

**I. CORPORATE DIRECTORY****DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Tan Sri Datuk Diong Hiew King @ Tiong Hiew King <i>(Non-Independent Non-Executive Chairman)</i>	No. 70, Brooke Drive 96000 Sibul Sarawak	Businessman	Malaysian
Datuk Leong Sonny @ Leong Khee Seong <i>(Independent Non-Executive Deputy Chairman)</i>	No. 74, Lorong Buloh Perindu 2 Taman SA 59000 Kuala Lumpur	Businessman	Malaysian
Dr. Tiong Ik King <i>(Non-Independent Non-Executive Director)</i>	No. 70, Brooke Drive 96000 Sibul Sarawak	Businessman	Malaysian
Datuk Patinggi Tan Sri Dr. Wong Soon Kai <i>(Independent Non-Executive Director)</i>	No. 8, Lorong Tabuan 93200 Kuching Sarawak	Businessman	Malaysian
Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh <i>(Non-Independent Non-Executive Director)</i>	No. 168, Lorong 4 Jalan Arang 93250 Kuching Sarawak	Businessman	Malaysian
Dato' Liew Kam Chean @ Liew Chen Chuan <i>(Managing Director)</i>	No. 12, Jalan Ara SD 7/3 Bandar Sri Damansara 52200 Kuala Lumpur	Managing Director	Malaysian
Gan Chin Kew @ Gan Chin Hor <i>(Executive Director)</i>	No. 9, Jalan 5/21 Off Jalan Gasing 46000 Petaling Jaya Selangor	Executive Director	Malaysian
Siew Nyoke Chow <i>(Executive Director)</i>	No. 440, Sungai Chua 43000 Kajang Selangor	Group Editor-in- Chief	Malaysian
Wong Lee Yun <i>(Independent Non-Executive Director)</i>	8B-4-1, Belvedere Condominium Jalan 1/63 Off Jalan Tunku Bukit Tunku 50480 Kuala Lumpur	Businesswoman	Malaysian
Sim Sai Hoon <i>(Independent Non-Executive Director)</i>	No. 6, Lorong Bukit Pantai Enam Bukit Pantai 59100 Kuala Lumpur	Businesswoman	Malaysian

**I. CORPORATE DIRECTORY (Cont'd)****AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Datuk Leong Sonny @ Leong Khee Seong	Chairman of Committee	Independent and Non-Executive
Wong Lee Yun	Member of Committee	Independent and Non-Executive
Sim Sai Hoon	Member of Committee	Independent and Non-Executive

**COMPANY SECRETARIES** : Tong Siew Kheng (MAICSA 7029026)  
192, Jalan 17/14  
46400 Petaling Jaya  
Selangor Darul Ehsan

Leong Oi Wah (MAICSA 7023802)  
21, Jalan 4/54  
46050 Petaling Jaya  
Selangor Darul Ehsan

**REGISTERED OFFICE/HEAD OFFICE** : No. 19, Jalan Semangat  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Tel No.: 03 7965 8888  
Fax No.: 03-7954 2541  
E-mail: [enquiries@sinchew.com.my](mailto:enquiries@sinchew.com.my)  
Website: <http://www.sinchew-i.com>

**PRINCIPAL BANKERS** : RHB Bank Berhad  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel. No.: 03-9287 8888

HSBC Bank Malaysia Berhad  
No. 2, Leboh Ampang  
50100 Kuala Lumpur  
Tel. No.: 2070 0744

Malayan Banking Berhad  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
Tel. No.: 03-2070 8833

Standard Chartered Bank Malaysia Berhad  
No. 2, Jalan Ampang  
50450 Kuala Lumpur  
Tel. No.: 03-2054 4999

**I. CORPORATE DIRECTORY (Cont'd)**

		Public Bank Berhad 27 <sup>th</sup> Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur Tel. No.: 03-2176 6000
		OCBC Bank (Malaysia) Berhad Wisma Lee Rubber Jalan Melaka 50100 Kuala Lumpur Tel. No.: 03-2692 0344
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	Messrs. Ernst & Young (AF: 0039) Chartered Accountants Room 300-303, 3 <sup>rd</sup> Floor Wisma Bukit Mata Kuching Jalan Tunku Abdul Rahman 93100 Kuching Sarawak Tel. No.: 082-243 233
<b>REGISTRAR</b>	:	Symphony Share Registrars Sdn Bhd ( <i>formerly known as Malaysian Share Registration Services Sdn Bhd</i> ) Level 26, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel. No.: 03-2721 2222
<b>ISSUING HOUSE</b>	:	Malaysian Issuing House Sdn Bhd 27 <sup>th</sup> Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel. No.: 03-2693 2075
<b>SOLICITORS FOR THE LISTING</b>	:	Khaw & Partners 6th Floor, Menara Boustead 69, Jalan Raja Chulan 50200 Kuala Lumpur Tel. No.: 03-2141 7633
<b>ADVISER, SOLE LEAD MANAGER, SOLE BOOKRUNNER AND MANAGING UNDERWRITER</b>	:	Commerce International Merchant Bankers Berhad 7th Floor, Bangunan CIMB Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel. No.: 03-2084 8888

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**I. CORPORATE DIRECTORY (Cont'd)**

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**UNDERWRITERS** : Commerce International Merchant Bankers Berhad  
7th Floor, Bangunan CIMB  
Jalan Semantan, Damansara Heights  
50490 Kuala Lumpur  
Tel. No.: 03-2084 8888

Malaysian International Merchant Bankers Berhad  
21<sup>st</sup> Floor, Wisma Cyclecarri  
288, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel. No.: 03-2691 0200

OSK Securities Berhad  
20<sup>th</sup> Floor, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur  
Tel. No.: 03-2162 4388

**LISTING SOUGHT** : Main Board of Bursa Securities

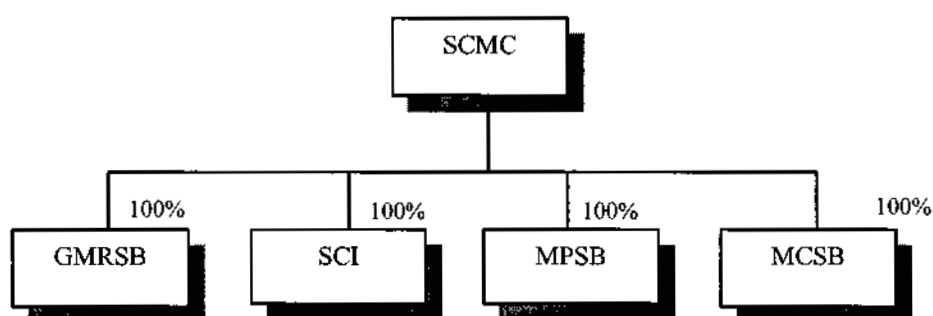
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## II. INFORMATION SUMMARY

The following is only a summary of the salient information about SCMC Group and the Offer for Sale. Investors should read and understand the whole Prospectus prior to making a decision on whether to invest in the Offer Shares.

### 1. History and Business

SCMC was incorporated in Malaysia as a private limited company under the Act on 15 March 1983 under the name of Pemandangan Sinar Sdn Bhd. The Company was converted to a public company on 8 March 2004 and changed its name to Pemandangan Sinar Berhad. On 7 May 2004, the Company assumed its present name. SCMC is principally involved in publishing, printing and distribution of the newspaper "Sin Chew Daily", printing of newspapers for other publishers and distribution of magazines. The corporate structure and principal activities of its subsidiaries are as follows:



Subsidiaries	Principal activities
GMRSB	Publisher of the newspaper known as "Guang Ming Daily".
SCI	Provision of a super portal to other portals on the worldwide web for the purpose of internet marketing and promotion.
MPSB	Newspaper circulation and distribution agent and the provision of editorial services and contract labour.
MCSB	Publishing and distribution of magazines.

