungmax	160,186 *	154,822	5,364
Total	5,912,562	5,434,764	477,798

* Audited NTA as at 28 February 2002

The Reporting Accountants had further confirmed that the shortfall of the above NTA have subsequently been made good by way of cash on 12 January 2004.

5.5.8 Consolidation of Shares

PKHB had on 28 May 2003 entered into a Consolidation Agreement with the shareholders named in the following table, simultaneous with the completion of the Acquisitions, the said shareholders to transfer 36,404,198 ordinary shares of RM1.00 each and RM85,187,300 nominal value of ICULS in PKHB to PKSB, an investment holding company, and in consideration thereof, PKSB shall issue 128,872,338 ordinary shares of RM1.00 each to the said shareholders in the proportions provided in the Consolidation Agreement in order to consolidate their shareholdings under PKSB.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

The existing shareholdings after the Acquisitions, the number of shares in PKHB transferred to PKSB and the number of shares and ICULS in PKHB after the Consolidation of Shares are as follows:-

Shareholders	<-----No. of Shares in PKHB----->			<-----No. of ICULS in PKHB----->		
	After the Acquisitions	Transferred to PKSB	After Consolidation	After the Acquisitions	Transferred to PKSB	After Consolidation
Dato' Choon Yee Seiong	14,815,298	13,841,913	973,385	29,338,869	29,338,869	-
Cheong Teck Chong	7,916,042	7,395,948	520,094	16,926,688	16,926,688	-
Choon Nee Siew	5,987,585	5,594,193	393,392	14,180,379	14,180,379	-
Mohd Annuar Choon bin Abdullah	592,210	553,301	38,909	1,159,483	1,159,483	-
Choon Yoke Ying	1,625,410	1,518,618	106,792	3,481,248	3,481,248	-
Choon Wan Joo	2,129,688	1,989,765	139,923	4,468,560	4,468,560	-
Chang Kwong Him	1,174,179	1,097,034	77,145	3,627,206	3,627,206	-
Choon Yee Bin	1,611,976	1,506,067	105,909	3,222,494	3,222,494	-
Datin Hon Wee Fong	888,505	830,129	58,376	3,101,094	3,101,094	-
Siow Der Ming	807,197	754,163	53,034	1,580,406	1,580,406	-
Choon Yee Fook	140,613	131,375	9,238	275,304	275,304	-
Fazrin Azwar Bin Md. Nor	1,060	-	1,060	2,074	-	2,074
BTVC	4,545,448	-	4,545,448	-	-	-
BIMB	909,090	-	909,090	-	-	-
Loon Sunn Engineering Sdn Bhd	50,035	46,748	3,287	297,206	297,206	-
Ong Han Woon	375,605	350,927	24,678	735,396	735,396	-
Lam Chian Leong	150,106	140,244	9,862	891,621	891,621	-
Chong Siew Loi @ Chong Kim Looi	100,070	93,495	6,575	594,412	594,412	-
Tan Guat Yong	210,962	197,102	13,860	413,041	413,041	-
Saw Eng Hooi	142,075	132,740	9,335	278,167	278,167	-
Hon Wei Sun	115,950	108,332	7,618	227,016	227,016	-
Ong Ah Nam	33,357	31,165	2,192	198,137	198,137	-
Ng Moey Choo	72,262	67,513	4,749	141,484	141,484	-
Lee Lay Bee	11,936	11,152	784	23,370	23,370	-
Choon Ching Yih	8,243	7,701	542	16,139	16,139	-
Foong Keng Yoke	4,893	4,572	321	9,580	9,580	-
Chong Kian On	2	1	1	-	-	-
Total	44,419,797	36,404,198	8,015,599	85,189,374	85,187,300	2,074

The Consolidation of Shares was completed on 13 January 2004.

5. INFORMATION ON THE PKHB GROUP *(Cont'd)*

5.5.9 Public Issue and Offer for Sale

In conjunction with the listing of PKHB, the Company will undertake the Public Issue of 19,580,203 new ordinary shares of RM1.00 each at an Issue Price of RM1.60 per ordinary share. The Public Issue Shares will be allocated in the following manner:-

(i) **Bumiputera Investors Approved by MITI**

9,980,203 Public Issue Shares will be offered to Bumiputera investors approved by MITI.

