



Pelangi Publishing Group Bhd.

(593649-H)
(Incorporated in Malaysia under the Companies Act, 1965)



PROSPECTUS

PUBLIC ISSUE OF 12,000,000 NEW ORDINARY SHARES OF RM0.50 EACH COMPRISING:-

- 6,000,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 700,000 NEW ORDINARY SHARES OF RM0.50 EACH BY WAY OF PLACEMENT TO IDENTIFIED INVESTORS; AND
- 5,300,000 NEW ORDINARY SHARES OF RM0.50 EACH TO ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES OF PELANGI PUBLISHING GROUP BHD. AND ITS SUBSIDIARY COMPANIES;

AND

OFFER FOR SALE OF 24,000,000 ORDINARY SHARES OF RM0.50 EACH COMPRISING:-

- 24,000,000 ORDINARY SHARES OF RM0.50 EACH TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;

AT AN ISSUE/OFFER PRICE OF RM0.75 PER ORDINARY SHARE PAYABLE IN FULL ON APPLICATION IN CONJUNCTION WITH ITS LISTING ON THE SECOND BOARD OF MALAYSIA SECURITIES EXCHANGE BERHAD.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 3 HEREOF

Adviser, Managing Underwriter and Placement Agent



AmMerchant Bank Berhad

(23742-V) A member of the AmBank Group

THIS PROSPECTUS IS DATED 31 MARCH 2004



www.Pelangi-Online.com



Pelangi Publishing Group Bhd. (593649-H)

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RESPONSIBILITY STATEMENTS

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND PROMOTERS OF PELANGI PUBLISHING GROUP BHD. ("PELANGI PUBLISHING" OR THE "COMPANY") AND THE OFFERORS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING. THE DIRECTORS HEREBY ACCEPT FULL RESPONSIBILITY FOR THE PROFIT FORECAST INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE PROFIT FORECAST HAVE BEEN PREPARED BASED ON ASSUMPTIONS MADE.

AmMERCHANT BANK BERHAD, BEING THE ADVISER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING AND IS SATISFIED THAT THE PROFIT ESTIMATE/FORECAST (FOR WHICH THE DIRECTORS OF PELANGI PUBLISHING ARE FULLY RESPONSIBLE), PREPARED FOR INCLUSION IN THIS PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION HAS APPROVED THE PUBLIC ISSUE AND OFFER FOR SALE IN RESPECT OF THE INITIAL PUBLIC OFFERING AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION RECOMMENDS THE PUBLIC ISSUE AND OFFER FOR SALE.

THE SECURITIES COMMISSION SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF PELANGI PUBLISHING AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

THE MALAYSIA SECURITIES EXCHANGE BERHAD SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF PELANGI PUBLISHING AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS CORRECTNESS OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE MALAYSIAN SECURITIES EXCHANGE BERHAD IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, PELANGI PUBLISHING OR OF ITS ORDINARY SHARES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SECURITIES COMMISSION. A COPY OF THIS PROSPECTUS, TOGETHER WITH THE FORM OF APPLICATION, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

SECURITIES LISTED ON THE MALAYSIA SECURITIES EXCHANGE BERHAD ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 45 OF THE SECURITIES COMMISSION ACT 1993, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

TIMETABLE

The indicative timing of events leading up to the listing of and quotation for Pelangi Publishing's entire issued and paid-up share capital of RM40,000,000 comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of MSEC is set out below:-

<u>Indicative Date</u>	<u>Event</u>
31 March 2004	Issue of Prospectus/Opening date of the Public Issue / Offer for Sale
9 April 2004	Closing date of the Public Issue / Offer for Sale
13 April 2004	Balloting of Applications
20 April 2004	Despatch of Notice of Allotment of the ordinary shares of Pelangi Publishing to successful applicants
23 April 2004	Listing of the Company's entire issued and paid-up share capital on the Second Board of MSEC

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES, WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 5.00 P.M. ON 9 APRIL 2004 OR SUCH FURTHER PERIOD OR PERIODS AS THE DIRECTORS AND/OR PROMOTERS OF PELANGI PUBLISHING TOGETHER WITH THE MANAGING UNDERWRITER IN THEIR ABSOLUTE DISCRETION MAY DECIDE.

SHOULD THE CLOSING DATE OF THE AFORESAID APPLICATION BE EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT AND LISTING OF PELANGI PUBLISHING'S ENTIRE ISSUED AND PAID-UP SHARE CAPITAL ON THE SECOND BOARD OF MALAYSIA SECURITIES EXCHANGE BERHAD MIGHT BE EXTENDED ACCORDINGLY. ANY CHANGES TO THE APPLICATION PERIOD FOR THE PUBLIC ISSUE AND OFFER FOR SALE WILL BE NOTIFIED TO THE PUBLIC VIA AN ADVERTISEMENT IN A DAILY BAHASA MALAYSIA AND ENGLISH NEWSPAPERS.