As at the date of this Prospectus, SCMC does not have any associated company.

Detailed information on the history and business of SCMC Group is set out in Sections VI and VII of this Prospectus.

### 2. Licences

SCMC Group has licences and permits in relation to its publication and publishing of newspapers and magazines businesses from various authorities. Further details on the Group's material licences are set out in Section VI of this Prospectus.

## II. INFORMATION SUMMARY (Cont'd)

### 3. Shareholdings of Promoters, Substantial Shareholders, Directors and Key Management of SCMC

The shareholdings of the Promoters, substantial shareholders, Directors and key management of SCMC after the Offer for Sale are as follows:

#### (i) Promoters

Name	Before Offer for Sale				After Offer for Sale			
	Direct		Indirect		Direct		Indirect	
	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%
TSTHK	39,281,600	13.01	167,428,800 <sup>(i)</sup>	55.44	25,392,600	8.41	125,433,800 <sup>(i)</sup>	41.53
TTSH	119,833,600	39.68	-	-	94,833,600	31.40	-	-
TSL	30,200,000	10.00	134,329,600 <sup>(ii)</sup>	44.48	19,416,200	6.43	104,153,600 <sup>(ii)</sup>	34.49

**Notes:**

(i) Deemed interested by virtue of his interests in R.H. Forestry Sdn Bhd, TSL, Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd and TTSH pursuant to Section 6A of the Act.

(ii) Deemed interested by virtue of its interests in TTSH, Rimbunan Hijau Southeast Asia Sdn Bhd and Rimbunan Hijau (Sarawak) Sdn Bhd pursuant to Section 6A of the Act.

#### (ii) Substantial Shareholders (shareholders holding 5% or more of the issued and paid-up share capital)

Name	Before Offer for Sale				After Offer for Sale			
	Direct		Indirect		Direct		Indirect	
	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%
TSTHK	39,281,600	13.01	167,428,800 <sup>(i)</sup>	55.44	25,392,600	8.41	125,433,800 <sup>(i)</sup>	41.53
TTSH	119,833,600	39.68	-	-	94,833,600	31.40	-	-
TSL	30,200,000	10.00	134,329,600 <sup>(ii)</sup>	44.48	19,416,200	6.43	104,153,600 <sup>(ii)</sup>	34.49
Zaman Pemimpin Sdn Bhd	51,642,000	17.10	-	-	45,842,000	15.18	-	-
Ahli Bin Bagus	-	-	65,232,000 <sup>(iii)</sup>	21.60	-	-	57,832,000 <sup>(iii)</sup>	19.15
Kassim Bin Busamah	-	-	65,232,000 <sup>(iii)</sup>	21.60	-	-	57,832,000 <sup>(iii)</sup>	19.15

**Notes:**

(i) Deemed interested by virtue of his interests in R.H. Forestry Sdn Bhd, TSL, Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd and TTSH pursuant to Section 6A of the Act.

(ii) Deemed interested by virtue of its interests in TTSH, Rimbunan Hijau Southeast Asia Sdn Bhd and Rimbunan Hijau (Sarawak) Sdn Bhd pursuant to Section 6A of the Act.

(iii) Deemed interested by virtue of their interests in Zaman Pemimpin Sdn Bhd and Persada Jaya Sdn Bhd pursuant to Section 6A of the Act.

## II. INFORMATION SUMMARY (Cont'd)

Name	(iii) Directors							
	←----- Before Offer for Sale ----->				←----- After Offer for Sale ----->			
	←----- Direct ----->		←----- Indirect ----->		←----- Direct ----->		←----- Indirect ----->	
	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%
TSTHK (Non-Independent Non- Executive Chairman)	39,281,600	13.01	167,428,800 <sup>(i)</sup>	55.44	25,392,600	8.41	125,433,800 <sup>(i)</sup>	41.53
Datuk Leong Sonny @ Leong Khee Seong (Independent Non- Executive Deputy Chairman)	-	-	-	-	-	-	-	-
Dr. Tiong Ik King (Non-Independent Non- Executive Director)	4,348,800	1.44	-	-	2,796,000	0.93	-	-
Datuk Patinggi Tan Sri Dr. Wong Soon Kai (Independent Non- Executive Director)	-	-	-	-	-	-	-	-
Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh (Non-Independent Non- Executive Director)	-	-	13,590,000 <sup>(ii)</sup>	4.50	-	-	11,990,000 <sup>(ii)</sup>	3.97
Dato' Liew Kam Chean @ Liew Chen Chuan (Managing Director)	-	-	-	-	-	-	-	-
Gan Chin Kew @ Gan Chin Hor (Executive Director)	-	-	-	-	-	-	-	-
Siew Nyoke Chow (Executive Director)	-	-	-	-	-	-	-	-
Wong Lee Yun (Independent Non- Executive Director)	-	-	-	-	-	-	-	-
Sim Sai Hoon (Independent Non- Executive Director)	-	-	-	-	-	-	-	-

**Notes:**

(i) Deemed interested by virtue of his interests in R.H. Forestry Sdn Bhd, TSL, Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd and TTSH pursuant to Section 6A of the Act.

(ii) Deemed interested by virtue of his interests in Persada Jaya Sdn Bhd pursuant to Section 6A of the Act.

## II. INFORMATION SUMMARY (Cont'd)

Name	(iv) Key Management							
	←----- Before Offer for Sale -----→				←----- After Offer for Sale* -----→			
	←----- Direct -----→		←----- Indirect -----→		←----- Direct -----→		←----- Indirect -----→	
No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%	
Dato' Liew Kam Chean @ Liew Chen Chuan (Managing Director)	-	-	-	-	-	-	-	-
Gan Chin Kew @ Gan Chin Hor (Executive Director)	-	-	-	-	-	-	-	-
Siew Nyoke Chow (Executive Director/Group Editor- in-Chief)	-	-	-	-	-	-	-	-
Yong Yeow Khoon (Chief Executive Officer of GMRSB)	-	-	-	-	17,000	**	-	-
Koo Cheng (Editor-in-Chief of Sin Chew Daily)	-	-	-	-	20,000	**	-	-
Ch'ng Li Suang (Editor-in-Chief of Guang Ming Daily)	-	-	-	-	15,000	**	-	-
Ng Chek Yong (General Manager of MPSB and Regional Editor - East Malaysia of Sin Chew Daily)	-	-	-	-	20,000	**	-	-
Ooi Hooi Chong (Chief Content Officer of Sinchew-i.com and Executive Editor-in- Chief of Guang Ming Daily)	-	-	-	-	15,000	**	-	-
Hon Yew Fong (General Manager, Finance/Accounts)	-	-	-	-	17,000	**	-	-
Wong Khang Yen (General Manager, Advertisements)	-	-	-	-	17,000	**	-	-
Lim Kok Keng (Senior Circulation Manager)	-	-	-	-	15,000	**	-	-
Dr. Lim Chong Hooi (Senior Production Manager)	-	-	-	-	15,000	**	-	-



## II. INFORMATION SUMMARY (Cont'd)

Name	Before Offer for Sale				After Offer for Sale*			
	Direct		Indirect		Direct		Indirect	
	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%	No. of SCMC Shares	%
Lim Mei Ching (Senior Manager, Human Resource Administration)	-	-	-	-	15,000	**	-	-
Chiah Len Fong (Senior Manager, Business Promotion)	-	-	-	-	15,000	**	-	-
Keu Tien Siong (Senior Manager, Information Technology)	-	-	-	-	-	-	-	-
Ngieng Leh Ming (Internal Auditor)	-	-	-	-	15,000	**	-	-

**Notes:**

\* Assuming full subscription of the Offer Shares reserved for them under the preferential share allocation scheme pursuant to the Offer for Sale.

\*\* Negligible.

Detailed information on the shareholdings of Promoters, substantial shareholders, Directors and key management personnel of SCMC is set out in Section VIII of this Prospectus.