(ii) **Eligible Directors, Employees, Customers, Suppliers**

3,200,000 Public Issue Shares will be reserved for eligible Directors, employees, customer and suppliers of PKHB Group.

The criteria of allocation to the eligible employees who are confirmed employees of the Group as at 19 January 2004, as approved by the Directors of PKHB, is based on the job grade and years of service whilst for customers and suppliers of the Group, the criteria is based on the length of relationship and/or the value of the transactions as at 19 January 2004. Based on the above criteria, the total number of employees, customers, suppliers eligible for the allocation are 81.1%, 11.2% and 7.7% respectively.

In the event of undersubscription, they will there be made available for application by Malaysian citizens, societies, co-operatives and institutions.

(iii) **Private Placement**

3,400,000 Public Issue Shares will be reserved for private placement to identified investors.

(iv) **Malaysian Public**

3,000,000 Public Issue Shares will be made available for application by Malaysian citizens, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

In addition, the Offeror will offer for sale 3,764,200 ordinary shares of RM1.00 each at an offer price of RM1.60 per ordinary share and RM12,778,400 nominal value of ICULS in PKHB at an offer price of 100% of the nominal value and the allocation will be made in the following manner:-

(i) **Bumiputera Investors Approved by MITI**

3,764,200 Public Issue Shares will be offered to Bumiputera investors approved by MITI.

(ii) **Private Placement**

RM11,778,400 nominal value of ICULS will be reserved for private placement to identified investors.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

(iii) Malaysian Public

RM1,000,000 nominal value of ICULS will be made available for application by Malaysian Public.

5.6 Subsidiary and Associated Companies

The subsidiary companies of PKHB, all of which are incorporated in Malaysia are as follows:-

Name	Date And Place of Incorporation	Authorised Capital RM	Issued & Paid-Up Share Capital RM	Effective Equity Interest %	Principal Activities
DB	22 October 1994 Malaysia	500,000	200,000	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
GB (Klang)	27 June 1996 Malaysia	100,000	100,000	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones ⁽¹⁾
Jungmax	29 November 1995 Malaysia	500,000	180,000	100.00	Property Investment
K.E. Likwong	20 November 1985 Malaysia	1,000,000	600,000	100.00	Investment holding company ⁽¹⁾
Precious	20 July 1982 Malaysia	300,000	300,000	100.00	Investment holding company
PKD	22 October 1994 Malaysia	500,000	100,000	100.00	Suppliers and retailers of packing and utility products
PKJ	12 January 1993 Malaysia	25,000,000	13,000,000	100.00	Suppliers and retailers of jewellerys and precious stones
PKJ (Ampang)	8 November 1993 Malaysia	1,000,000	1,000,000	88.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (BU)	22 September 1994 Malaysia	5,000,000	1,000,000	90.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (Bangsar)	6 September 1996 Malaysia	500,000	500,000	90.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (Banting)	19 March 1992 Malaysia	5,000,000	1,450,000	85.45	Suppliers and retailers of jewellerys, precious stones and gold ornaments
PKJ (B. Pahat)	6 September 1996 Malaysia	1,000,000	1,000,000	98.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (Franchise)	20 February 1997 Malaysia	500,000	2	100.00	Issuing franchises and related business ⁽²⁾
PKJ (G. Seremban)	4 July 1991 Malaysia	5,000,000	2,500,000	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (G. Wall)	28 May 1985 Malaysia	500,000	500,000	100.00	Suppliers and retailers of jewellerys, precious stones and gold ornaments