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Prospectus:-

- Acquisitions** — The acquisitions of PPSB, TPSB, SCSB, PESB, PPISB and PPHSB collectively
- Acquisition of PPSB** — The acquisition by Pelangi Publishing of 2,500,000 ordinary shares of RM1.00 each in PPSB representing the entire issued and paid-up share capital of PPSB for a total purchase consideration of RM22,403,505 satisfied by the issuance of 42,888,516 Shares in Pelangi Publishing at an issue price of RM0.52 per Share based on the audited group NTA as at 30 September 2002 of RM22,403,505
- Acquisition of TPSB** — The acquisition by Pelangi Publishing of 1,000,000 ordinary shares of RM1.00 each in TPSB representing the entire issued and paid-up share capital of TPSB for a total purchase consideration of RM5,399,365 satisfied by the issuance of 10,336,363 Shares in Pelangi Publishing at an issue price of RM0.52 per Share based on the audited NTA as at 30 September 2002 of RM5,399,365
- Acquisition of SCSB** — The acquisition by Pelangi Publishing of 4,003,752 ordinary shares of RM1.00 each in SCSB representing the entire issued and paid-up share capital of SCSB for a total purchase consideration of RM3,693,411 satisfied by the issuance of 7,070,542 Shares in Pelangi Publishing at an issue price of RM0.52 per Share based on the audited NTA as at 30 September 2002 of RM3,693,411
- Acquisition of PESB** — The acquisition by Pelangi Publishing of 300,000 ordinary shares of RM1.00 each in PESB representing the entire issued and paid-up share capital of PESB for a total purchase consideration of RM263,995 satisfied by the issuance of 505,383 Shares in Pelangi Publishing at an issue price of RM0.52 per Share based on the audited NTA as at 30 September 2002 of RM263,995
- Acquisition of PPISB** — The acquisition by Pelangi Publishing of 100 ordinary shares of RM1.00 each in PPISB representing the entire issued and paid-up share capital of PPISB for a total purchase consideration of RM100 satisfied by the issuance of 192 Shares in Pelangi Publishing at an issue price of RM0.52 per Share based on the audited Net Tangible Liabilities as at 30 September 2002 of RM8,174
- Subsequent to the financial period ended 30 September 2002, PPISB has increased its issued and paid-up capital of 100 shares to 10,000 shares of RM1.00 each by the creation of 9,900 shares. Hence, the balance 9,900 shares was acquired by Pelangi Publishing for a purchase consideration of RM9,900 wholly satisfied by cash
- Acquisition of PPHSB** — The acquisition by Pelangi Publishing of 2,700,000 ordinary shares of RM1.00 each in PPHSB representing the entire issued and paid-up share capital of PPHSB for a total purchase consideration of RM1,827,759 satisfied by the issuance of 3,499,000 Shares in Pelangi Publishing at an issue price of RM0.52 per Share based on the audited group NTA as at 30 September 2002 of RM1,827,759

DEFINITIONS (Cont'd)

Act	—	Companies Act, 1965
ADA	—	Authorised Depository Agent
ADA Code	—	ADA (Broker) Code
Application	—	Refers to application for the IPO Shares by way of Application Forms or by way of Electronic Share Application
Application Form	—	Application for IPO Shares by way of a printed Application Form
AmMerchant Bank	—	AmMerchant Bank Berhad (23742-V)
ATM	—	Automated Teller Machine
Board	—	The Board of Directors of Pelangi Publishing
CDS	—	Central Depository System
CMSB	—	Comtech Marketing Sdn Bhd (104669-W)
EBIDTA	—	Earnings before interest, depreciation, taxation and amortisation
Electronic Share Application	—	Application for IPO Shares through a Participating Financial Institution's ATM
ECSB	—	Elite Corridor Sdn Bhd (431111-V)
EPS	—	Earnings Per Share
ESOS	—	Employee Share Option Scheme
FIC	—	Foreign Investment Committee
GDP	—	Gross Domestic Product
Initial Public Offering or IPO	—	Public Issue and Offer for Sale collectively
IPO Shares	—	Public Issue Shares and Offer Shares collectively
MSEB	—	Malaysia Securities Exchange Berhad
Listing	—	Admission to the Official List and the listing of and quotation for the entire issued and paid-up share capital of Pelangi Publishing of RM40,000,000 comprising 80,000,000 Shares on the Second Board of MSEB
Malaysian Public	—	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organized under the laws of Malaysia
MCD or Central Depository	—	Malaysian Central Depository Sdn Bhd, a subsidiary company of MSEB
MI	—	Minority Interest
MIH or Issuing House	—	Malaysian Issuing House Sdn Bhd (238345-X)
MITI	—	Ministry of International Trade and Industry

DEFINITIONS (Cont'd)

MOE	—	Ministry of Education, Malaysia
NTA	—	Net Tangible Assets
Offer for Sale	—	Offer for Sale by the Offerors of 24,000,000 Pelangi Publishing Shares at an offer price of RM0.75 per Pelangi Publishing Share payable in full on application, subject to the terms and conditions of this Prospectus, to be offered as follows:-
		No. of Pelangi Publishing Shares
	Offeree	
	Bumiputera investors approved by MITI	24,000,000
Offer Shares	—	The 24,000,000 Pelangi Publishing Shares to be offered pursuant to the Offer for Sale
Offerors	—	The Offerors of the Offer for Sale as set out follows:-
	Offerors	No. of Pelangi Publishing Shares
	Sum Kown Cheek	7,840,043
	Fang Mei Sin	6,940,050
	Lai Chin Heng	1,869,977
	Lee Kheng Hon	1,649,984
	Yap Chong Koy	2,399,977
	Lai Swee Chiung	1,499,984
	Phang Choon Wah	599,995
	Sam Yuen @ Sam Chin Yan	599,995
	Ang Ah Ba @ Ang Hock Ming	599,995
	Total	<u>24,000,000</u>
Option(s)	—	The contract constituted by acceptance by a Eligible Employee in accordance with the provisions of the Bye-Laws
Pelangi Publishing or Company	—	Pelangi Publishing Group Bhd. (593649-H)
Pelangi Publishing Group or the Group	—	Pelangi Publishing and its subsidiaries
PFSB	—	Pelangi Formpress Sdn Bhd (172005-U)
PESB	—	Pelangi Education Sdn Bhd (458162-U)
PLSB	—	Pelangi Library Sdn Bhd (379269-A)
PMESB	—	Pelangi MindEdge Sdn Bhd (585971-M)
PMSB	—	Pelangi Multimedia Sdn Bhd (345998-T)
PPSB	—	Penerbitan Pelangi Sdn Bhd (89120-H)
PPHSB	—	Pelangi Publishing Holdings Sdn Bhd (493518-H)
PPISB	—	Pelangi Publishing International Sdn Bhd (517605-P)