## II. INFORMATION SUMMARY (Cont'd)

### 4. Financial Highlights

#### 4.1 Proforma Consolidated Income Statements

The table below sets out a summary of the proforma audited consolidated income statements of SCMC for the past five (5) financial years ended 31 March 2004 after such adjustments considered necessary based on the audited results of the companies comprising SCMC Group on the assumption that the current structure of SCMC Group had been in existence throughout the years under review. The proforma consolidated results of SCMC have been extracted from and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section XII of this Prospectus.

	←-----Year ended 31 March----->				
	2000	2001	2002	2003	2004
	RM 000	RM 000	RM 000	RM 000	RM 000
Revenue	272,310	303,482	326,075	355,722	382,044
EBITDA	43,771	32,245	48,971	71,327	66,806
Finance cost	(3,700)	(2,460)	(3,161)	(2,817)	(3,083)
Amortisation of goodwill	(100)	(100)	(100)	(100)	(91)
Depreciation	(10,212)	(10,205)	(9,392)	(8,348)	(8,292)
Profit before taxation	29,759	19,480	36,318	60,062	55,340
Taxation	(8,145)	(7,123)	(7,426)	(16,269)	(9,523)
Profit attributable to shareholders	21,614	12,357	28,892	43,793	45,817
No. of SCMC Shares assumed in issue (000)	302,000	302,000	302,000	302,000	302,000
Gross EPS (RM)	0.10	0.06	0.12	0.20	0.18
Net EPS (RM)	0.07	0.04	0.10	0.14	0.15

**Note:**

- (i) *There were no exceptional or extraordinary items during the financial years/period under review.*

The financial statements of SCMC and its subsidiaries were not subject to any audit qualification for the financial years under review.

However, without qualifying the opinion, GMRSB's Report of Auditors for the financial years ended 31 March 2000 to 31 March 2004 contained an "emphasis of matter" which highlighted capital deficiencies and working capital deficiencies due to losses over the years. These financial statements have been prepared on a going concern basis which is dependent upon the continual financial support from its holding company and certain creditors to enable GMRSB to meet its obligation as and when they fall due.

Detailed information on the proforma consolidated income statements is set out in Section XI of this Prospectus.

## II. INFORMATION SUMMARY (Cont'd)

### 4.2 Proforma Consolidated Balance Sheet of SCMC Group as at 31 March 2004

The following is a summary of the proforma consolidated balance sheet of SCMC Group as at 31 March 2004, prepared for illustration purpose only, to show the effects of the Restructuring Scheme, on the assumption that these transactions were completed on 31 March 2004 and is prepared on a basis consistent with the accounting policies normally adopted by SCMC Group:

	Audited as at 31 March 2004 RM 000	Proforma I RM 000
Property, plant and equipment	121,151	122,579
Deferred tax assets	-	16,248
Goodwill on consolidation	2,966	46,845
Other investments	977	977
Intangible asset	363	363
Current assets	177,433	159,549
Current liabilities	(93,263)	(96,585)
Net current assets	84,170	62,964
	<u>209,627</u>	<u>249,976</u>
Financed by:		
Share capital	10,000	151,000
Share premium	-	300
Revenue reserve	180,415	79,415
Shareholders' funds	190,415	230,715
Minority interests	-	-
Deferred and long term liabilities	19,212	19,261
	<u>209,627</u>	<u>249,976</u>
NTA	187,086	183,507
NTA per share (RM)	18.71	0.61

**Note:**

*Proforma I: After incorporating the effects of the Share Split, the Bonus Issue, the Rights Issue including the utilisation of the proceeds from the Rights Issue and the Acquisition of GMRSB.*

Detailed information on the proforma consolidated balance sheet is set out in Section XI of this Prospectus.

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**II. INFORMATION SUMMARY (Cont'd)**


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**5. Principal Statistics Relating to the Offer for Sale****(i) Share Capital**

	<b>RM</b>
<i>Authorised</i>	
500,000,000 ordinary shares of RM0.50 each	250,000,000
<i>Issued and fully paid-up as at the date of this Prospectus</i>	
302,000,000 ordinary shares of RM0.50 each	151,000,000
<i>To be offered pursuant to the Offer for Sale</i>	
73,623,000 ordinary shares of RM0.50 each	36,811,500

There is currently only one (1) class of shares in the Company, namely ordinary shares of RM0.50 each. The Offer Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and entitlement to all rights and dividend and other distribution.

Detailed information on the share capital is set out in Section VI of this Prospectus.

**(ii) Retail Price**

Retail Price for each Offer Share (subject to adjustment pursuant to Section III(6) of this Prospectus)	RM2.25
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Detailed information on the basis of arriving at the Retail Price of SCMC Shares is set out in Section III(6) of this Prospectus.

**(iii) Proforma Group NTA**

	<b>RM 000</b>
Proforma Group NTA as at 31 March 2004 ( <i>after deducting estimated expenses of RM2.5 million</i> )	183,507
Proforma Group NTA per share ( <i>based on the enlarged share capital of 302,000,000 SCMC Shares</i> )	RM0.61

Detailed information on the proforma NTA of SCMC Group is set out in Section XI of this Prospectus.

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**II. INFORMATION SUMMARY (Cont'd)**


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**(iv) Consolidated Profit Forecast****Financial Year Ending 31 March 2005**

	<b>RM 000</b>
Consolidated profit before taxation	62,921
Taxation	(7,571)
Consolidated profit after taxation	<u>55,350</u>
Less: Pre-acquisition profit	(680)
Consolidated profit after taxation attributable to shareholders	<u>54,670</u>
Gross EPS <sup>(i)</sup> (sen)	20.83
Net EPS <sup>(ii)</sup> (sen)	18.33
Gross PE Multiple (based on the Retail Price of RM2.25 per share) (times)	10.80
Net PE Multiple (based on the Retail Price of RM2.25 per share) (times)	12.27

**Notes:**

- (i) Based on the enlarged share capital of 302,000,000 SCMC Shares and the consolidated profit before taxation and pre-acquisition profit.
- (ii) Based on the enlarged share capital of 302,000,000 SCMC Shares and the consolidated profit after taxation before pre-acquisition profit.

Further information on the consolidated profit forecast of SCMC Group is set out in Section XI of this Prospectus.

**(v) Dividend Forecast****Financial Year Ending 31 March 2005**

Gross dividend per share <sup>(i)</sup> (sen)	5.75
Gross dividend yield based on the Retail Price of RM2.25 per share (%)	2.56
Net dividend per share <sup>(i)</sup> (sen)	4.14
Net dividend yield based on the Retail Price of RM2.25 per share (%)	1.84
Net dividend cover <sup>(ii)</sup> (times)	4.37

**Notes:**

- (i) Based on the enlarged issued and paid-up share capital of 302,000,000 SCMC Shares after the Restructuring Scheme.
- (ii) Dividend cover is computed based on the consolidated profit after taxation attributable to shareholders over the net dividend.

Further information on the dividend forecast of SCMC is set out in Section XI of this Prospectus.

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## II. INFORMATION SUMMARY *(Cont'd)*

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### 6. Risk Factors

Applicants for the Offer Shares should carefully consider the following risk factors (which are not exhaustive) in addition to the other information contained elsewhere in this Prospectus, before applying for the Offer Shares:

- (i) No prior market for SCMC Shares;
- (ii) Competition;
- (iii) Regulatory considerations;
- (iv) Business risks;
- (v) Product brand names and brand loyalty;
- (vi) Risks associated with security and system disruption;
- (vii) Risks associated with fire outbreak, disruption of electricity and water supply;
- (viii) Supply and cost of raw materials;
- (ix) Adequacy of insurance coverage of fixed assets and stocks;
- (x) Litigation;
- (xi) Economic and cyclical risks;
- (xii) Dependence on key personnel;
- (xiii) Changes in political and economic conditions;
- (xiv) Control by substantial shareholders;
- (xv) Technological change;
- (xvi) Landed properties/leases of SCMC Group;
- (xvii) Delay in or abortion of the Listing;
- (xviii) Financial risks;
- (xix) Achievability of profit forecast; and
- (xx) Forward-looking statements.

