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## 2. DETAILS OF THE IPO

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This Prospectus is dated **31 March 2004**.

A copy of this Prospectus has been registered with the SC. 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.

**The approval of the SC obtained vide its letter dated 29 September 2003 shall not be taken to indicate that the SC recommends the IPO, and that investors should rely on their own evaluation to assess the merits and risks of the IPO.**

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, MSEB has prescribed Pelangi Publishing as a prescribed security which is required to be deposited into the CDS. In consequence thereof, the IPO Shares issued through this Prospectus will be deposited directly with the MCD and any dealings in these IPO Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

Application will be made to MSEB within three (3) market days of the issuance of this Prospectus for admission of Pelangi Publishing to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of Pelangi Publishing on the Second Board of MSEB. These Shares will be admitted to the Official List on the Second Board of MSEB and official quotation will commence upon receipt of confirmation from MCD 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 applications for the IPO Shares will be conditional upon permission being granted by MSEB to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares of Pelangi Publishing on the Second Board of MSEB. Accordingly, monies paid in respect of any application accepted from the IPO will be returned in full without interest if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of MSEB within the aforesaid timeframe.

Pursuant to the Listing Requirements of the MSEB, the Company must have at least 25% of the total number of shares for which listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 shares each at the point of listing. In the event that the above requirements is not met pursuant to the Public Issue and Offer for Sale, the Company may not be allowed to proceed with its listing on the Second Board of MSEB.

The MSEB assumes no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Second Board of MSEB is not to be taken as an indication of the merits of the Company or of its Shares.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications must have a CDS Account. In the case of an application by way of Application Form, an application should state his CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an application who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish his CDS Account number to the Participating Financial Institution by way of keying his CDS Account if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

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## 2. DETAILS OF THE IPO (Cont'd)

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No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Pelangi Publishing. Neither the delivery of this Prospectus nor any IPO 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 Pelangi Publishing since the date hereof.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue 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 SC has approved the issue, offer or invitation in respect of the public offering and that the approval shall not be taken to indicate that the SC recommends the public offering.

**If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.**

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## 2. DETAILS OF THE IPO (Cont'd)

### 2.1 Share Capital

	No of Shares	RM
<i>Authorised:-</i> <b>200,000,000</b> Shares	<b>200,000,000</b>	<b>100,000,000</b>
<i>Issued and fully paid-up :-</i>		
• 68,000,000 Shares	68,000,000	34,000,000
<i>To be issued pursuant to the Public Issue :-</i>		
• 12,000,000 new Shares	12,000,000	6,000,000
<b>Enlarged Share Capital</b>	<b>80,000,000</b>	<b>40,000,000</b>

The Public Issue and Offer for Sale will be issued and offered in the following manner:-

	Public Issue		Offer for Sale	
	No. of Shares	% of the enlarged Share Capital	No. of Shares	% of the enlarged Share Capital
Eligible Directors and employees and business associates of the Pelangi Publishing Group	5,300,000	6.62	-	-
Bumiputera Investors approved by the Ministry of International Trade and Industries	-	-	24,000,000	30.00
Malaysian Public (via balloting)	6,000,000	7.50	-	-
Malaysian Public (via Placement)	700,000	0.88	-	-
<b>Total</b>	<b>12,000,000</b>	<b>15.00</b>	<b>24,000,000</b>	<b>30.00</b>

There is only one class of shares in the Company, namely ordinary shares of RM0.50, 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 aspects 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.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in 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 the whole of any surplus in the event of the liquidation of the Company.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on show of hands, every person present who is a shareholder or representatives or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representatives shall have one vote for each Share held.

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**2. DETAILS OF THE IPO (Cont'd)**

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**2.2 Basis of Arriving at the IPO Price**

The IPO price of RM0.75 per Share was determined and agreed upon by Pelangi Publishing and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following:-

- i) the proforma consolidated NTA per Share of Pelangi Publishing as at 30 September 2003 of RM0.61, the IPO price of RM0.75 per Share represents a premium of RM0.14 or 22.9% to the proforma consolidated NTA per Share;
- ii) the proforma forecast net PE multiple of approximately 8.00 times is based on the proforma consolidated forecast net EPS of 9.37 sen for the financial year ending 30 September 2004 and the IPO price of RM0.75 per Share;
- iii) the forecast net dividend yield of 2.4%; and
- iv) the future plans and prospects of the Group as outlined in Section 4 of this Prospectus.

However, shareholders should also note that the market price of Pelangi Publishing shares upon listing on MSEB is subject to the vagaries of the market forces and other uncertainties which may affect the market price of Pelangi Publishing shares. Investors should form their own views on the valuation of the IPO Shares before deciding to invest in the IPO Shares.

**2.3 Particulars of the IPO****Public Issue**

The Public Issue of 12,000,000 Shares at an IPO price of RM0.75 per Share is payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

**(i) Malaysian Public**

6,000,000 of the Public Issue Shares will be made available for application by Malaysian Public, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions;

**(ii) Eligible Employees, Directors and/or Business Associates of the Group**

5,300,000 of the Public Issue Shares have been reserved for eligible employees, Directors and business associates (which include the suppliers, sales agent and customers) of the Group.

The shares have been allocated to 246 eligible employees and 9 Directors of the Company and its subsidiaries based on the following criteria as approved by the Company's Board of Directors: -

- (a) At least eighteen (18) years old;
- (b) Job position;
- (c) Length of service; and
- (d) Non- Malaysian citizens are not eligible.

## 2. DETAILS OF THE IPO (Cont'd)

Details of the eligible employee's pink form allocation are as follows: -

Category	No. of employees	Pink Form Allocation
Manager	10	372,000
Assistant Manager	2	53,000
Executive	63	683,000
Non-Executive	171	826,000
<b>Total</b>	<b>246</b>	<b>1,934,000</b>

Details of the Directors' pink form allocation are as follows:-

Name of Directors (Pelangi Publishing)	Designation	Pink Form Allocation
Sum Kown Cheek	Executive Chairman/ Managing Director	90,000
Yap Chong Koy	Executive Director	70,000
Lai Chin Heng	Executive Director	70,000
Lee Kheng Hon	Executive Director	70,000
Mak Tack Meng	Independent Non-Executive Director	20,000
Syahriza Binti Senan	Independent Non-Executive Director	20,000
<b>Total</b>		<b>340,000</b>
<b>Name of Directors (subsidiary companies)</b>		
Sim How Chuang	Director of CMSB	48,000
Wong Poo Won	Director of PFSB	48,000
Loh Hing Chuen	Director of TCP	25,000
<b>Total</b>		<b>121,000</b>

### (iii) Placees

700,000 of the Public Issue Shares are reserved for private placement to identified investors.

### Offer Shares

The Offer For Sale of 24,000,000 ordinary shares at an offer price of RM0.75 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

#### (i) Bumiputera Investors

24,000,000 Offer Shares representing 30% of the enlarged paid-up share capital will be allocated to Bumiputera Investors approved by MITI.

## 2. DETAILS OF THE IPO (Cont'd)

All the IPO Shares available for application by the Malaysian Public and the eligible employees and/or business associates of the Group have been fully underwritten. The IPO Shares available for application by identified investors and Bumiputera investors are not underwritten. The Placement Agent has received irrevocable undertakings from the identified investors to take up the IPO Shares available for application under the private placement.