DEFINITIONS (Cont'd)

Participating Financial Institution(s)	—	Refers to the Participating Financial Institutions for Electronic Share Application as listed in Section 14 of this Prospectus
PAT	—	Profit After Tax
PBT	—	Profit Before Tax
PE Multiple	—	Price Earnings Multiple
Promoters	—	Sum Kown Cheek, Yap Chong Koy, Lai Chin Heng and Lee Kheng Hon
Proposed ESOS	—	The proposed ESOS of up to 10% of the issued and paid-up share capital of the Company
Public Issue	—	The Public Issue of 12,000,000 new shares of RM0.50 each in Pelangi Publishing representing 15.0% of the enlarged issued and paid-up share capital of Pelangi Publishing at an issue price of RM0.75 per Share to eligible employees, directors, business associates of the Group and the Malaysian Public
Public Issue Shares	—	The 12,000,000 new Shares to be issued by Pelangi Publishing pursuant to the Public Issue comprising:- <ul style="list-style-type: none"> - 6,000,000 new Shares available for application by the Malaysian Public; - 700,000 new Shares by way of placement to identified investors; and - 5,300,000 new Shares to eligible directors, employees and business associates of the Pelangi Publishing Group
Restructuring or Listing Scheme	—	The Acquisitions, Rights Issue, Public Issue, Offer for Sale and Listing collectively
Rights Issue	—	The Rights Issue of 3,700,000 new Shares in Pelangi Publishing at an issue price of RM0.50 per Share on the basis of approximately 1 new Share for every 17 existing Shares held after the Acquisitions
RM and sen	—	Ringgit Malaysia and sen respectively
ROC	—	Registrar of Companies, or now known as Companies Commission of Malaysia
SC	—	Securities Commission
Share(s)	—	Ordinary share(s) of RM0.50 each
Subsidiaries	—	PPSB, TPSB, SCSB, PESB, PPI SB and PPHSB collectively
SCSB	—	Sutera Ceria Sdn Bhd (499589-M)
TCP	—	The Commercial Press, Sdn. Berhad (2390-V)
TPSB	—	Tunas Pelangi Sdn Bhd (105652-A)

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CORPORATE INFORMATION

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CORPORATE INFORMATION**BOARD OF DIRECTORS**

Name (Directorship/Position held)	Address	Occupation	Nationality
Sum Kown Cheek (Executive Chairman/ Managing Director)	28, Jalan SR 8/12, Taman Putra Indah, 43300 Seri Kembangan, Selangor	Company Director	Malaysian
Lai Chin Heng (Executive Director)	17, Jalan Permas 11/17, Bandar Baru Permas Jaya, 81750 Plentong, Johor	Company Director	Malaysian
Yap Chong Koy (Executive Director)	6, Jalan Ungu 5, Taman Pelangi, 80400 Johor Bahru, Johor	Company Director	Malaysian
Lee Kheng Hon (Executive Director)	7, Lorong Sg. Keramat 10B, Taman Kelang Utama, 42100 Kelang, Selangor	Company Director	Malaysian
Mak Tack Meng (Independent Non- Executive Director)	40, Jalan Maju, Taman Pelangi, 80400 Johor Bahru, Johor	Company Director	Malaysian
Syahriza Binti Senan (Independent Non- Executive Director)	21, Jalan Dian 15, Taman Munsyi Ibrahim, 80210 Johor Bahru, Johor	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Mak Tack Meng	Chairman	Independent Non-Executive Director
Syahriza Binti Senan	Member	Independent Non-Executive Director
Sum Kown Cheek	Member	Executive Chairman/ Managing Director

1. CORPORATE INFORMATION (Cont'd)

- COMPANY SECRETARIES** : Leong Siew Foong (MAICSA 7007572)
3, Jalan Bayam, Taman Kota Besar
89000 Kota Tinggi, Johor
- Huan Chuan Sen @ Ah Loy (LS00856)
7, Jalan Halus, Serene Park
80300, Johor Bahru
Johor
- REGISTERED OFFICE** : Suite 6.1A, Level 6, Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor
Tel : (07)-3323536
Fax : (07)-3324536
- HEAD OFFICE** : No. 66, Jalan Pingai, Taman Pelangi
80400 Johor Bahru, Johor
Tel : (07)-3316288
Fax : (07)-3329201
Email : ppsb@po.jaring.my
Website : www.pelangi-online.com
- REGISTRARS & TRANSFER OFFICE** : Signet Share Registration Services Sdn Bhd (506293-D)
11th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (238345-X)
27th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah,
50100 Kuala Lumpur
- PRINCIPAL BANKERS** : Malayan Banking Berhad
10 & 12, Jalan Pingai
Taman Pelangi
80400 Johor Bahru
Johor
- Public Bank Berhad
G2, Ground Floor, Wisma Daiman
64, Jalan Sulam
Taman Sentosa
80150 Johor Bahru
Johor