Detailed commentary on the risk factors is set out in Section IV of this Prospectus.

## II. INFORMATION SUMMARY (Cont'd)

### 7. Material Litigation and Arbitration, Contingent Liabilities, Capital Commitments, Working Capital and Borrowings

#### (i) Material Litigation and Arbitration

Save as disclosed in Section XIV(5) of this Prospectus, as at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), SCMC Group is not engaged in any other current, pending or threatened material litigation or arbitration either as plaintiff or defendant and the Directors of the Company do not know of any other facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business of SCMC Group.

#### (ii) Contingent Liabilities

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), there are several libel suits which involve claims against the Group for materials published by the Group. The following are the contingent liabilities which may have a material effect on the future profits and net assets of SCMC Group:

	RM million
Libel suits	<u>232</u>

Save for a probable loss of RM2.2 million, which have been provided for in the financial statements of the Group, the other contingent liabilities have not been provided for as the Directors with the advice of the solicitors of the Group are of the opinion that SCMC has a reasonable defence in these suits. For further details of the material litigation of the Group, please refer to Section XIV(5).

#### (iii) Capital Commitments

Save as disclosed below, there are no material commitments for capital expenditure contracted or known to be contracted by the Group which may have a material impact on the financial position of the Group as at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus):

	RM 000
Approved and contracted	
- Purchase of property, plant and equipment	35,978
Approved but not contracted	-
	<u>35,978</u>

#### (iv) Working Capital

The Directors of the Company are of the opinion that after taking into account the consolidated cashflow forecast, banking facilities available and the gross proceeds from the Rights Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

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**II. INFORMATION SUMMARY (Cont'd)**

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**(v) Borrowings**

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), the outstanding bank borrowings and facilities of SCMC Group amount to approximately RM66.4 million comprising various interest-bearing facilities such as bank overdrafts, bankers' acceptance, revolving credit facilities, term loans and hire purchase facilities. There has been no default on the Group's borrowings.

Detailed information on the contingent liabilities, capital commitments and borrowings, working capital of SCMC Group is set out in Section XI of this Prospectus. Detailed information on the material litigation and arbitration is set out in Section XIV of this Prospectus.

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### III. DETAILS OF THE OFFER FOR SALE

#### 1. Introduction

This Prospectus is dated 20 September 2004.

A copy of this Prospectus has been registered by the SC. A copy of this Prospectus, together with the Application Form has been lodged with the ROC and neither the SC nor the ROC takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed SCMC as a Prescribed Security. In consequence thereof, the Offer Shares offered through this Prospectus will be deposited directly with the Bursa Depository and any dealings in these shares will be carried out in accordance with the aforesaid act and the Rules of Bursa Depository.

Approval has been obtained on 25 June 2004 and on 8 September 2004 from the SC in respect of the listing of the ordinary shares of the Company on the Main Board of Bursa Securities and such approval shall not be taken to indicate that the SC recommends the listing of such ordinary shares on the Main Board of Bursa Securities.

SCMC has obtained the approval-in-principle from Bursa Securities on 22 April 2004 for admission to the Official List of the Main Board of Bursa Securities and for permission to deal in and the listing of and quotation for the entire issued and fully paid-up share capital of SCMC, including the Offer Shares which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the Main Board of Bursa Securities and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the Application will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for the entire issued and paid-up share capital of SCMC on the Main Board of Bursa Securities. Accordingly, monies paid in respect of any Application accepted from the Application will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of this Prospectus (or such longer period as may be specified by the SC), provided that SCMC is notified by Bursa Securities within the aforesaid timeframe.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications (refer to Section XV of this Prospectus) **MUST** have a CDS Account. Where an applicant does not presently have a CDS Account, he should open a CDS Account at an ADA prior to making an application for the Offer Shares. In the case of an Application by way of Electronic Share Application, the applicant shall furnish his/her CDS account number to the Participating Financial Institution by keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Offer Shares by way of Electronic Share Application.

Pursuant to the Listing Requirements, at least 25% of the total number of shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each at the point of listing. In the event that the above requirement is not met pursuant to the Offer for Sale, the Company may not be allowed to proceed with its listing on the Main Board of Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

No person is authorised to give any information or to make any representation not contained herein in connection with the Offer for Sale and if given or made, such information or representation must not be relied upon as having been authorised by SCMC. Neither the delivery of this Prospectus nor any issue of security made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of SCMC or the Group since the date hereof.

### III. DETAILS OF THE OFFER FOR SALE (Cont'd)

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to subscribe for any Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of any part of the Offer Shares are subject to Malaysian laws and the Company takes no responsibility for the distribution of this Prospectus and the offer of any part of the Offer Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

**If you are in any doubt concerning this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or any other professional adviser.**

#### 2. Share Capital

	RM
<i>Authorised</i>	
500,000,000 ordinary shares of RM0.50 each	<u>250,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus</i>	
302,000,000 ordinary shares of RM0.50 each	<u>151,000,000</u>
<i>To be offered pursuant to the Offer for Sale</i>	
73,623,000 ordinary shares of RM0.50 each	<u>36,811,500</u>

The Retail Price of RM2.25 for each Offer Shares is payable in full on application.

There is currently only one (1) class of shares in the Company, namely ordinary shares of RM0.50 each. The Offer Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or a representative or proxy or attorney to a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of the Company.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

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**III. DETAILS OF THE OFFER FOR SALE (Cont'd)**


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**3. Opening and Closing of Applications**

Application for the Offer Shares will be accepted from 10.00 a.m. on 20 September 2004 to 5.00 p.m. on 27 September 2004 or for such further date or dates as the Directors of the Company, the Offerors, the Sole Lead Manager, Sole Bookrunner and Managing Underwriter may in their absolute discretion mutually decide. Late applications will not be accepted.

**4. Important Tentative Dates**

The following events are intended to take place on the following tentative dates:

<b>Events</b>	<b>Tentative Date</b>
Opening of the Retail Offering and Institutional Offering	20 September 2004
Closing of the Retail Offering	27 September 2004, 5:00 p.m.
Closing of the Institutional Offering	29 September 2004, 5:00 p.m.
Tentative Date for Balloting	30 September 2004
Price Determination Date	1 October 2004
Tentative Date for Allotment	15 October 2004
Listing and Quotation	18 October 2004

The Retail Offering and Institutional Offering will open and close at the dates stated above or such other date or dates as the Directors of the Company, the Offerors, the Sole Lead Manager, Sole Bookrunner and Managing Underwriter may in their absolute discretion mutually decide. Should the closing date of the Retail Offering or Institutional Offering be changed, the dates for the price determination, balloting, allotment of shares and the listing and quotation would be changed accordingly. Any change to the closing date of the Retail Offering will be published in a widely circulated English, Bahasa Malaysia and Chinese newspaper in Malaysia.

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### III. DETAILS OF THE OFFER FOR SALE (Cont'd)

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#### 5. Particulars of the Offer for Sale

The Offer for Sale is subject to the terms and conditions of this Prospectus and upon acceptance, the Offer Shares will be allocated in the following manner:

##### (i) Eligible Employees and Business Associates of SCMC Group

5,755,000 of the Offer Shares have been reserved for the eligible employees and business associates of SCMC Group. Any Offer Shares not subscribed by eligible employees and business associates of SCMC Group will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

The Offer Shares have been allocated to eligible employees of SCMC Group based on their designation. Eligible employees must be confirmed employees employed as at 31 August 2004, either on a permanent or contract basis for at least one (1) year.