In the event of an under-subscription of the IPO Shares by the Malaysian Public, the unsubscribed IPO Shares will be made available to identified investors.

Any IPO Shares which are not taken up by eligible employees and Directors of the Group and/or the business associates of the Group will be made available for application by the Malaysian public and/or identified investors via private placement.

### 2.4 Critical dates of the Public Issue / Offer for Sale

Events	Tentative Date
Date of Prospectus	31 March 2004
Opening and Closing of Application List for the IPO	9 April 2004
Balloting of Applications	13 April 2004
Despatch of Notices of Allotment of the Shares of Pelangi Publishing to successful applicants	20 April 2004
Listing of the Company's entire issued and paid up share capital on the Second Board of MSEB	23 April 2004

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.

### 2.5 Purposes of the IPO

The purposes of the IPO are as follows:-

- (i) the listing of Pelangi Publishing Shares on the Second Board of MSEB is expected to further enhance the Group's corporate reputation and assist the Group in expanding both its local and international customer base;
- (ii) to provide an opportunity for Malaysian investors and institutions and the eligible employees, Directors and business associates of the Group to participate in the equity and continuing growth of the Group;
- (iii) to enable the Group to gain access to the capital markets for funds for its future expansion and growth;
- (iv) to obtain a listing of and quotation for Pelangi Publishing's entire issued and paid-up share capital of Pelangi Publishing Shares on the Second Board of the MSEB; and
- (v) to comply with National Development Policy ("NDP") requirements in respect of Bumiputera equity participation of Pelangi Publishing.

## 2. DETAILS OF THE IPO (Cont'd)

### 2.6 Utilisation of Proceeds

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

		<b>RM'000</b>
i)	Repayment of Term Loan	2,100
ii)	Overseas Expansion Plan	2,000
iii)	Working Capital	5,450
iv)	Estimated listing expenses	1,300
<b>Total proceeds</b>		<b>10,850</b>

Pelangi Publishing will bear all expenses incidental to the listing and quotation of Pelangi Publishing's Shares on the Second Board of MSEC 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.

There is no minimum subscription to be raised from the IPO as the IPO Shares are fully underwritten.

Brief details on the utilisation of proceeds are as follows:

#### **Notes:-**

#### ***i) Repayment of Term Loan***

The Pelangi Publishing Group proposes to repay part of the following Term Loan:-

Name of Borrower	SCSB
Name of lender	UOB
Type of Facility	Term Loan
Purpose of Facility	Part finance the purchase of a piece of industrial land covering a land area of 6.75 acres in Bangi
Facility Limit	Term Loan: RM3,000,000
Amount Outstanding estimated for 31 March 2004	RM2,100,000
Interest Rate	1.0% + Base Lending Rate ("BLR")
Repayment of Term Loan for 31 March 2004	RM2,100,000
Interest Savings (Estimated)	RM155,000 per annum
To be utilized by	June 2004

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**2. DETAILS OF THE IPO (Cont'd)**


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**ii) Overseas Expansion Plan**

RM2.0 million will be utilized to finance its expansion plan subject to Bank Negara Malaysia clearance/approval. The proceeds will be mainly utilized for the setting up of publishing companies in China, Indonesia and Thailand by September 2004. The Group plans to establish production houses and distribution networks in these countries by publishing or co-publishing with the local publishers a wide range of books ranging from local school textbooks, revision books and children's books. The production house will comprise units of graphic design, editorial and typesetting.

**iii) Working Capital**

The entire amount of RM5,450,000 will be used as general working capital for the Pelangi Publishing Group including the payment of creditors, salaries, purchase of raw materials/stock and operating expenses by September 2004.

**iv) Estimated Listing Expenses**

The listing expenses are estimated at RM1,300,000.

	<b>RM</b>
Professional fees	600,000
Fees of the authorities	100,000
Underwriting fee	130,390
Brokerage fee	45,000
Printing and advertising fees	100,000
Miscellaneous	324,610
<b>Total</b>	<b>1,300,000</b>

The listing proceeds are expected to be received by the second quarter of year 2004 and the Group is expected to fully utilise the listing proceeds by financial year ending 30 September 2004.

**2.7 Underwriting And Brokerage**

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite the 10,960,000 IPO Shares to be offered to the Malaysian Public, employees and business associates of the Pelangi Publishing Group.

Underwriting commission is payable by the Company at rate of 2.0% to AmMerchant Bank based on the IPO price of RM0.75 per Share for the 6,000,000 new shares available for application by the Malaysian Public. Information on the 4,960,000 Public Issue Shares reserve for eligible employees and business associates, which are being underwritten, is detailed in the underwriting agreement.

Brokerage is payable in respect of the IPO Shares by the Company at the rate of 1% of the IPO price of RM0.75 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.



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**2. DETAILS OF THE IPO (Cont'd)**

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**2.8 Salient Terms of the Underwriting Agreement**

The following are some of the Clauses of the Underwriting Agreement dated 19 February 2004, including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer:-

**Conditions Precedent****Clause 3.1**

- (a) the Company receiving prior to the date of listing of and quotation for the Company's entire enlarged issued and paid-up share capital, the approval-in-principle of MSEC for the admission of the Company to the Official List of MSEC and the listing and quotation of the entire issued and paid-up share capital of the Company on the Second Board of MSEC which is unconditional or subject to such conditions which are acceptable to the Managing Underwriter;
- (b) there having been on or prior to the Listing Date, no material adverse change nor any development reasonably likely to result in any or prospective adverse change in the condition (financial or otherwise) of the Pelangi Publishing Group, taken as a whole, which is material in the context of the Offer For Sale from that set forth in the Prospectus, nor the occurrence of any event which makes any of the representation, warranty, covenant, undertaking or obligation of the Company contained in Clause 4 and in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement which in the opinion (which opinion is final and binding) of the Managing Underwriter is untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 4;
- (c) issuance of the Prospectus within Three (3) months from the date of the Agreement;
- (d) the delivery to the Managing Underwriter prior to the date of the registration of the Prospectus with the SC of: -
  - (i) a certified true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue, authorising the execution of this Agreement and the issuance of the Prospectus; and
  - (ii) a certificate in the form or substantially in the form contained in Schedule 3 dated the day of the Prospectus signed by duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 4 hereof;

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## 2. DETAILS OF THE IPO (Cont'd)

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- (e) the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations from the board of directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that would or may have an adversely effect on the performance or financial position of the Company;
- (f) the Managing Underwriter having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 18 hereof;
- (g) the Public Issue and Offer for Sale with the Prospectus are not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia (including MSEB);
- (h) the Managing Underwriter having been satisfied that the Company has complied and that the Public Issue and Offer for Sale is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;
- (i) the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the SC Act 1993 in relation to the Public Issue and the Offer for Sale and the lodgement of the Prospectus with the ROC on or before their release to public under the Public Issue and Offer for Sale.
- (j) SC having approved the Prospectus and agreed in principle on or prior to the Closing Date of the listing of and quotation of all the issued/paid up share capital of the Company on the Second Board of MSEB (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters) and the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) clear Market Days after the Underwritten Shares have been issued and despatched to entitled holders and the Prospectus being in form and substance satisfactory to the Underwriters; and
- (k) there not having been on or prior to the Closing Date, any adverse change or any development reasonable likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company as defined by Section 5 of the Act, from that set forth in the Prospectus which is material in the context of the issue of the Underwritten Shares nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representations, warranties and undertakings contained in Clause 4 hereof as though they had been given or made on such date.