1. CORPORATE INFORMATION (Cont'd)

- AUDITORS AND REPORTING ACCOUNTANTS** : Ernst & Young
(Firm No. AF 0039)
Chartered Accountants
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No. 2, Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor
- SOLICITORS FOR THE IPO** : Abdul Raman Saad & Associates
Advocates & Solicitors
Level 12, Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru
Johor
- SOLICITORS FOR THE PELANGI PUBLISHING GROUP** : Skrine
Advocates & Solicitors
Unit No 50-8-1, 8th Floor, Wisma UOA Damansara
50, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
- MARKETING AND RESEARCH CONSULTANT** : Infocredit D&B (Malaysia) Sdn Bhd (527570-M)
Level 9-4, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur
- ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT** : AmMerchant Bank Berhad (23742-V)
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur
- UNDERWRITERS** : AmMerchant Bank Berhad (23742-V)
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur
- AmSecurities Sdn Bhd (92977-U)
15th Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur
- : OSK Securities Berhad (14152-V)
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
- LISTING SOUGHT** : Second Board of the Malaysia Securities Exchange Berhad

PELANGI PUBLISHING GROUP BHD.

(Company No.593649-H)

(Incorporated in Malaysia under the Companies Act, 1965)

1. INFORMATION SUMMARY

THE FOLLOWING INFORMATION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT PELANGI PUBLISHING. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.

1.1 History and Business

Pelangi Publishing was incorporated in Malaysia under the Companies Act, 1965 on 24 September 2002 as a public company. It is principally an investment holding company whilst its subsidiaries are principally in the publishing and printing of a wide range of educational books, children's books and multimedia educational products.

The business first evolved as a partnership under the name of Pelangi Educational Enterprise ("PEE") in 1980. PEE was principally involved in the publishing of past year question papers and revision books.

Back in the late seventies, there were only a handful of revision books in the market and students then mainly relied on school textbooks and teachers' notes. They had to spend additional time reading masses of text to make out important materials to focus on. At the same time, the local education system underwent a transition, whereby the medium of instruction changed from English to the Malay language ("Bahasa Malaysia") and the local examination system replaced the Cambridge examination system. This created a huge demand for locally-written revision books in Bahasa Malaysia as there were only a handful of such books in the market. Hence, PEE was formed to take advantage of this transition. Among its first publications were the translation of the past year examination papers together with suggested model answers for core subjects such as Science and Mathematics. Amongst the early writers were Sum Kown Cheek and Yap Chong Koy, who are now the promoters cum directors of the Pelangi Publishing Group. *(Please refer to the Development of Pelangi Publishing Group in Section 4.5 of this Prospectus for a detail discussion)*

To date, Pelangi Publishing Group has become one of the leading publishers in Malaysia *(Source: Independent Market Research Report by Infocredit D&B (Malaysia) Sdn Bhd)* with a wide variety of books ranging from government textbooks and academic books for both primary and secondary schools to children's books. The Group's Mathematics and Science revision books are well known amongst the local secondary school students due to the quality of its comprehensive contents, presentation formats and illustrations. The Group is also one of the few Malaysian publishers with a one-stop publishing facility. It is capable of conducting the entire process of producing a book, from editing, typesetting, layout, colour separation to printing. Pelangi Publishing has ventured into other businesses like multimedia, CD-ROM publication and Web-related businesses. PPSB is the first Malaysian publisher to be awarded by three (3) accreditation bodies namely DSM(Malaysia), UKAS(UK) and COFRAC(France) for the prestigious MS ISO 9001:2000 certification in the Quality Management System in the same year (2002). Further, PPSB has received the Enterprise 50 award, three consecutive years since year 2000. In 2002, PPSB achieved 8th placing in the Enterprise 50 Award. This award was organized by MITI with Accenture and Business Times. The Group was also awarded the Walt Disney Mousecar Award in 1996 and 1997. In 2003, PPSB received two additional awards, namely, Winner of Golden Bull Award 2003 - Malaysia's 100 outstanding Small and Medium Enterprise, which was organized by Nanyang Siang Pau and SMI Recognition Award Series 2003, which was organized by SMI Malaysia.

1. INFORMATION SUMMARY (Cont'd)

Pelanggi Publishing is now operating from a three-storey adjacent shoplots with a total built-up area of 17,280 sq. ft. in Taman Pelangi, Johor Bahru and 11 units of 1½ storey building (of which 7 units are under lease agreement) comprising its publishing office and warehouse facility located in Bangi, Selangor with a total built-up area of 55,649 sq.ft. As at 1 March 2004, Pelangi Publishing Group has a total of 353 employees.

Pelanggi Publishing's current core publishing activities are summarised as follows:-

- Publication of books for the Academic Segment and Non-Academic Segment.