The Offer shares have been allocated to eligible business associates of SCMC Group. Eligible business associates comprise distributors, sub-agents, newspaper vendors, advertising sales specialists and news correspondents. The criteria for allocation for each category of business associates is as follows:

- (a) A distributor must be an appointed distributor of SCMC Group under a written contract or agreement;
- (b) A sub-agent must be a person who obtains newspapers directly from SCMC Group or its distributors and distributes to not less than 50 subscribers daily for at least two (2) years prior to 31 August 2004;
- (c) A vendor must be a person who obtains newspapers from either a distributor or sub-agent and who has distributed not less than 100 copies daily of SCMC Group's newspapers for at least two (2) years prior to 31 August 2004; and
- (d) An advertising sales specialist who has acted in that capacity for at least one (1) year and whose allocations will be based on the number of years of service; and
- (e) A staff correspondent who currently actively contributes news articles exclusively to SCMC Group.

Based on the above criteria, there are 1,577 eligible employees and 1,730 business associates who are eligible to subscribe for the Offer Shares reserved for the eligible employees and business associates of SCMC Group.

None of the Directors of SCMC have been allocated SCMC Shares under the preferential share allocation scheme.

For details on allocation to key management under the preferential share allocation scheme, please refer to Section VIII of this Prospectus.

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### III. DETAILS OF THE OFFER FOR SALE (Cont'd)

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**(ii) Malaysian Public**

15,100,000 of the Offer Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

**(iii) Institutional Investors**

20,000,000 of the Offer Shares will be made available for application by institutional investors by way of bookbuilding whereby attempts will be made to allocate 30% of the Offer Shares to Bumiputera investors on a best effort basis.

**(iv) Bumiputera Investors approved by the MITI**

32,768,000 of the Offer Shares are reserved for application by identified Bumiputera investors approved by MITI.

Save for the Offer Shares made available to the Malaysian public under the Public Offering, none of the Offer Shares are underwritten.

The allocation of Offer Shares for Reserved Offering, Public Offering and Institutional Offering under items (i), (ii) and (iii) above respectively is subject to adjustment as follows:

- (i) If there is an under-application in the Public Offering and there is a corresponding over-application in the Institutional Offering, the Offer Shares are to be clawed back from the Public Offering and reallocated to the Institutional Offering provided that any such reallocation from the Public Offering to the Institutional Offering shall not exceed the amount of the under-subscription under the Public Offering or the amount of over-subscription under the Institutional Offering; and
- (ii) If there is an under-application in the Institutional Offering and there is a corresponding over-application in the Public Offering, the Offer Shares are to be clawed back from the Institutional Offering and reallocated to the Public Offering provided that any such reallocation from the Institutional Offering to the Public Offering shall not exceed the amount of the under-subscription under the Institutional Offering or the amount of over-subscription under the Public Offering; and
- (iii) If there is under-application in the Reserved Offering and:
  - (a) there is a corresponding over-application in the Public Offering, the Offer Shares are to be clawed back from the Reserved Offering and reallocated to the Public Offering; or
  - (b) if there is no over-application in the Public Offering but there is an over-application in the Institutional Offering or subsequent to the re-allocation to the Public Offering in accordance with the Underwriting Agreement, there remains an under-application in the Reserved Offering and an over-application in the Institutional Offering, the Offer Shares are to be clawed back from the Reserved Offering and reallocated to the Institutional Offering;

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**III. DETAILS OF THE OFFER FOR SALE (Cont'd)**

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provided that any such reallocation from the Reserved Offering to as applicable, the Public Offering and/or the Institutional Offering shall not exceed the amount of the under-subscription under the Reserved Offering or the amount of over-subscription under as applicable, the Public Offering and/or the Institutional Offering.

The clawback and reallocation as set out in items (i) and (ii) above shall not apply in the event of over-application in the Public Offering and Institutional Offering.

The minimum number of Offer Shares to be subscribed for pursuant to the Offer for Sale is 73,623,000 SCMC Shares to meet the public spread requirement under the Listing Requirements.

No part of the gross proceeds from the Offer for Sale which amount to approximately RM169,651,750 (assuming the Final Retail Price and Institutional Price are RM2.25 and RM2.45 per Offer Share respectively) is receivable by SCMC.

The estimated fees and expenses relating to the Restructuring Scheme and Listing to be borne by the Company amount to approximately RM2.5 million. Out of the RM2.5 million estimated fees and expenses, approximately RM1.3 million is provided for fees for professional services rendered by advisers and experts. The underwriting, placement and brokerage fees for the Offer for Sale will be borne by the Offerors.

**6. Basis of Arriving at the Retail Price**

Upon application, applicants for the Retail Offering will pay the Retail Price of RM2.25 per Offer Share. The Retail Price of RM2.25 per Offer Share was determined and agreed upon by the Offerors and CIMB as Adviser, Sole Lead Manager, Sole Lead Arranger, Sole Bookrunner and Managing Underwriter after taking into account, amongst others, the following factors:

- (i) The forecast net PE Multiple of approximately 12.27 times based on the forecast net EPS of 18.33 sen of SCMC Group for the financial year ending 31 March 2005 and the enlarged issued and paid-up share capital of 302,000,000 SCMC Shares;
- (ii) The forecast gross dividend yield of approximately 2.56% for the financial year ending 31 March 2005;
- (iii) The future plans and prospects of SCMC Group as set out in Section V of this Prospectus;
- (iv) The prevailing market conditions; and
- (v) The proforma NTA of SCMC Group prior to the Offer for Sale of RM0.61 per share as set out in Section XI of this Prospectus.

However, shareholders should also note that the market price of SCMC Shares upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of the SCMC Shares being traded. Investors should form their own views on the valuation of the Offer Shares before deciding to invest in the Offer Shares.

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**III. DETAILS OF THE OFFER FOR SALE (Cont'd)**

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**7. Basis of Arriving at the Final Retail Price**

The Institutional Price will be determined using a process known as "bookbuilding" wherein prospective investors will be invited to bid for Offer Shares by specifying the number of shares they would be prepared to subscribe at different prices.

The bookbuilding process is expected to commence on 20 September 2004 and close on 29 September 2004. Upon completion of the bookbuilding process, the Institutional Price will be fixed by SCMC with the advice from CIMB on the Price Determination Date, which is expected to be on 1 October 2004. Agreements will be executed between SCMC, CIMB (as Sole Lead Manager and Sole Bookrunner) and the respective investors to fix their respective allocation of the number of Offer Shares to be offered at the Institutional Price.

Thereafter, the Final Retail Price will be the lower of:

- (i) the Retail Price of RM2.25 per Offer Share; or
- (ii) 92% of the Institutional Price.

Prospective investors should be aware that the Final Retail Price will not in any event be higher than the Retail Price of RM2.25 per Offer Share. In the event that the Final Retail Price is lower than the Retail Price, a refund of the difference will be made to the applicants without any interest thereon. Notwithstanding this, the Final Retail Price shall not be lower than the par value of the Offer Shares.

**8. Refund Mechanism**

The refund will be effected via remittances in the form of cheques, which will be dispatched by ordinary mail to the address stated in the Application Form of the successful applicants or to the address as stated in the Bursa Depository records for application made via Electronic Share Application at their own risks within ten (10) market days from the final ballot of applications for the Offer Shares.

The Final Retail Price will be published in a widely circulated English, Bahasa Malaysia and Chinese newspaper in Malaysia within two (2) market days after the Price Determination Date. In addition, all successful applicants will be informed via written notice of the Final Retail Price in the notices of allotment.