### Clause 3.2

If any of the conditions set out in Clause 3.1 is not satisfied on or before the Closing Date, the Underwriters shall thereupon be entitled to terminate this Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 18 incurred prior to or in connection with such termination, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches, and the parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT any of the Underwriters may at its discretion with respect only to its own obligations waive compliance with any of the provisions of Clause 3.1.

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## 2. DETAILS OF THE IPO (Cont'd)

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### Representations, Warranties and Undertakings of the Company

#### Clause 4.1

As a condition of the agreement by the Underwriters to underwrite the Underwritten Shares and in consideration thereof, the Company hereby represents, warrants and undertakes to the Underwriters that:-

- (a) the Directors have made all reasonable enquiries to ensure all facts material for the Prospectus have been disclosed, and have verified the completeness and accuracy of all such information and to the best of their knowledge and belief, no material fact has been omitted therefrom.
- (b) the Prospectus:-
  - (i) will comply in all material respects with the Act, the SC Act and/or any other applicable law and any rules, regulations and guidelines thereunder and shall be in form and substance satisfactory and acceptable to the SC, MSEB and all other relevant authorities;
  - (ii) will contain all information which is material in the context of the Public Issue and Offer for Sale and such information as contained therein will be true, complete, and accurate in all material respects; and
  - (iii) will not omit to state or disclose any material fact or information required or necessary to be stated therein with regard to the Public Issue and all statements of fact and information so made and/or disclosed, in the light of the circumstances under which they are made or disclosed, are true and accurate and not misleading in any respect;
- (c) the Public Issue and the Offer for Sale and compliance by the Company with the terms of this Agreement:-
  - (i) do not and will not conflict with, or result in a breach of any of the terms or provisions of the Memorandum and Articles of Association of the Company or any of the Pelangi Publishing Group or any existing law, regulation or listing requirements applicable to or affecting the Company or any of the Pelangi Publishing Group or the Issue; and
  - (ii) do not and will not infringe the terms of, or constitute a default under, any judgment, order, licence, permit, approval, consent, trust deed, agreement or other instrument or obligation to which the Company or any of the Pelangi Publishing Group is a party or by which the Company or any of the Pelangi Publishing Group or any part of the undertakings, assets, properties or revenues of the Company or any of the Pelangi Publishing Group is bound or affected;
- (d) save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Underwriters prior to the date hereof:-
  - (i) there is no litigation, arbitration, administrative or winding-up proceedings (including investigations or inquiries by MSEB and the SC), criminal charge or investigation current or pending, or to the knowledge of the Company (after due and careful enquiry), threatened against the Company or any of the Pelangi Publishing Group, the effect of which would materially and adversely affect the financial condition of the Company or the Pelangi Publishing Group; and after making due and careful enquiries, the Company is not aware of any facts or circumstances likely to give rise thereto; and

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## 2. DETAILS OF THE IPO (Cont'd)

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- (ii) neither the Company nor any of the Pelangi Publishing Group is in default or in breach of any agreement to which it is bound, or of the terms of any licence, permit, approval, directive, legislation or regulation of any relevant authority (including MSEB and the SC) applicable to or affecting it, the effect of which would materially and adversely affect the financial condition of the Company or the Pelangi Publishing Group as a whole;
- (e) no circumstances or situations have arisen and/or are existing, which will or are likely to materially and adversely affect the financial condition or business of the Company or the Pelangi Publishing Group as a whole, or the success of the Public Issue and the Offer for Sale;
- (f) the Company and the Pelangi Publishing Group will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standards and practices;
- (g) save as disclosed in the Prospectus and the documents (if any) attached thereto and as has been disclosed in writing to the Underwriters prior to the date hereof, neither the Company nor any of the Pelangi Publishing Group has entered into any contract and/or commitment of an unusual or onerous nature, which, in the context of the Public Issue and Offer for Sale, might be material for disclosure;
- (h) all necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities required for or in connection with the execution of this Agreement and the issue of the Public Issue Shares and any other matters contemplated hereby:-
  - (i) have been or will be unconditionally obtained by the due date therefor; or
  - (ii) if granted subject to conditions, such conditions will be fulfilled to the satisfaction of the Underwriters by the due date therefor;
  - (iii) and are or will remain in full force and effect;
- (i) all information furnished or supplied or to be furnished or supplied to the Underwriters for the purpose of or in connection with the Public Issue and the Offer for Sale is true, complete and accurate in all respects and nothing has been furnished or supplied or omitted from such information which would or may make any of the information untrue, incomplete, inaccurate or misleading, or which would or may reasonably be expected to affect the willingness of the Underwriters to underwrite the Underwritten Shares;
- (j) every statement of forecast, opinion, intention and expectation (including the profit forecast) made in the Prospectus and the documents (if any) attached thereto are truly, fairly, reasonably, and honestly held by the Directors of the Company and have been or will be made after due and careful enquiries and consideration and represent or will represent reasonable expectations based on facts known to the Company as at the date of such disclosure, and to the extent it is based on assumptions those assumptions are reasonable;

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**2. DETAILS OF THE IPO (Cont'd)**

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- (k) the Public Issue or as the case may be, the execution and delivery by the Company, of the Prospectus and this Agreement and the performance of the obligations to be assumed thereunder and hereunder by the Company have been duly authorised by all necessary corporate action of the Company, including but not limited to the approval of the shareholders of the Company in a general meeting (if and to the extent it is required) and upon due execution of this Agreement, the obligations assumed hereunder will constitute the legally valid, binding and enforceable obligations of the Company in accordance with their terms;
- (l) the Company and each of the companies in the Pelangi Publishing Group is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the Company or any of the Pelangi Publishing Group or of any of their respective assets or undertakings;
- (m) the Accounts have been prepared in accordance with the law and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and the Pelangi Publishing Group and the Company and the Pelangi Publishing Group have made adequate provisions for appropriate disclosures of all known material liabilities whether actual or contingent, of the Company and the Pelangi Publishing Group as at such dates and have complied in all respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since the Account Date there has been no material adverse change in the financial position or otherwise of the Company or the Pelangi Publishing Group, save as may be disclosed in the Prospectus and the documents (if any) attached thereto, or prior to the Closing Date, in any public announcement or publicly available document or as has been disclosed to the Underwriters prior to the date of this Agreement;
- (n) other than indebtedness contested in good faith by the Company or any of the Pelangi Publishing Group as disclosed in the Prospectus and the documents (if any) attached thereto and to the best of the knowledge and belief of the Company, no outstanding indebtedness of the Company or any of the Pelangi Publishing Group has become or is likely to become payable by reason of default by the Company or any such subsidiary and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time, or the fulfillment of any condition, or the giving of any notice, may result in any such indebtedness becoming so payable;
- (o) all taxes (whether income tax, property tax or otherwise) of the Company and the Pelangi Publishing Group, in particular but not limited to, all taxes which are material in the context of the Public Issue and the Offer for Sale, for which the Company and/or the Pelangi Publishing Group is liable or which ought to have been paid, have been duly paid or adequately provided for in the Accounts; all the returns, notices or information which are required to be made or given by the Company or the Pelangi Publishing Group for taxation, have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities and there are no present circumstances (of which the Company is or ought reasonably to be aware) which are likely to give rise to any such dispute;