5. INFORMATION ON THE PKHB GROUP (Cont'd)

Name	Date And Place of Incorporation	Authorised Capital RM	Issued & Paid-Up Share Capital RM	Effective Equity Interest %	Principal Activities
PKJ (J.T. Malacca)	3 November 1993 Malaysia	5,000,000	1,700,000	98.53	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (Jaya)	24 December 1975 Malaysia	500,000	500,000	100.00	Suppliers and retailers of jewelleries, precious stones and gold ornaments
PKJ (K. City)	25 October 1994 Malaysia	5,000,000	1,800,000	100.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (Malacca)	23 August 1991 Malaysia	500,000	500,000	100.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (Maluri)	29 December 1983 Malaysia	1,000,000	500,000	100.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (Muar)	6 September 1996 Malaysia	500,000	500,000	96.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (MV)	25 November 1996 Malaysia	5,000,000	1,500,000	92.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O. Ipoh)	8 July 1992 Malaysia	1,000,000	1,000,000	92.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O. Johor Bahru)	6 November 1993 Malaysia	5,000,000	1,750,000	94.29	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O. Kajang)	23 August 1991 Malaysia	500,000	500,000	90.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O. Klang)	1 June 1985 Malaysia	500,000	300,000	75.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O. Kuantan)	8 July 1992 Malaysia	500,000	500,000	90.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O. Malacca)	28 November 1996 Malaysia	500,000	500,000	96.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O. Seremban)	6 September 1996 Malaysia	500,000	500,000	90.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O.K. Road)	17 September 1993 Malaysia	1,000,000	1,000,000	97.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
PKJ (O.S. Klang)	10 July 1991 Malaysia	500,000	500,000	100.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones ⁽¹⁾

5. INFORMATION ON THE PKHB GROUP (Cont'd)

Name	Date And Place of Incorporation	Authorised Capital RM	Issued & Paid-Up Share Capital RM	Effective Equity Interest %	Principal Activities
PKJ (Peringgit)	22 October 1994 Malaysia	5,000,000	1,200,000	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (Puchong)	23 February 1993 Malaysia	5,000,000	1,800,000	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (Selayang)	17 September 1993 Malaysia	500,000	500,000	97.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (SS2) *	18 November 1982 Malaysia	1,000,000	691,609	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (S. Parade)	9 July 1991 Malaysia	500,000	500,000	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (Summit)	22 November 1996 Malaysia	500,000	500,000	95.00	Suppliers and retailers of jewellerys, precious stones and gold ornaments
PKJ (T1, Seremban)	6 September 1996 Malaysia	500,000	500,000	94.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones ⁽¹⁾
PKJ (T. Mall)	12 October 1981 Malaysia	250,000	250,000	100.00	Suppliers and retailers of jewellerys, precious stones and gold ornaments
PKJ (T. Mines)	21 January 1997 Malaysia	500,000	500,000	95.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (Tmn Uni. JB)	11 June 1996 Malaysia	5,000,000	1,200,000	97.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (W. Maju)	4 July 1991 Malaysia	500,000	500,000	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PKJ (Export)	29 June 1995 Malaysia	500,000	30,002	100.00	Suppliers of gold ornaments and precious stones for exports ⁽¹⁾
PKJM	28 May 1982 Malaysia	5,000,000	2,000,000	100.00	Manufacturer and dealers of jewellerys, precious stones and gold ornaments
PK Properties	4 July 1991 Malaysia	5,000,000	2,000,000	100.00	Property investment

Notes:-

(1) These subsidiary companies have temporarily ceased operations and will be utilised for PKHB's future expansion.

(2) Not commenced business

* PKJ (SS2) has investment in Lian Sin Tang Sdn Bhd, which involves in pawn brokerage business, holding 150,000 ordinary shares of RM1.00 each representing 14.29% of Lian Sin Tang Sdn Bhd's equity interest.

5. INFORMATION ON THE PKHB GROUP (Cont'd)

PKHB does not have any associated company.

5.6.1 DB

(i) History and Business

DB was incorporated in Malaysia on 22 October 1994 under the Act as a private limited company. DB is a subsidiary company of PKJ (Banting). The principal activity of DB is suppliers and retailers of gold ornaments, jewellery and precious stones.

(ii) Share Capital

	No. of Ordinary Shares	Par Value RM	Amount RM
Authorised	500,000	1.00	500,000
Issued and Paid-up	200,000	1.00	200,000

The changes in the issued and paid-up share capital of DB since its incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Issued and Paid-Up Share Capital RM
22-10-1994	2	1.00	Cash	2.00
29-10-1997	199,998	1.00	Cash	200,000

(iii) Subsidiary, Associated and Investment Companies

As at the date of this Prospectus, DB does not have any subsidiary, associated or investment companies.

(iv) Directors and Substantial Shareholders

The Directors of DB and their respective shareholdings are set out below :-

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Choon Wan Joo (f)	-	-	200,000 ^(d)	100.00
Choon Yee Bin	-	-	200,000 ^(d)	100.00
Mohd Annuar Choon bin Abdullah	-	-	200,000 ^(d)	100.00
Saw Eng Hooi	-	-	-	-