**9. Purposes of the Offer for Sale**

The purposes of the Offer for Sale are as follows:

- (i) To provide an opportunity for the Malaysian public, eligible employees and business associates of the Group to participate in the future growth of SCMC Group by way of equity participation;
- (ii) To increase the Bumiputera equity participation in SCMC in line with the objectives of the National Vision Policy and National Development Policy;
- (iii) To enable SCMC to gain access to capital in order to tap debt and equity funds for the future expansion and continued growth of the Group; and

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**III. DETAILS OF THE OFFER FOR SALE (Cont'd)**

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- (vi) To obtain a listing of and quotation for the entire issued and paid-up share capital of SCMC on the Main Board of Bursa Securities.

**10. Brokerage and Commissions**

Brokerage relating to the Offer Shares will be paid by the Offerors at the rate of 1% of the Final Retail Price in respect of successful applications bearing the stamp of CIMB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

The Underwriters have agreed to underwrite 15,100,000 Offer Shares which are available for application by the Malaysian public. The underwriting commission and managing underwriting commission relating to the Offer Shares are payable at the rate of 1.5% and 0.25% respectively of the Retail Price of RM2.25 for each of the 15,100,000 Offer Shares being underwritten, equivalent to a total underwriting commission of RM594,563.

The Offerors will also be paying the Sole Lead Manager and Sole Bookrunner a management and selling commission and fees at rates totalling not more than 2.75% of the Institutional Price for each Offer Share under the Institutional Offering.

**11. Salient Terms of the Underwriting Agreement**

An underwriting agreement was entered into between the Company, the Offerors, the Managing Underwriter and Underwriters ("Parties") on 7 September 2004 to underwrite the 15,100,000 Offer Shares available for application by the Malaysian public ("Underwriting Agreement"). Some of the salient terms of the Underwriting Agreement are as follows:

- (1) The obligations under the Underwriting Agreement are conditional upon, the following:
- (i) there has not been, as from any time hereafter up to and including the closing date of the Retail Offering, any material adverse change, or any development involving a prospective material adverse change, in the business, financial condition or prospects of the SCMC Group other than as set out in the draft prospectus attached to the Underwriting Agreement, nor has any event occurred or any fact discovered which will render inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations, warranties and undertakings contained in the Underwriting Agreement if they are repeated on and as at the closing date of the Retail Offering;
  - (ii) the offering of the Offer Shares in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities) and being in compliance with all such statute, order, rule, regulation, directive or guideline;
  - (iii) the lodging with the ROC of a copy of the Prospectus for lodgement in accordance with the requirements of Section 43 of the Securities Commission Act 1993 together with copies of all documents required under the Companies Act 1965;



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### III. DETAILS OF THE OFFER FOR SALE (*Cont'd*)

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- (iv) the registration with the SC of this Prospectus and the submission to the SC of accompanying documents on or before their issue, circulation or distribution to the public;
- (v) the Directors of the Company approving this Prospectus;
- (vi) the delivery to the Managing Underwriter on the closing date of the Retail Offering, of a certificate of the Company signed by a duly authorised officer of the Company dated the closing date of the Retail Offering, to the effect that the person who provides such certificate has carefully examined the Underwriting Agreement and that:
  - (a) the representations, warranties and undertakings of the Company are true, accurate and correct and not misleading in all material respects on and as at the closing date of the Retail Offering as though they had been given and made on the closing date of the Retail Offering and the Company has complied with all the terms of the Underwriting Agreement in a material respect and satisfied to a material respect, all the conditions on its part under the Underwriting Agreement to be performed and satisfied on or prior to the closing date of the Retail Offering; and
  - (b) since the date of the Underwriting Agreement, there has been no change or development that may materially and adversely affect the business or financial, condition or prospects of the SCMC Group save as disclosed in this Prospectus;
- (vii) the delivery to the Managing Underwriter on the closing date of the Retail Offering, of a certificate of the Offerors signed by a representative of the Offerors dated the closing date of the Retail Offering, to the effect that the person who provides such certificate has carefully examined this Underwriting Agreement and that:
  - (a) the representations, warranties and undertakings of the Offerors are true, accurate and correct and not misleading in all material respects on and as of the closing date of the Retail Offering as though they had been given and made on the closing date of the Retail Offering and the Offerors have complied with all the terms of the Underwriting Agreement in a material respect and satisfied to a material respect, all the conditions on its part under the Underwriting Agreement to be performed and satisfied on or prior to the closing date of the Retail Offering; and
  - (b) the offer of the Offer Shares under the Offer for Sale are not being prohibited by any statute or regulation promulgated or issued by any legislative or regulatory body in Malaysia;
- (viii) SC's approval for the Institutional Offering to be offered by way of bookbuilding having been obtained;
- (ix) this Prospectus being issued not later than 2 months from the date of the Underwriting Agreement or such later date as the Company and the Managing Underwriter may agree upon in writing;

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**III. DETAILS OF THE OFFER FOR SALE (Cont'd)**

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- (x) the Institutional Price has been determined and agreed to by the Offerors in consultation with the Managing Underwriter (following the closure of the bookbuilding exercise as mentioned in the draft prospectus attached to the Underwriting Agreement);
  - (xi) the successful completion of the Institutional Offering. For the purpose of the Underwriting Agreement, the Institutional Offering shall be deemed to be successfully completed if the entire Institutional Offering has been allocated pursuant to the Bookbuilding Underwriting Agreement;
  - (xii) the successful completion of the Bumiputera Offering and the Reserved Offering; and
  - (xiii) the fulfilment of all the conditions precedent in the bookbuilding underwriting agreement (save for any condition precedent requiring the Underwriting Agreement to be unconditional) and the bookbuilding underwriting agreement not having been terminated or rescinded pursuant to the provisions thereof.
- (2) If all or any of the conditions precedent above are not fulfilled by the 5<sup>th</sup> market day after the closing date of the Retail Offering which shall be no later than 7 December 2004 (or such other period as the Parties may mutually agree upon), the Managing Underwriter shall issue a written notice (no later than on or before the 7<sup>th</sup> market day after the closing date of the Retail Offering) to the Underwriters, the Company and the Offerors notifying the Parties of such non-fulfilment of the conditions precedent whereupon:
- (i) the Underwriting Agreement shall (unless extended by written consent between the Parties) become null and void and the respective obligations of the respective Parties under the Effective Clauses (as defined in the Underwriting Agreement) and the Underwriting Agreement shall wholly cease and no Party shall have any claim thereunder against the other Parties save and except in respect of any antecedent breach of the provisions of the Underwriting Agreement; and
  - (ii) the Offerors shall pay to the Underwriters within 10 market days of the Offerors' receipt of the notice referred to in the Underwriting Agreement, 30% of the underwriting commission payable to the underwriters, which shall be payable by the Offerors in all circumstances of non-fulfilment of a condition precedent save when such non-fulfilment is in respect of any of the conditions precedent in the above clauses 1(ii), 1(viii), 1(xii) (limited to the non-completion of the Bumiputera Offering) and 1(xiii) (limited to non-approvals by authorities).
- (3) Notwithstanding anything contained in the Underwriting Agreement, the Underwriters acting through the Managing Underwriter, may by notice in writing given at any time to the Offerors and the Company before the closing date of the Retail Offering, terminate the Underwriting Agreement and cancel and withdraw their underwriting commitment if there is any material breach by the Company and/or the Offerors of any of the representations, warranties or undertakings contained in the Underwriting Agreement and in respect of any breach which is capable of remedy, the Company and/or the Offerors has failed to remedy such breach within five (5) market days after the Managing Underwriter's written notice to the Company and/or the Offerors requiring the same to be remedied.

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**III. DETAILS OF THE OFFER FOR SALE (Cont'd)**

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- (4) Notwithstanding any provision to the contrary contained and subject to Clause 8.2 of the Underwriting Agreement, any of the Underwriters acting through the Managing Underwriter or any of the Offerors, acting through TSTHK may, at any time before the closing date of the Retail Offering, terminate the Underwriting Agreement by written notice to the other parties upon the occurrence of force majeure (including acts of God, epidemics, restraints or judgment of court of competent jurisdiction, government restraint or regulation, changes in applicable law, ordinance, enactment, regulation, regulatory requirement or the Bursa Securities' Listing Requirements or in the interpretation or application thereof by any governmental, quasi governmental or other authority charged with the administration thereof including the Bursa Securities or any other cause beyond the control of the Party affected by the force majeure) which has a material adverse effect on the business of the Company, the Offer for Sale or the Listing.