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**2. DETAILS OF THE IPO (Cont'd)**


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- (p) the records, statutory books and books of accounts of the Company and the Pelangi Publishing Group are duly entered and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and records and documents (including documents of title) are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the CCM or the Registrar of Companies (as the case may be) or other relevant authorities have been duly and correctly delivered or made;
- (q) all the assets of the Company and the Pelangi Publishing Group which are of an insurable nature have at all material times been and are at the date hereof, adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party; and
- (r) there will be no variation between the Prospectus in the form attached hereto and the Prospectus in the form registered by the SC without the prior written consent of the Underwriters.

**Clause 4.2**

The Company irrevocably and unconditionally, covenants and undertakes with the Underwriters to do the following:-

- (a) to pay all and any stamp and other documentary taxes or duties, payable on, or in connection with, the creation, issue and distribution of the Public Issue Shares and the Offer Shares and the execution of this Agreement including any interest and penalties resulting from delay or omission on the part of the Company;
- (b) to apply for and obtain the approval-in-principle of the MSEB for admission of the Company to the Official List of MSEB and for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of MSEB before the Closing Date and to comply with all requirements and provisions of the Companies Act 1965, the Securities Commission Act 1993, the Listing Requirements of the MSEB, the SC Policies and Guidelines and all other applicable laws, rules and regulations and the requirements of all other relevant authorities;
- (c) to comply with all the conditions, if any, imposed by the SC and MSEB and any other relevant authority for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of MSEB;
- (d) to promptly and without any delay whatsoever notify the Managing Underwriter who shall thereafter inform the other Underwriters of any breach of any of the representations, warranties or agreements or of any facts, information, situations or circumstances which the Company in its reasonable opinion believes may materially and adversely affect the business of the Company and/or the Pelangi Publishing Group as a whole, or the success of the Public Issue and the Offer for Sale and without prejudice to the generality of the foregoing, to take such steps as may be reasonably requested by the Managing Underwriter and/or the Underwriters (as the case may be) to remedy and/or publicise the same, at any time prior to the Closing Date;

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## 2. DETAILS OF THE IPO (Cont'd)

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- (e) to give to the Underwriters any or all information which the Underwriters may require in respect of the accounts or affairs of the Company or the Pelangi Publishing Group or in connection with the Public Issue and the Offer for Sale or the other proposals contained in the Prospectus and the documents (if any) attached thereto;
- (f) to fix the Closing Date together with the Managing Underwriter;
- (g) to do all other things and sign or execute such other documents as may reasonably be required by the Managing Underwriter and/or the Underwriters (as the case may be);
- (h) not to take any action to distribute the Prospectus or any relevant forms for the Public Issue and the Offer for Sale or other material in any country or jurisdiction unless permitted by laws of the country or jurisdiction;

### Clause 4.3

The commitment of the Underwriters to underwrite the Underwritten Shares is being made on the basis of the representations, warranties and undertakings of the Company in this Clause 4 and with the intention that such representations, warranties and undertakings shall remain true and accurate in all respects up to and including the Closing Date, and in consideration of such commitment to underwrite, the Company irrevocably and unconditionally undertakes with the Underwriters that it shall:-

- (a) hold and keep the Underwriters fully and effectively indemnified and shall save them harmless against any and all damages, losses, liabilities, costs, claims, charges, proceedings, expenses, actions or demands (including but not limited to all costs, charges and expenses, and legal fees, paid or incurred in disputing or defending any such claim or action) which the Underwriters may incur or suffer or which may be brought against the Underwriters as a result of any misrepresentation by the Company or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to deposit the Underwritten Shares allotted to the Underwriters or its nominees pursuant to Clause 15 into the Securities Accounts of the Underwriters (unless the Underwriters shall have been advised in writing of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to Clause 4.3(b) below and the Underwriters shall have elected not to terminate this Agreement notwithstanding such advice) or any failure by the Company to perform its obligations herein which entitles the Underwriters to terminate this Agreement pursuant to the provisions of Clause 15;
- (b) forthwith notify the Managing Underwriter who shall thereafter inform the other Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect any of its representations, warranties or undertakings at any time prior to the Closing Date, which shall come to its notice or of which it becomes aware or which shall occur at any time prior to the Closing Date, but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;
- (c) not publish any amendment or supplement to the Prospectus which the Underwriters have not previously been notified in writing of or to which the Underwriters or their legal advisers shall reasonably object but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;

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## 2. DETAILS OF THE IPO (Cont'd)

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- (d) to notify in writing and discuss with the Underwriters any announcement proposed to be made to the public which would conflict in any material respect with any statement in the Prospectus but the giving of any such notice and any such discussion shall not affect or prejudice any of the rights of the Underwriters hereunder; and
- (e) to the extent permitted by law, not make public any information which will or is likely to affect the market price of the Public Issue Shares and Offer Share without prior written notice to and the prior written consent of the Underwriters unless required to do so by law.

### **Clause 4.4**

If any action, proceeding, claim or demand shall be brought or asserted against the Underwriters in respect of which indemnity is sought from the Company, then the Underwriters and/or the Managing Underwriter (as the case may be) shall notify the Company in writing thereof, and the Company shall to the extent required by the Underwriters and permitted by law assume the defence thereof on behalf of and/or in the name of the Underwriters, including the employment of legal advisers selected by the Managing Underwriters and/or the Underwriters (as the case may be), and the Company shall bear all fees and expenses in relation thereto or arising therefrom. The Managing Underwriter and/or the Underwriters (as the case may be) shall have the right to select separate legal advisers to assume such legal defence and otherwise to participate in the defence of such action, proceeding, claim or demand on behalf of the other Underwriters, and the Company shall bear all fees and expenses of such separate legal advisers in relation thereto and arising therefrom.

### **Clause 4.5**

At any time prior to the Closing Date, the Company shall at the request of the Managing Underwriter and/or the Underwriters furnish or deliver to the Managing Underwriter and/or the Underwriters (as the case may be) all information and documents which the Underwriters may reasonably request for, for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained herein.

### **Clause 4.6**

The representations, warranties and undertakings set out in this Agreement shall survive the execution of this Agreement and shall be deemed to be repeated on each day up to the date of delivery of the notice of allotment in respect of the Underwritten Shares subscribed for by the Underwriters as if made on each such day with reference to the facts and circumstances existing on each such day and the rights and remedies conferred upon the Underwriters by the aforesaid representations, warranties, agreements and indemnities shall continue in full force and effect notwithstanding completion of the subscription and issue of the Issue Shares or any investigation by or on behalf of the Underwriters.