Academic

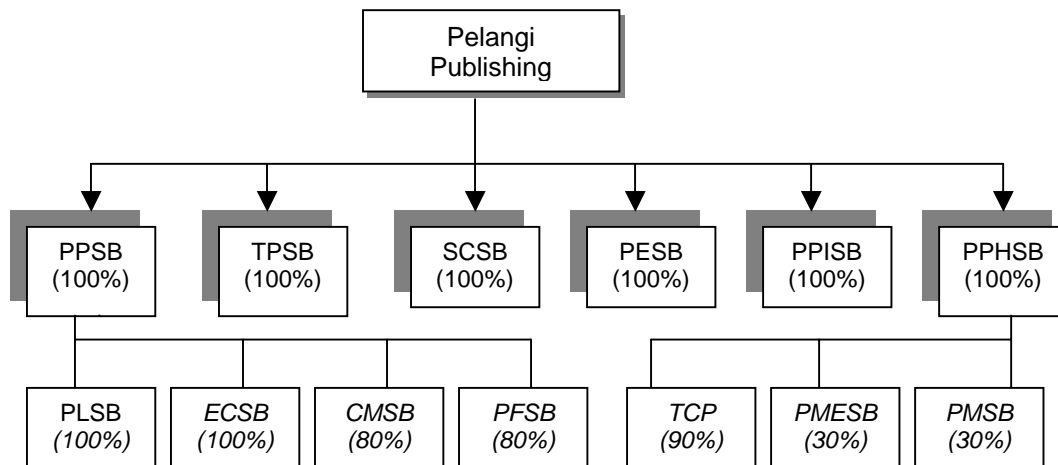
1. School textbooks
2. Pre-school books
3. Revision books, assessment books and supplementary books

Non-Academic

1. General titles
2. Children's books

- Sale and purchase of publishing rights (Re-printing and Translating Rights).
- Co-print activities with foreign publishers in the marketing and distribution of books to the overseas market and vice-versa.
- Multimedia products such as CD-ROMs, Video Compact Disc and other web related products including e-learning, e-library services and on-line bookshop.
- Related activities such as printing services.

An overview of the Pelangi Publishing Group's corporate structure is set out as below:-



1. INFORMATION SUMMARY (Cont'd)

Details of the subsidiary companies of Pelangi Publishing are summarised below:-

Name	Date of incorporation in Malaysia	Issued and paid-up share capital (RM)	Effective Equity Interest (%)	Principal Activities
PPSB	24-8-1982	2,500,000	100.0	Publishing and distribution of books and other educational materials and sale of publishing rights
TPSB	22-8-1983	1,000,000	100.0	Publishing and distribution of books and other educational materials and sale of publishing rights
SCSB	23-11-1999	4,003,752	100.0	Investment holding, property letting and property management
PESB	23-2-1998	300,000	100.0	Franchise education operator and provision of education related training services
PPISB	21-6-2000	10,000	100.0	Overseas investment holding
PPHSB	9-9-1999	2,700,000	100.0	Investment Holding

Further information on the Pelangi Publishing Group is set out in Section 4 of this Prospectus.

Details of the subsidiary companies of PPSB are summarized below:-

Name	Date of incorporation in Malaysia	Issued and paid-up share capital (RM)	Effective Equity Interest (%)	Principal Activities
PLSB	9-3-1996	50,002	100.0	Currently inactive. The intended principal activities will be to produce and distribute teaching aids and education aids
ECSB	13-5-1997	500,000	100.0	Investment holding, property letting and property management
CMSB	29-7-1983	500,000	80.0	Provision of typesetting and printing services
PFSB	14-7-1988	850,000	80.0	Printing of computer forms and other types of printing services

1. INFORMATION SUMMARY (Cont'd)

Details of the subsidiary and associated companies of PPHSB are summarized below:-

Name	Date of incorporation in Malaysia	Issued and paid-up share capital (RM)	Effective Equity Interest (%)	Principal Activities
TCP	14-8-1953	956,000	90.0	Provision of printing services
PMESB	11-7-2002	100,000	30.0	Designing and producing educational CD-ROMs and related IT products
PMSB	8-6-1995	100,000	30.0	Designing and producing Internet and multimedia related products

[The rest of this page is intentionally left blank]

1. INFORMATION SUMMARY (Cont'd)

1.2 Shareholdings of Promoters, Substantial Shareholders, Directors and Key Management of Pelangi Publishing

	Designation	Final Shareholdings before the listing of Pelangi Publishing				Final shareholdings after the listing of Pelangi Publishing			
		<-----Direct----->		<---Indirect--->		<-----Direct----->		<-----Indirect----->	
		No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Promoters									
Sum Kown Cheek	Executive Chairman/ Managing Director	22,213,45	32.67	4,249,956 ⁽ⁱ⁾	6.25	14,463,410 [^]	18.08	2,749,972 ⁽ⁱ⁾	3.44
Yap Chong Koy	Executive Director	6,799,933	10.00	19,663,475 ⁽ⁱⁱ⁾	28.92	4,469,957 [^]	5.59	12,723,425 ⁽ⁱⁱ⁾	15.91
Lai Chin Heng	Executive Director	5,298,267	7.79	-	-	3,498,290 [^]	4.37	-	-
Lee Kheng Hon	Executive Director	4,674,956	6.87	-	-	3,094,972 [^]	3.87	-	-
Substantial Shareholders									
Sum Kown Cheek	Executive Chairman/ Managing Director	22,213,454	32.67	4,249,956 ⁽ⁱ⁾	6.25	14,463,410 [^]	18.08	2,749,972 ⁽ⁱ⁾	3.44
Fang Mei Sin	-	19,663,475	28.92	6,799,933 ⁽ⁱⁱⁱ⁾	10.00	12,723,425	15.91	4,469,957 ⁽ⁱⁱⁱ⁾	5.59
Yap Chong Koy	Executive Director	6,799,933	10.00	19,663,475 ⁽ⁱⁱ⁾	28.92	4,469,957 [^]	5.59	12,723,425 ⁽ⁱⁱ⁾	15.91
Directors									
Sum Kown Cheek	Executive Chairman/ Managing Director	22,213,454	32.67	4,249,956 ⁽ⁱ⁾	6.25	14,463,410 [^]	18.08	2,749,972 ⁽ⁱ⁾	3.44
Lai Chin Heng	Executive Director	5,298,267	7.79	-	-	3,498,290 [^]	4.37	-	-
Yap Chong Koy	Executive Director	6,799,933	10.00	19,663,475 ⁽ⁱⁱ⁾	28.92	4,469,957 [^]	5.59	12,723,425 ⁽ⁱⁱ⁾	15.91
Lee Kheng Hon	Executive Director	4,674,956	6.87	-	-	3,094,972 [^]	3.87	-	-
Mak Tack Meng	Independent Non- Executive Director	-	-	-	-	20,000 [^]	0.03	-	-
Syahriza Binti Senan	Independent Non- Executive Director	-	-	-	-	20,000 [^]	0.03	-	-