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**IV. RISK FACTORS**

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Applicants for the Offer Shares should carefully consider the following risk factors (which are not exhaustive) in addition to the other information contained elsewhere in this Prospectus, before applying for the Offer Shares:

**1. No Prior Market for SMC Shares**

Prior to the Offer for Sale, there has been no public market for SMC Shares. There can be no assurance that an active market for SMC Shares will develop upon the Listing or, if developed, that such a market can be sustained. The Retail Price of RM2.25 per Offer Share has been determined after taking into consideration a number of factors including, but not limited to, the future financial results and dividends of the Group, the future plans and prospects of the Group, the prevailing market conditions at the time of this Offer for Sale and the proforma NTA of SMC Group prior to the Offer for Sale. In addition, there can be no assurance that the Final Retail Price or the Institutional Price of the Offer Shares will correspond to the price at which SMC Shares will trade on the Main Board of Bursa Securities upon or subsequent to the Listing.

**2. Competition**

The newspaper industry in Malaysia has only a few major players and is highly competitive. Consumers can easily change their daily newspaper almost immediately with no additional costs to them. The Group faces competition mainly from Nanyang Press Holdings Berhad, the publisher of two Chinese language newspapers, namely, 'Nanyang Siang Pau' and 'China Press'. The Group also faces competition from other smaller Chinese language publishers mainly in East Malaysia. Additionally, apart from the direct competition of Chinese newspapers, both Sin Chew Daily and Guang Ming Daily face competition from other language newspapers and other forms of media such as television and radio.

The Group intends to remain competitive through continuously improving its newspaper contents and marketing strategies and serving the needs of its readers and customers.

Even though Sin Chew Daily and Guang Ming Daily are the highest and fourth highest daily circulated Chinese newspapers in Malaysia respectively based on the latest available statistics provided by ABC, there is no assurance that SMC Group will be able to maintain the said level of circulation or its existing market share in the future.

**3. Regulatory Considerations**

The Group's main operations are subject to the jurisdiction of the KDN and are subject to the Printing Presses and Publications Act, 1984. The Printing Presses and Publications Act, 1984 requires all print media to obtain a publishing permit and printing press license. The KDN is empowered to restrict or ban any publication which is deemed prejudicial to public order or is against national interest. In addition, the said publishing permit and printing press license is subject to annual renewal. The Group will always endeavour to comply with the above legislation and all other relevant rules and regulations.

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**IV. RISK FACTORS (Cont'd)**

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**4. Business Risks**

SCMC Group is principally involved in the publication and distribution of newspapers and the provision of advertising and printing services. As such, it is subject to risks inherent in the print media and printing industry. These include but are not limited to, inter-alia, any changes in the relevant government policies and/or regulations relating to the print media and printing industry, newsprint tariffs, imports of newsprint, taxation and exchange rates for foreign currencies; and any changes in business conditions such as but not limited to, supply and prices of newsprint (imported or otherwise), the preferences of consumers and/or advertisers for print media, development in media technology, relations with and contributions from existing staff and/or deterioration in prevailing market conditions. In relation to business risks that are within the Group's control, SCMC Group takes a conservative but proactive stance in managing these risks.

**5. Product Brand Names and Brand Loyalty**

Brand name plays an important role in the media industry including newspaper. Thus, the business of SCMC Group is dependent on the goodwill associated with the brand name of its main publications (i.e. Sin Chew Daily and Guang Ming Daily) which in turn depends on the quality of the editorial contents and the perception of readers and advertisers. Additionally, readers often prefer to read an established newspaper due to factor such as quality and reliability of editorial contents whilst advertisers place emphasis on factors such as quality and reliability of service, circulation or readership and competitive pricing. Therefore, if the perception of readers and advertisers on the brand name Sin Chew Daily and Guang Ming Daily changes, the market share of SCMC Group's publications may be affected directly. To maintain its brand names, SCMC Group will constantly review the quality of its products and also embark on promotions to create better awareness and brand loyalty among the population.

**6. Risks Associated with Security and System Disruption**

As the Group's business operation relies on information technology, the Group has developed a risk management plan to mitigate the risk associated with security and systems disruption. The plan comprises security on application and associated databases with restricted physical access only to authorised personnel and unauthorised end-users are prevented from logging in. To overcome systems disruption, the Group has put in place a technological backup and redundancy system. Further, the Group continuously taps on the latest technology to enhance the security and minimise systems disruption.

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**IV. RISK FACTORS (Cont'd)**

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**7. Risks Associated with Fire Outbreak, Disruption of Electricity and Water Supply**

The Group faces certain operational risks which include but are not limited to fire outbreak, disruption of electricity and water supply, which will affect the Group's business operations.

The Group has taken precautionary steps to minimise the occurrence of such risks through the installation of fire resistance doors, fire hydrants, fire extinguishers, smoke detector systems as well as back up generators and the storage of raw materials at various premises which management believe will adequately allow the Group to continue operation during fire outbreak and power disruption. The Group has also purchased insurance coverage on consequential loss and damages resulting from fire at its premises, plant and equipment and stocks.

In addition, the Group has five (5) printing plants located in Malaysia which will mitigate the risk of any disruptions in any of its printing plants.

**8. Supply and Cost of Raw Materials**

Newsprint costs account for approximately 40% of the total operating costs of the Group for the financial year ended 31 March 2004. Accordingly, the profitability of SCMC Group is highly dependent upon the newsprint prices prevailing in the industry at any particular time. Additionally, on 28 May 2003, the Government imposed a provisional anti-dumping duty of between 5.6% and 43.2% on imports of newsprint originating or exported from Canada, Indonesia, the Philippines, South Korea and the USA.

In managing their more significant cost items such as newsprint, the Group keeps close contact with its suppliers and supply-agents, both foreign and local, and keeps an inventory level of newsprint of at least six (6) months to soften the impact of volatile newsprint prices. Eventhough MNI is the main supplier of newsprint of SCMC Group with whom the Group has a minimum yearly contract, the Group avoids dependence on any single supply source to ensure reliability and cost competitiveness. The Directors of SCMC believe that they are not dependent on any single supplier and there would also not be any difficulty in sourcing their raw materials from other suppliers.

Newsprint prices are presently quoted in USD. With the ringgit pegged to the USD, the Group currently faces no exposure in terms of exchange rate movements. Should the peg be removed, this exposure will become a significant risk to the Group. However, management believes that European supplies may be quoting future newsprint prices in Euros, for which the Group will face exposure in terms of exchange rate movements.

There is no assurance that the supply condition of newsprint will not change and that the price of newsprint will not rise or that the exchange rates may fluctuate significantly, thus having a material adverse effect on the Group's business.

**9. Adequacy of Insurance Coverage of Fixed Assets and Stocks**

As at 31 August 2004, the net book value of the Group's fixed assets, including land of RM136.0 million and the value of stocks of RM64.0 million have adequate insurance coverage against, inter-alia, fire, theft and business disruption.

Although the Group has taken the necessary measures to ensure that all its assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential loss arising therefrom.

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**IV. RISK FACTORS (Cont'd)**

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**10. Litigation**

Like all other newspaper and magazine publishers, the Group constantly faces the threat of litigation in the form of libel actions for materials published by them. Some of these libel actions, if successful, may adversely and materially affect the position or business of the Group.

Although the Group seeks to limit the potential impact of libel actions against the Group through regular referral of any potentially controversial articles to its editorial committee and/or legal counsels for advice before publication, no assurance can be given that the Group will be able to completely shield themselves from libel actions. Further details on the material litigation of the Group are set out in Section XIV(5) of this Prospectus.