## **Termination**

### **Clause 15.1**

Notwithstanding anything herein contained, the Managing Underwriter and/or the Underwriter (as the case may be) may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:-



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**2. DETAILS OF THE IPO (Cont'd)**

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- (a) any of the conditions precedent set out in Clause 3.1 is not fulfilled or complied to the satisfaction of the Managing Underwriter or the Underwriters on or before the Closing Date PROVIDED THAT any of the Underwriters may at its discretion with respect only to its own obligation waive compliance with any of the provisions of Clause 3.1; or
- (b) in the opinion of the Underwriters, there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 4 or breach of any of the terms and conditions of this Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or
- (c) there is failure on the part of the Company to perform any of its obligations herein contained; or
- (d) there is withholding of information of a material nature from the Underwriters, which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company or the Pelangi Publishing Group, the success of the Public Issue and Offer for Sale, or the distribution or sale of the Public Issue Shares or the Offer Shares; or
- (e) there shall have occurred, or happened or come into effect any material and adverse change to the business or financial condition of the Company or Pelangi Publishing Group; or
- (f) in the opinion of the Underwriters, there shall have occurred, happened or come into effect any of the following circumstances:-
  - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic, political conditions or in market condition (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-Bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or exchange control regulation or legislation or currency exchange rates, occurrence as a result of an act or acts of God, or in the event of national disorder, outbreak of war or the declaration of a state of national emergency as would in its reasonable opinion prejudice materially the success of the issuance of the Issue Shares and the offering of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or the occurrence of any combination of any of the foregoing; or
  - (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents) which or is likely to have the effect of making any material part of this Agreement in capable of performance with its terms pursuant to the underwriting hereof;
  - (iii) any event or series of events beyond the reasonable control of the Underwriters by reason of *force majeure* (including without limitation, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

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## 2. DETAILS OF THE IPO (Cont'd)

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- (iv) any Government requisition or other occurrences of a similar nature whatsoever which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospect of the Company or the success of the Public Issue and Offer for Sale;

which would or can reasonably be expected to have a material adverse effect on, and/or materially prejudice the business of the operations of the Company or the Pelangi Publishing Group, the success of the Public Issue and the Offer for Sale, or the distribution or sale of the Public Issue Shares or Offer Shares or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

### Clause 15.2

The Underwriters acting through the Managing Underwriter shall further have the right to terminate this Agreement if the Company fails to cause the Prospectus to be issued within three (3) months from the date of this Agreement or in the event that the application made by the Company to MSEB for the listing of and quotation for the entire issued and paid-up share capital of the Company inclusive of the Underwritten Shares on the Second Board of MSEB shall not have been approved or shall have been rejected as the case may be.

### Clause 15.3

In the event that a supplemental prospectus is issued with the SC's approval subsequent to the issue of the Prospectus, the Underwriters may at any time before the allotment of the Public Issue Shares and the transfer of the Offer Shares, terminate its obligations under this Agreement if in the reasonable opinion of the Underwriters, there shall have been events which have occurred detailed in Clause 15.1 above.

### Clause 15.4

Upon such notice(s) being given under Clause 15.1, the Underwriters shall be released and discharged of their obligations without prejudice to their rights whereby this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 4 and under Clause 18 for the payment of the costs and expenses already incurred prior to or in connection with such termination and for loss and damages arising from termination due to any antecedent breach.

### Clause 15.5

The Underwriters and the Company may confer with a view to deferring the Public Issue and the Offer for Sale or amending its terms or the terms of this Agreement and enter into a new underwriting agreement accordingly, but neither the Underwriters nor the Company shall be under any obligation to make a fresh agreement.

## 2. DETAILS OF THE IPO (Cont'd)

### 2.9 Moratorium on Shares

In conjunction with the Listing, six (6) substantial shareholders/Promoters of Pelangi Publishing namely Sum Kown Cheek, Lai Swee Chiung, Yap Chong Koy, Fang Mei Sin, Lai Chin Heng and Lee Kheng Hon have agreed to a moratorium on the disposal of their shares.

Accordingly, Sum Kown Cheek, Lai Swee Chiung, Yap Chong Koy, Fang Mei Sin, Lai Chin Heng and Lee Kheng Hon will not be allowed to sell, transfer or assign their shares in Pelangi Publishing amounting to 36,000,000 ordinary shares of RM0.50 each representing 45% of the total issued and paid-up share capital which are under moratorium for one (1) year from the date of admission of Pelangi Publishing on the Official List of Second Board of MSEC. Thereafter, the Shares are not subject to any moratorium requirement.

The shareholdings of Sum Kown Cheek, Lai Swee Chiung, Yap Chong Koy, Fang Mei Sin, Lai Chin Heng and Lee Kheng Hon after the Public Issue and Offer for Sale, which are under moratorium are set out below:-

	Shareholding after Public Issue and Offer for Sale <sup>^</sup>  (shares)	% of the enlarged issued and paid-up share capital (%)	No. of ordinary shares under moratorium  (shares)	% of the enlarged issued and paid-up share capital (%)
Sum Kown Cheek	14,463,410	18.08	12,699,572	15.87
Lai Swee Chiung	2,749,972	3.44	2,414,607	3.02
Yap Chong Koy	4,469,957	5.59	3,924,838	4.91
Fang Mei Sin	12,723,425	15.91	11,171,781	13.96
Lai Chin Heng	3,498,290	4.37	3,071,667	3.84
Lee Kheng Hon	3,094,972	3.87	2,717,535	3.40
<b>Total</b>	<b>41,000,026</b>	<b>51.26</b>	<b>36,000,000</b>	<b>45.00</b>

<sup>^</sup> Assuming the directors fully subscribe for their full allocations under the pink forms allocations

The restriction, which is fully accepted by Sum Kown Cheek, Lai Swee Chiung, Yap Chong Koy, Fang Mei Sin, Lai Chin Heng and Lee Kheng Hon are endorsed specifically on the share certificate representing their shareholdings that are under moratorium to ensure that Pelangi Publishing's registrars do not register any transfer not in compliance with the restriction imposed by the SC.

The remarks to be endorsed on the share certificate of the shares placed under moratorium are as follows:-

*"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission (the "Moratorium Period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate will be issued to replace this certificate during the Moratorium Period unless the same share be endorsed with this restriction."*

## 2. DETAILS OF THE IPO (Cont'd)

### 2.10 Approvals from Authorities

The Acquisitions, Rights Issue, Public Issue, Offer for Sale and the Listing were approved by the following authorities as follows:-

Authorities	Date
SC & FIC	29 September 2003
MITI	30 April 2003 & 3 March 2004

The SC has vide their letter dated 18 March 2004 approved the extension of time for Pelangi Publishing to fully complete and implement the IPO by 28 May 2004.