(i) Deemed interested by virtue of his spouse, Lai Swee Chiung's substantial shareholdings in the Company

(ii) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in the Company

(iii) Deemed interested by virtue of her spouse, Yap Chong Koy's substantial shareholdings in the Company

[^] Assuming the directors and key management staff fully subscribe for their full allocations under the pink forms allocations

1. INFORMATION SUMMARY (Cont'd)

	Designation	Final Shareholdings before the listing of Pelangi Publishing				Final shareholdings after the listing of Pelangi Publishing			
		<--Direct-->		<---Indirect--->		<----Direct---->		<--Indirect-->	
		No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Key Management									
Ng Jit Sing	Head of Corporate Affairs	-	-	-	-	55,000 [^]	0.07	-	-
Lee Kon Lian	Accounts Manager	-	-	-	-	44,000 [^]	0.05	-	-
Chia Hai Chew	Marketing Manager	-	-	-	-	48,000 [^]	0.06	-	-
Ng Weng Tuck	Marketing Manager	-	-	-	-	48,000 [^]	0.06	-	-
Lim Mong Ping	Publishing Manager	-	-	-	-	48,000 [^]	0.06	-	-
Giam Gaik Hong	Managing Editor	-	-	-	-	25,000 [^]	0.03	-	-
Chang Hee Lee	Marketing Manager	-	-	-	-	48,000 [^]	0.06	-	-
Leong Lai San	Head of Publishing	-	-	-	-	24,000 [^]	0.03	-	-
Wong Poo Won	Executive Director - PFSB	-	-	-	-	48,000 [^]	0.06	-	-
Sim How Chuang	Executive Director - CMSB	-	-	-	-	48,000 [^]	0.06	-	-
Leong Sok Kum	Manager - Education	-	-	-	-	45,000 [^]	0.06	-	-
Tee Dee See	Production Executive	-	-	-	-	22,000 [^]	0.03	-	-
Loh Hing Chuen	Executive Director - TCP	-	-	-	-	25,000 [^]	0.03	-	-
Foo Ho Tim	Human Resource Manager	-	-	-	-	14,000 [^]	0.02	-	-
Tung Mun Yew	Warehouse Manager	-	-	-	-	12,000 [^]	0.01	-	-

[^] Assuming the directors and key management staff fully subscribe for their full allocations under the pink forms allocations

Further information on the Promoters, Substantial Shareholders, Directors and Key Management of Pelangi Publishing are set out in Section 5 of this Prospectus

1. INFORMATION SUMMARY (Cont'd)

1.3 Financial Statistics for the Past Five (5) Financial Years

The following table has been extracted from the Accountants' Report in Section 10 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

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

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

Notes:-

- (i) As the financial year of the companies in the Pelangi Publishing Group were different, the proforma consolidated income statements for the 4 years ended 30 September 2002 are arrived at based on time apportionment of the results as shown in respective audited financial statements and adjusted accordingly for items relating to prior years.
- (ii) There were no extraordinary items/exceptional items in all the financial years/period under review.
- (iii) The revenue of the group represents sales from publishing and supplying of children's books, educational books, school's text and reference books and general books. Revenue growth over the years under review was due to the expansion in the production facilities and securing of more contracts for the publication and printing of textbooks and revision books.
- (iv) The effective tax rates for financial year ended 30 September 2001 and 2002 were higher than the statutory tax rate applicable due principally to certain expenses being disallowed for taxation purposes.

1. INFORMATION SUMMARY (Cont'd)

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

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

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

The analysis and commentary of the Group are set out in Section 8 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**1.4 Summary of Proforma Consolidated Balance Sheets of Pelangi Publishing as at 30 September 2003**

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

* Represents RM2 comprising 4 ordinary shares

1. INFORMATION SUMMARY (Cont'd)

Notes:

- (i) *The notes to the proforma consolidated balance sheet as at 30 September 2003 are set out as in Section 8 of the Prospectus.*

1.5 Auditors Qualification

There was no qualification reported in the audited accounts of proforma Pelangi Publishing Group for the past five (5) financial years ended 30 September 2003.