**11. Economic and Cyclical Risks**

The newspaper industry is highly dependent on advertising revenue for its viability and profitability. Currently, advertising revenue represents approximately 61% of the Group's revenue for the financial year ended 31 March 2004. Adex, on the other hand, is highly dependent on the Malaysian and global economic climate. Thus, Adex is correlated to the GDP growth of the country which continues to be affected by global and regional outlooks. No assurances can be given that Adex will maintain at its current level or continue to grow in the future.

**12. Dependence on Key Personnel**

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Executive Directors and key management personnel. The loss of any of the key members of the Group's Executive Directors and key management could adversely affect the Group's continued ability to maintain and/or improve on its performance. Measures and precautions have been taken in recruiting and grooming the new and existing members of key management to slowly take over from the senior members to ensure a smooth transition in the management team. The Group's future success will also depend upon its ability to attract and retain skilled personnel.

**13. Changes in Political and Economic Conditions**

Development in political and economic conditions in Malaysia could materially affect the financial prospects of the Group. Other political and economic uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, changes in interest rates and methods of transactions. There can be no assurance that such adverse political and economic factors will not materially affect SCMC Group.

**14. Control by Substantial Shareholders**

Upon the completion of the Offer for Sale, TSTHK will own, directly and indirectly, approximately 49.94% of the enlarged issued and paid-up share capital of SCMC. As a result, it is likely that TSTHK will be able to influence the outcome of certain matters requiring the vote of the Company's shareholders including the election of Directors, approval of mergers or other business transactions unless they are required to abstain from voting by law and/or relevant authorities.

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**IV. RISK FACTORS (Cont'd)**


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**15. Technological Change**

The success of the Group is dependent on its ability to maintain and enhance its technology and technical know-how in the publishing and newspaper industry which may involve significant capital expenditure. There can be no assurance that the Group will be able to procure the latest technology and/or afford the latest technology available in the publishing and newspaper industry.

**16. Landed Properties/Leases of SCMC Group**

The Group is not able to locate the original copy of the Certificates of Fitness for Occupation ("CF") for the following property referred to hereunder and as such, the Group has proceeded with the following actions to secure a copy of the said CFs:

(i) Postal address (ii) Title particulars	Description	Remarks	Status
(i) No. 38, Jalan Haji Abdul Aziz, 25000 Kuantan, Pahang Darul Makmur	Shoplot which is currently used as a branch office.	The original copy of the CF has not been located by SCMC.	An application for a new copy of the CF was made on 12 January 2004. By the Majlis Perbandaran Kuantan's letter dated 12 May 2004, the Majlis Perbandaran Kuantan informed that it is still examining SCMC's application and as at the date of its letter, it has not discovered any information in respect of the CF. Nonetheless, the Majlis Perbandaran Kuantan is considering the issue of a "surat perakuan" if required.
(ii) GRN1453, Lot 189, Sek 19, Bandar Kuantan, Daerah Kuantan, Pahang Darul Makmur			

However, the above property is not material to the operations of the Group as it is mainly used as a branch office and the operations on this premise can be relocated to other premise without any material adverse impact to the operations of the Group.



#### IV. RISK FACTORS (Cont'd)

In addition, the following landed properties/leases beneficially owned by SCMC are currently pending registration of the titles/lease to SCMC:

(i) Postal address	Description	Remarks	Status
<b>(ii) Title particulars</b>			
(i) No. 19, Jalan Angkasa Mas 5, Kawasan Perindustrian Tebrau II, 81100 Johor Bahru, Johor Darul Takzim	Printing plant and office building.	Perbadanan Johor, being the registered proprietor of the property, has leased the property to Rimbunan Hijau Estate Sdn Bhd who subsequently disposed the said lease to SCMC.	The consent from the Perbadanan Johor was obtained on 23 December 2003. SCMC is in the process of transferring the lease from Rimbunan Hijau Estate Sdn Bhd to SCMC.
(ii) HSD 210903 PTD 64085, Mukim of Tebrau, Daerah Johor Bahru, Negeri Johor Darul Takzim			
(i) No. 76, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan	4 storey office block and under-construction printing plant.	The Master Title PN 9414, Lot 51 has been subdivided into PT 10 and PT 11.	The title to the property is pending transfer to SCMC's name.
(ii) HSD 201640, PT 10, Seksyen 13, Bandar Petaling Jaya Daerah Petaling, Negeri Selangor Darul Ehsan			
(i) A4-12-20 and A4-12-21, Commerce Square, Jalan PJS 8/9 46150 Petaling Jaya, Selangor Darul Ehsan	Office lot currently vacant	Leisure Commerce Square Sdn Bhd is the registered proprietor of the Master Title.	Strata titles for both the properties are pending issuance.
(ii) Master Title HSD 176575, PT 574, Bandar Sunway, Daerah Petaling, Negeri Selangor Darul Ehsan			

SCMC had provided a written undertaking letter to the SC dated 8 September 2004 that it will use its best endeavour to procure the registration of its interests in the abovementioned properties within one year from 25 June 2004. However, no assurance can be given that the properties will eventually be transferred into SCMC's name.

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**IV. RISK FACTORS (Cont'd)**

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**17. Delay in or Abortion of the Listing**

The listing exercise is also exposed to the risk that it may be delayed or aborted should the following events occur:

- (a) the eligible employees and business associates of SCMC Group fail to take up the portion of Offer Shares allocated to them;
- (b) the Bumiputera investors approved by the MITI fail to take up the portion of the Offer Shares allocated to them;
- (c) The identified investors under the Institutional Offering fail to take up the portion of Offer Shares allocated to them;
- (d) the Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each at the point of listing; and
- (e) the Underwriters fail to honour their obligation to underwrite the 15,100,000 SCMC Shares pursuant to the Underwriting Agreement.

The 32,768,000 Offer Shares to be offered under the Bumiputera Offering is currently pending allocation by the MITI. Should there be any delay in the said allocation, it may cause the delay of the Listing.

Although the Directors of the Company will endeavour to secure the Listing, there can be no assurance that certain events will not occur which will cause the delay or abortion of the Listing.

**18. Financial Risks**

Like other businesses, SCMC Group has obtained bank borrowings and loan facilities to finance, inter-alia, its day-to-day operations. Furthermore, as with many loan agreements relating to the extension of such borrowings, there may be certain negative covenants imposed and/or securities created by the Group. Any failure by the Group to meet the timely repayment of such borrowings may result in a default of the same, which could materially affect the operating and financing capabilities of the Group. Further, in the event that the Group is unable to refinance or replace such defaulted loans, the same could result in a loss of the assets charged under such defaulted loans. To reduce the risk of default in loan repayment, the Directors of SCMC adopt a prudent approach in the Group's financial management, which includes tight budget control of the Group's expenditures and vigorous credit monitoring and debt recovery effort.

**IV. RISK FACTORS (Cont'd)**

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**19. Achievability of Profit Forecast**

It should be noted that the profit forecast are based on various assumptions with respect to the levels and timing of revenues, cost, interest rates, exchange rates and various other matters of an operational or financial nature, which assumptions are believed by the Directors of SCMC to be reasonable. These assumptions are nevertheless subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties of forecast and the events and circumstances may not occur as expected, no assurance can be given that such assumptions and the resultant forecast results will be realised.

Therefore, actual results may be materially different from that shown. Potential investors should note carefully the bases and assumptions to the profit forecast as well as the comments by the Reporting Accountants in their letter on the consolidated profit forecast as set out in Section XI of this Prospectus.

**20. Forward-looking Statements**

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and any forward-looking statements are by nature subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements express or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting SCMC Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of SCMC or its adviser that the plans and objectives of SCMC Group will be achieved.