Authority	Conditions Imposed	Status of Compliance
<b>SC</b>		
(i)	The SC approval must be obtained for any changes to the original utilisation of the proceeds if the changes involve any utilisation other than for the core business of Pelangi Publishing;	To be complied
(ii)	Approval of Pelangi Publishing shareholders must be obtained for any changes of 25% or more from the original utilisation of proceeds. If changes are less than 25%, an appropriate disclosure need to be made to the shareholders of Pelangi Publishing;	To be complied
(iii)	Any extension of time for the completion of the utilisation of proceeds from that determined earlier by Pelangi Publishing must be approved by a final resolution by the Board of Directors of Pelangi Publishing and full disclosure must be made to MSEB; and	To be complied
(iv)	Appropriate disclosure on the status of utilisation of proceeds must be made in the quarterly reports and annual reports of Pelangi Publishing until the proceeds have been fully utilised.	To be complied
(v)	Pelangi Publishing to ensure detailed disclosure is made on the following in its listing prospectus:  A risk management plan and steps to mitigate the major risks of the Company, amongst others, including:-	Complied, as detailed in the overall Section 3 of this Prospectus
	i) scarcity of personnel in the local publishing industry;	Complied, as detailed in the Section 3 (j),
	ii) intellectual property rights;	Complied, as detailed in the Section 3 (r) of this Prospectus
	iii) dependency on contracts from the MOE	Complied, as detailed in the Section 3 (t) of this Prospectus
	iv) changes in the medium of publication; and	Complied, as detailed in the Section 3 (t) of this Prospectus
	v) status of registered trademark	Complied, as detailed in the Section 3 (t) of this Prospectus
	and any other risk factors which can affect the business and financial position of Pelang Publishing Group.	

## 2. DETAILS OF THE IPO (Cont'd)

Conditions Imposed	Status of Compliance
(vi) Details pertaining to existing material litigation relating to Pelangi Publishing Group, including opinions from the directors and lawyers and the updated status of the litigation.	Complied, as detailed in Section 1.9 and Section 13.8 of this Prospectus.
(vii) All business transactions between Pelangi Publishing Group and the Directors/Substantial Shareholders or parties related to the Directors/Substantial Shareholders which will cause conflicts of interest and steps taken to address such conflict.	Complied, as detailed in Section 6.2 of this Prospectus
(viii) All interests and involvement of Directors/Substantial Shareholders in companies that are related or in similar business which may compete or likely to compete with the business of Pelangi Publishing Group, whether those interests and involvement cause any potential conflicts of interest and steps taken to address such conflict.	Complied, as detailed in Section 6.5
(ix) Full disclosures are required to be made in the listing prospectus of Pelangi Publishing on the following matters:-	
(a) List of trade debtors balance, the ageing analysis of the said debts, including debts that exceed the credit period and comments by the Directors on the recoverability of overdue debts, if any.	Complied. Please refer to Section 8.5 of this Prospectus for further details.
(b) Full provision is to be made for those debts which has exceeded the credit period and involved a disputed amount; and  Legal action has commenced or are being instituted for those trade debt; and  Trade debt that has been outstanding for more than 6 months.	The Directors of Pelangi Publishing via their letter dated 10 February 2004, provided a written confirmation to the SC that all trade debts exceeding the credit period are recoverable and full provision has been made for overdue debts with issues or disputes or are subject to legal actions, or are overdue for more than six months in its audited financial period ended 30 September 2003.
(c) the Directors of Pelangi Publishing must furnish written confirmation to the SC for compliance of the trade debts as stated before the issuance of the listing prospectus	
(x) Any business transactions between the Group and the parties of which the Directors/Substantial Shareholders of Pelangi Publishing are related or interested in are to be conducted on arm's length basis, not on terms which are prejudicial to Pelangi Publishing. In this respect, the Audit Committee of Pelangi Publishing is required to monitor the terms of these transactions, and the Directors of Pelangi Publishing are required to report related party transactions, if any, in the annual report of Pelangi Publishing each year.	Noted and will be complied. Pelangi Publishing will ensure that the future transactions, if any, between the Group and the parties of which the Directors / Substantial Shareholders are related or interested in, are based on commercial terms and not on conditions that are disadvantages to Pelangi Publishing. In addition, the Audit Committee will monitor and report such transactions, if any, in the annual report of Pelangi Publishing.
(xi) The Directors and Substantial Shareholders of Pelangi Publishing are not allowed to be involved in similar businesses either directly or indirectly which may result in conflicts of interest with the existing businesses of Pelangi Publishing in the future.	The Directors and Substantial Shareholders of Pelangi Publishing have taken note of this condition. Please refer to Section 6.5 of this Prospectus for further details of related party transactions.
(xii) The Directors and Substantial Shareholders who are involved in the operation of the Pelangi Publishing Group on a full time basis are not permitted to involve themselves in their own private businesses on a full time basis.	The Directors and Substantial Shareholders of Pelangi Publishing have taken note of this condition and will ensure compliance.

## 2. DETAILS OF THE IPO (Cont'd)

Conditions Imposed		Status of Compliance
(xiii)	To submit in detail and to obtain SC's approval before making any special dividend to the existing shareholders.	SC has vide its letter dated 16 December 2003 approved the declaration of special dividend.
(xiv)	AmMerchant Bank/Pelanggi Publishing must ensure that at least 6,000,000 of ordinary shares of RM0.50 each are to be allocated to retail investors through balloting process	Complied.
(xv)	A Moratorium shall be imposed on the disposal of shares by the Substantial Shareholders/Promoters of Pelangi Publishing where they are not allowed to sell, transfer or assign their shareholdings amounting to 36,000,000 ordinary shares of RM0.50 each in Pelangi Publishing representing 45% of the enlarged issued and paid-up share capital of Pelangi Publishing. The Substantial shareholders/Promoters are not allowed to sell, transfer or assign their moratorium shares for a period of at least one (1) year from the date of listing of Pelangi Publishing on MSEB.	To be complied. The moratorium restriction shall be specifically endorsed on the share certificates for Shares under moratorium to ensure Pelangi Publishing complies with the requirement.
(xvi)	AmMerchant Bank is required to submit a final copy of ESOS Bye-Laws to the SC and to furnish a confirmation letter stating that:- (a) all SC's approval conditions have been complied with and an ESOS bye-laws do not contravene the SC Guidelines on ESOS; and (b) the ESOS have been approved by all parties involved and complied with the conditions imposed.	To be complied  To be complied
(xvii)	AmMerchant Bank/Pelanggi Publishing has to fully comply with all other requirements in connection to the listing of companies as provided for under the SC Guidelines on Issue and Offer of Securities including Chapter 25, which comes into effect upon the implementation of the Proposal.	To be complied.
(xviii)	AmMerchant Bank and Pelangi Publishing are required to give a written confirmation on the compliance of all the SC terms and conditions as mentioned in the paragraphs above when the listing exercise has been fully implemented.	To be complied.

The SC has acknowledged Pelangi Publishing's equity holding of bumiputera, non-bumiputera and foreigners as a result of the IPO:

	Before (%)	After (%)
Bumiputera	-	30.0
Non-Bumiputera	100.0	70.0
Foreigners	-	-
<b>Total</b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

Authority	Conditions Imposed	Status of Compliance
<b>MITI</b>		
(i)	The allocation of 24,000,000 Offer Shares reserved for Bumiputera investors are subject to the MITI approval and the allocation will be done subsequent to the SC and FIC approval on the application on the listing of Pelangi Publishing on the Second Board of MSEB.	To be complied upon listing of Pelangi Publishing

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**3. RISK FACTORS**

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Applicants of the IPO Shares should carefully consider, in addition to the other information contained herein, the following risk factors (which may not be exhaustive) before applying for the IPO Shares: -

**a. Business Risks**

The Group is subject to certain risks inherent in the publication industry. These risks include but are not limited to the entry of new players, the introduction of new technology and products, changes in law and tax affecting the industries, labour and raw material shortages, increases in the costs of labour and raw materials, changes in business and credit conditions and fluctuations in foreign exchange rates and interest rates. While it is commercially acceptable to pass on cost increases to the Group's customers, it should be borne in mind that this may not always be possible.