1.6 Risk Factors

The followings are the main risk factors (which may not be exhaustive) extracted from Section 3 of this Prospectus which applicants for the Public Issue/Offer Shares should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Public Issue/Offer Shares:-

- (a) Business Risks;
- (b) No Prior Market for Pelangi Publishing's Shares;
- (c) Political, Economic and Regulatory Considerations;
- (d) Dependency on Key Management;
- (e) Competition;
- (f) Profit Forecast;
- (g) Barriers of Entry;
- (h) Fluctuation of Raw Material Prices;
- (i) Fluctuation in Exchange Rates;
- (j) Scarcity of Qualified Personnel;
- (k) Capital Market Risks;
- (l) Borrowings;
- (m) Failure/Delay in Listing Exercise;
- (n) Adequacy of Insurance Coverage on the Group's assets;
- (o) System Disruption;
- (p) Breakout of Fire, Energy Crisis and Other Emergencies;
- (q) Control of Substantial Shareholders/Promoters;
- (r) Intellectual Property Rights and Factual Error
- (s) Forward-Looking Statement;
- (t) Other risks that could jeopardize the Group's operation;
- (u) Potential Conflict of Interest;
- (v) Restrictive Covenants on Borrowings; and
- (w) Seasonality

Details of the risk factors are contained in Section 3 of this Prospectus

1. INFORMATION SUMMARY (Cont'd)**1.7 Principal Statistics Relating to the IPO**

The following statistics relating to the IPO are derived from the full text of this Prospectus and should be read in conjunction with the text.

	No. of Shares (‘000)	RM(‘000)
AUTHORISED SHARE CAPITAL		
200,000,000 Shares	200,000	100,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL		
• 68,000,000 Shares	68,000	34,000
<i>To be issued pursuant to the Public Issue:</i>		
• 12,000,000 new Shares	12,000	6,000
Enlarged Share Capital	<u>80,000</u>	<u>40,000</u>
TO BE OFFERED FOR SALE PURSUANT TO THE OFFER FOR SALE		
• 24,000,000 Shares		18,000
IPO PRICE PER SHARE (RM)		0.75
PROFORMA CONSOLIDATED NTA		
Proforma Consolidated NTA as at 30 September 2003 (after taking into account the Acquisition, Rights Issue, Public Issue and estimated listing expenses of RM1,300,000)		49,076
Proforma Consolidated NTA per Share (RM)		0.61
PROFORMA CONSOLIDATED PROFIT FORECAST		
		Forecast financial year ending 30.9.2004 (RM'000)
Turnover		63,331
Consolidated PBT		10,975
Less : Taxation		(3,405)
Consolidated PAT		<u>7,570</u>
Less : MI		(71)
Consolidated PAT after MI		<u>7,499</u>
Less : Pre-acquisition profit		(781)
Profit attributable to shareholders		<u>6,718</u>
Enlarged no. of Shares (‘000)		80,000
Gross EPS (Sen)		13.72
Net EPS (Sen)		9.37
Fully-diluted Net EPS* (Sen)		8.52
Gross PE multiple^ (times)		5.47
Net PE (times)^		8.00
Fully-diluted Net PE multiple^ (times)		8.80

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

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

1. INFORMATION SUMMARY (Cont'd)**DIVIDEND FORECAST**

	Forecast Financial year ending 30.9.2004
Gross Dividend per Share (sen)	2.50
Net Dividend per Share (sen)	1.80
Gross Dividend yield based on the IPO price of RM0.75 per Share (%)	3.33
Net Dividend yield based on the IPO price of RM0.75 per Share (%)	2.40
Net dividend cover (times)	5.21

There is only one (1) class of Shares in the Company, namely ordinary shares of RM0.50 each, all of which rank pari-passu with one another. The IPO Shares to be issued pursuant to this Prospectus will rank pari passu in all respects with the existing Shares of the Company including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the IPO Shares. Further details are disclosed in Section 2.1 of this Prospectus.

Further information on the future financial information of the Group is set out in Sections 8 of this Prospectus.

1.8 Proceeds of the Rights Issue and Public Issue and Utilisation

Pelangi Publishing will receive the aforesaid proceeds from its listing exercise from the issuance of the Rights Issue and Public Issue which will be utilized in the following manner:-

	RM'000
Proceeds	
i) Rights Issue	1,850
ii) Public Issue	9,000
	10,850
Utilisation	
i) Repayment of term loan	2,100
ii) Overseas expansion plan	2,000
iii) Working Capital	5,450
iv) Estimated listing expenses	1,300
	10,850

Pelangi Publishing will bear all expenses incidental to the listing and quotation of Pelangi Publishing's Shares on the Second Board of MSEB which include underwriting commission, brokerage, registration fee, professional fees, SC fees, advertising, listing expenses and other fees the aggregate of which is estimated to be approximately RM1.3 million.

The Offer for Sale will raise gross proceeds of RM18,000,000. This amount shall accrue to the Offerors only and no part of the proceeds is receivable by Pelangi Publishing. The Offerors shall bear all expenses, such as brokerage, registration fee and share transfer fee relating to the Offer Shares.

For a detail commentary of the above mentioned proceeds, please refer to Section 2.6 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.9 Working Capital, Borrowings, Material Litigation, Material Commitments and Contingent Liabilities
(i) Working Capital

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

(ii) Borrowings

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

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

(iii) Material Litigation

Save as disclosed below as at 1 March 2004 (being the latest practicable date prior to the printing of the Prospectus), the Group is not engaged in any other material litigation whether, as plaintiff or defendant, and the Board of Directors have no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group:-

1. PPSB was a party to three actions in respect of a distribution agreement dated 1 October 1994 ("the Agreement") entered into between PPSB and Pan Alliance Sdn Bhd ("Alliance") for the distribution of Magic Box Pack 1 ("MBP1") and Magic Box Pack 2 ("MBP2") (collectively known as "the Products"). The 3 actions are set out as follows:

Suit 22-88-95 (I)

Commenced by PPSB against Alliance, PPSB had alleged that Alliance had, amongst other things, failed to meet the minimum purchase target contracted in the Agreement and had also failed to provide quarterly reports to PPSB pursuant to the Agreement. PPSB's claim for damages was RM1,019,410.48;

Alliance filed a counterclaim against PPSB under the aforementioned Suit for breach of the Agreement alleging that PPSB had;

- (i) prematurely terminated the Agreement;
- (ii) failed to supply the relevant authority cards to Alliance; and
- (iii) changed the packaging of the Products midstream.