The Group has taken steps to mitigate some of the business risks by sourcing from a number of suppliers and in-house sourcing, providing better incentives and benefits to motivate and retain staff, expansion of overseas markets, increase in product range and customer base, tightening of credit control and focusing on research and development for product innovation and creativity. However, no assurance can be given that such measures will completely eliminate the Group's business risks.

**b. No Prior Market for Pelangi Publishing Shares**

Prior to the Public Issue and Offer for Sale, there has been no public market for Pelangi Publishing's Shares. There can be no assurance that an active market for Pelangi Publishing Shares will develop upon its listing on the Second Board of MASEB or, if developed, that such a market will be sustained. The issue/offer price of RM0.75 per Share for the Public Issue and Offer for Sale has been determined after taking into consideration a number of factors, including but not limited to, Pelangi Publishing's financial and operating history and condition, its prospects and the prospects for the industry in which it operates, the management of the Group, the market prices for shares of companies engaged in businesses similar to that of the Group and the prevailing market conditions. There can be no assurance that the issue/offer price will correspond to the price at which the shares will trade on the Second Board of MASEB upon or subsequent to its listing or that an active market for Pelangi Publishing's Shares will develop and continue upon or subsequent to its listing. The price at which Pelangi Publishing shares will trade on the Second Board of MASEB after the IPO may be influenced by a number of factors, including the depth and liquidity of the market for Pelangi Publishing's Shares and investors' perception of Pelangi Publishing.

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

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**c. Political, Economic and Regulatory Considerations**

Adverse developments in political and economic conditions where Pelangi Publishing operates could have unfavourable effect on the financial and business prospects of the Group. A discussion of the industry overview of Pelangi Publishing's business is set out in Section 4.5 herein. Other political and economic uncertainties would include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation and currency exchange controls. Whilst Pelangi Publishing will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that the adverse political, economic and regulatory conditions will not materially affect the Group.

**d. Dependency on Key Management**

The Directors believe that Pelangi Publishing's continued success will depend significantly on the abilities and continued efforts of its existing Directors and senior management. The loss of key members of the senior management may adversely affect Pelangi Publishing's ability to compete in the industry. Nevertheless, Pelangi Publishing's operation has not been affected significantly by any loss of key management in the past.

Sum Kown Cheek, the Executive Chairman and Managing Director cum Promoter has considerable experience in the publishing industry with over ten (10) years of industry exposure and he is supported by a team of experienced senior management with majority having more than five (5) years of experience within the publishing industry.

Pelangi Publishing management team has expanded and strengthened over the years. The Board of Directors of Pelangi Publishing believes in the capabilities of its employees and does not foresee any difficulties in the newer members of the management team to eventually take over from their seniors in the future.

Also, it is a practice for Pelangi Publishing to groom the newer members in the senior management to gradually take-over from the senior members to ensure smooth transition in the management team. Hence, Pelangi Publishing's future success will also depend upon amongst others its ability to attract new and retain existing skilled personnel.

**e. Competition**

Notwithstanding that the industry structure is quite fragmented, the number of big players are only a handful and are mainly involved in the academic and general publications. Many of these publishers subcontract part of the production process as they do not have their own integrated set-up.



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

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The Group has carved a market niche within the industry as it has a complete integrated set up of a publishing company covering the entire publishing process from editing to printing. The benefits of its integrated set-up are consistency of its high product quality, improved efficiency and better cost control. Besides being an integrated publisher, the Group believes that it is currently the only local publisher capable of producing a diverse range of products from children's books to multimedia and Internet related products in various languages. The Group is also supported by a large pool of experienced writers who have been with the Group for more than ten (10) years, led by experienced senior management.

No assurance is given that Pelangi Publishing will be able to maintain its existing market share in the future. However, the Directors believe that Pelangi Publishing will be able to maintain its position due to the reasons mentioned above.

**f. Profit Forecast**

This Prospectus contains the profit forecast of Pelangi Publishing for the financial year ending 30 September 2004 that is based on certain assumptions made by the Directors of Pelangi Publishing, but which nevertheless are subject to uncertainties and contingencies. Due to the inherent uncertainties of the profit forecast, and because events and circumstances may not occur as expected and projected, there can be no assurance that the forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecasts that are contained herein.

**g. Barriers of Entry**

The barriers of entry for the publishing industry are low which explains the large number of players currently in the market. Another factor is that almost every part of the production process can be outsourced.

However, the publishing industry is a knowledge driven industry. The ability to attract, establish and maintain a large pool of experienced writers and illustrators as well as the entrenched R & D team and marketing networks are imperative to the operation of well established publishing houses. These factors represent barriers of entry to new entrants for the non-integrated players.

Given its established operating history, the Group has successfully built up a cohesive team of experienced personnel, R & D team and extensive marketing networks, thus placing the Group in good stead to become the leading publishing house in the country.

**h. Fluctuation of Raw Material Prices**

As a publisher, the Group is exposed to fluctuation in paper prices. Paper costs constitutes about 33% of the Group's cost of sales for the financial year ended 30 September 2003. Any increase in paper prices would therefore affect the Group's operating margins. Conversely, any fall in paper prices would benefit the Group. In any case, the problem is universal and will affect all publishers, though in varying degrees depending on their own internal cost structure.

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

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However, to minimize the impact of paper cost fluctuation, the Group purchases its own paper roll in bulk ahead of its anticipated production orders through its longstanding paper suppliers to meet its internal consumption while outsourcing part of its printing requirements to its local printers. This will ensure a stable paper pricing control as the Group only incurs labour charge for the printing process provided by its printers.

**i. Fluctuation in Exchange Rates**

The Group is subject to limited foreign exchange fluctuation risks as approximately 80% of its papers are sourced from local producers. All transactions with overseas suppliers are currently transacted in US Dollars which is currently being pegged to the Ringgit Malaysia at 1USD = RM3.80. As a result, Pelangi Publishing is not materially affected by the fluctuation in exchange rates. However, no assurance can be given that the currency peg will not be lifted or revised in the future.

**j. Scarcity of Qualified Personnel**

Whilst the publishing industry is still growing, the number of experienced and qualified publishing personnel may not be easily available. Hence, this could pose an inhibiting factor to any publisher's growth and could cause employee wages to increase significantly if it were to rely solely on the limited supply of appropriate personnel locally.

Nevertheless, the Group already has a large pool of such local qualified personnel due to the prestige and recognition associated with writing books for the Group due to its long operating history. Being associated with the Group, the Group will also help their pool of writers to launch, advertise and promote their new books. It also seeks to limit this risk by constantly sending its staff for continuous in-house training and external seminars to enhance their knowledge and skill.

Through its active participation in various international book fairs, it has successfully engaged foreign writers and illustrators to counter the tight supply for such personnel locally. With the expected new publishing house in Bangi due to commence operation in second quarter of year 2004, the Group will be able to tap into experienced publishing personnel in the vicinity of the Klang Valley. In addition, the Group believes that the listing status and the ESOS will enhance its ability to attract new talent and retain key staff.