1. INFORMATION SUMMARY (Cont'd)

The amount of damages counter-claimed by Alliance was RM9,058,076.

Summons 52-310-95 (II)

Commenced by Alliance against PPSB, Alliance had claimed for damages in the sum of RM66,000 in respect of discounted sales made by PPSB in respect of the Products to the Education Department through Hung Tat Bookshop Sdn Bhd; and

Summons 52-334-96(II)

Commenced by Alliance against PPSB, Alliance had claimed for damages in the sum of RM50,730 in respect of loss of sales of 285 units of Magic Box Pack 1 through sales to Sinar Suci Sdn Bhd and the supply of 285 units of Magic Box Pack 2 to Dewan Pustaka Setia.

2. The Suits and the two summonses were consolidated and tried together vide court order dated 6 May 1998.
3. After full trial, judgment was entered in favour of Alliance in the sum of RM50,730 together with statutory interests and costs in respect of Summons 52-310-95 (II) on 7 October 1999.

With regards to Suit 22-88-95 (I) and the counterclaim, the High Court dismissed the Suit and counterclaim with no order as to costs.

With regards to Summons 52-334-96 (II), the court dismissed the Suit with costs to PPSB.

4. The judgment of the learned Judge Y. A. Datuk Ian Chin on the 3 actions is set out as follows:-
 - (a) Suit 22-88-95 (I) was dismissed as PPSB had failed to establish that Alliance had failed to provide the requisite quarterly reports and that Alliance had failed to meet the minimum sales target as the period for achieving the minimum sales target had not yet elapsed and it was therefore possible that Alliance could still have met the sales target. The counter claim was dismissed as Alliance had failed to produce any evidence to substantiate its claims for damages as it had failed to demonstrate that it was able to sell any appreciable quantity of the products. Further, the distribution agreement was properly terminated by PPSB.
 - (b) Summons 52-334-96 (II) was also dismissed as the Judge found that PPSB had properly terminated the Agreement by giving the relevant notice period as provided in the Agreement to Alliance and Alliance cannot claim any rights thereunder after it was lawfully terminated.
 - (c) Summons 52-310-95 (II) was allowed as the Judge found that as a result of the discounted sales by PPSB, Alliance had lost the opportunity to supply the Products to the aforementioned customers and had therefore suffered a loss of profit.
5. Alliance appealed to the Court of Appeal against the dismissal of its counterclaim in Suit 22-88-95(1) only. PPSB had filed a cross-appeal thereafter.

1. INFORMATION SUMMARY (Cont'd)

6. Whilst both parties have appealed and cross-appealed against the decision of the High Court the solicitors acting for PPSB in respect of this litigation matter have indicated that it is in all probability, the Court of Appeal may uphold the aforesaid aspect of the Learned Judge's decision and dismiss Alliance's appeal.
7. PPSB's lawyer, Chew, Jugah, Wan Ullok & Co. ("CJWU") had on 20 October 2003 via its letter confirmed that the Appeal has been given Court of Appeal No. Q-02-922-99, but no hearing date has been fixed.

Nevertheless, the Board of Directors of the Company is of the opinion that the appeal by Alliance will not succeed as they have no basis to support their claim based on the comments made by the Learned Judge Datuk Ian Chin in his judgment, extracts of which are shown as below:-

No.	Basis Used by Alliance in its counter claim for RM9.0m	Learned Judge's ruling (extracts)	Implication to Alliance's claim
1	Full 2 years of the distribution agreement based on the following sales figures for MBP1 and MBP2:- Year 1 : 7,000 units of MBP1 7,000 units of MBP2 Year 2 : 12,000 units of MBP1 12,000 units of MBP2	<i>"that the distribution agreement was validly terminated by notice. Therefore, there is no question of premature termination"...</i>	If any, Alliance can only claim for up to the date of termination of the agreement i.e. only 11 months.
2	That Alliance had the capability to achieve the sales as mentioned in 1 above.	<i>"That past record of Alliance does not show that Alliance was able to sell any appreciable quantity[^]. Their future plan is unknown as no evidence was adduced as to what these six persons had or could have achieved. In the end, I am compelled to conclude that evidence to establish the damages which could come from these six persons was not adduced. This means Alliance should fail in its counter claim in Suit 88"</i>	The inference is that the whole of Alliance's counter claim has no basis. According to Pelangi Publishing Group's lawyer, M/S CJWU, <i>"in all probability, the Court of Appeal may uphold the aforesaid aspect of the Learned Judge's decision and dismiss Alliance's appeal"</i>

[^] The Court has held that over the 7 months, Alliance was only able to sell 100 sets, so it doubtful that with the six salesmen, Alliance is able to sell the minimum of 583 sets of MBP1 and 583 sets of MBP2 per month.

1. INFORMATION SUMMARY (Cont'd)

(iv) Material Commitments

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

(v) Contingent Liabilities

As at 1 March 2004, being the latest practicable date prior to the printing of the Prospectus, there are no contingent liabilities incurred by the Company/Group which, upon materialization, would have a material impact on the profit or net assets of the Group.

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