**k. Capital Market Risks**

As an investor of Pelangi Publishing, it is to be noted that Pelangi Publishing will be listed on the Second Board of MSEB. The performance of our local bourse is dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes witnessed on MSEB, thus adding risk to the market price of the listed shares of Pelangi Publishing. Nevertheless, it shall be noted that the profitability of Pelangi Publishing is not dependent on the performance of MSEB.

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

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**i. Borrowings**

Pelangi Publishing's total short-term and long-term borrowings as at 30 September 2003 amounted to RM3.4 million and RM5.9 million respectively. This translates into a gearing ratio of 0.28 times based on the proforma balance sheet as at 30 September 2003. After the listing of Pelangi Publishing, Pelangi Publishing's total borrowings will be reduced to RM7.2 million. Its gearing ratio will be reduced from 0.28 times to 0.17 times. All the loans of Pelangi Publishing are interest bearing. Generally, any increase in interest rates will increase the burden of Pelangi Publishing with respect to interest payments of the loans depending on the total outstanding loans as at the point in time. However, the financial impact on Pelangi Publishing is expected to be minimal due to its low gearing. Therefore, the financial performance of Pelangi Publishing would not be significantly affected by any adverse changes in the interest rates.

**m. Failure / Delay in Listing Exercise**

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

- (a) The Company or the Underwriters fail to honour their obligations under the underwriting agreement;
- (b) The Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up 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
- (c) Should the Bumiputera investors approved by the MITI fail to subscribe to the portion of the Offer for Sale.

**n. Adequacy of insurance coverage on the Group's assets**

As at 30 September 2003, the net book value of property, plant and equipment (excluding land cost) was RM16.5 million and the value of stocks was RM8.1 million which are presently covered by fire insurance amounting to RM20.0 million and RM8.7 million respectively. Although the Group has taken the necessary measures to ensure that all its assets are covered by fire insurance, there can be no assurance that the insurance coverage would be adequate to compensate for the replacement cost of the assets or any consequential loss arising there from.

**o. System Disruption**

The Group had not experienced any system disruption to its business for the twelve (12) months prior to the date of this Prospectus. Notwithstanding this, no assurance is given that a system disruption will not materially affect the Group's business. However, the Directors do not foresee any disruption of its operation which could materially affect the Group. To this end, the Group has a regular maintenance schedule for its equipment.

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

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**p. Breakout of Fire, Energy Crisis and Other Emergencies**

As mentioned in part (n) above, the Group has adequately provided fire insurance coverage for all its properties, plants and equipment and stocks. To mitigate the risk of fire breakout, the Group also conducts regular checking and maintenance of all electrical wirings and fittings, trainings on fire prevention and fire fighting as well as maintaining films of books in fire proof safe.

Management on Energy Crisis

The Group has taken measures to ensure there is no disruption in the electricity supply. To mitigate this risk, the Group has installed Uninterrupted Power Supply ("UPS") for every computer in all critical facets of its production schedule to prevent loss of information in the event of power failure. The UPS allows continuous power supply for at least 30 minutes due to the sudden loss of power supply. The Group has also installed standby generators to provide continuous power supply in the event of prolong blackout.

Management on Computer Breakdown

Further, the Group has signed annual service and maintenance contracts with two reputable information technology companies to ensure immediate replacement in the event of breakdown and virus cleaning and data salvaging in the event of computer virus attack. The Group is constantly updating its virus definition on its servers and computers as well as conducting regular backup on all editorial works done onto server hard disk and CDs.

**q. Control of Substantial Shareholders / Promoters**

Following the Public Issue and Offer for Sale, the substantial shareholders/promoters of Pelangi Publishing, namely Sum Kown Cheek, Fang Mei Sin, Lai Swee Chiung, Lai Chin Heng, Lee Kheng Hon and Yap Chong Koy, collectively hold 51.26% of the Company's enlarged issued and paid-up capital. The aforesaid shareholders, if they act together, may be able to influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

**r. Intellectual Property Rights and Factual Error**

At present, the Group owns copyrights to all its academic books and children's books which are published by the Group. These publications are protected under the Copyright Act, 1987.

The risk of intellectual property infringement is largely reduced by way of its longstanding relationship with its pool of local printers and competitively priced books, CD-ROMs and educational materials.

The Group is subject to the risk of publishing factual error which would potentially invite litigation suits. Nonetheless, such risk is contained as the Group's published materials are mainly for educational purpose which undergoes stringent editing process and control.

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

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**s. Forward-Looking Statement**

Certain statements in this Prospectus are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the management of the Group, and although believed to be reasonable, are subject to known and 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 expressed or implied in such forward-looking statements. In the light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded that the plans and objectives of the Group will be achieved.

**t. Other risks that could jeopardize the Group's operation**Absence of Government Contracts

The Group has signed long-term contracts with the MOE for the publishing, printing and supply of school textbooks in accordance with the orders made by the Government under the "Skim Pinjaman Buku Teks". The long-term contract also allows the Group to publish the academic textbooks for sale in the open market, that is, retail bookshops and school distributors and wholesalers. In the financial year ended 30 September 2003, the turnover contribution from academic textbooks accounted for about 18% of the Group's total turnover. Nevertheless, the Group seeks to limit this risk by employing various strategies which includes, inter-alia, broadening its customer base by venturing into overseas markets and increasing its product range via publishing of children books and multimedia related products.

Publication Medium

The Group's publishing and printing operations will be affected if there is a preferred change in publication medium from paper to other forms like electronics publications. Nevertheless, the Group has taken steps to mitigate this risk by investing in multimedia production companies via PMESB and PMSB respectively to publish books in digital forms. These two companies are well equipped to produce the necessary digital/electronics education materials to meet the current requirements. Further, contents in the electronics publications generally originate from the existing paper-backed publications to serve as a supplemental guide and/or interactive learning purposes. Hence, it is unlikely that conventional paper-backed publications will be totally abandoned and replaced completely by publications in digital forms.

Trade Marks

PPSB has applied to the Registry of Trade Marks ("RTA") to register the company's logo as a trademark in 1998. As at 1 March 2004, being the latest practicable date prior to the printing of this Prospectus, the registration of the trademark is pending approval from RTA. Nevertheless, the Company believes that the registration of the trademark will only validate the existing PPSB's logo as a registered trademark while its longstanding brand name of "Pelangi" established over the years ultimately still lies with the publishing track record of the publisher, in this case, PPSB.

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

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**u. Potential Conflict of Interest**

Certain Promoters/Directors/Substantial Shareholders of the Group namely Sum Kown Cheek, Fang Mei Sin, Lai Chin Heng, Yap Chong Koy and Lee Kheng Hon are also the directors and substantial shareholders in other education related companies namely PMSB and PMESB respectively. *(Please refer to the Directors and Substantial Shareholders in Section 6.5 of this Prospectus for full details)* There is therefore potential of conflict of interest situations arising from the Promoters/Directors/Substantial Shareholders' interest in these companies. Conflict of interest situations may arise where these companies may compete with the Group and business decisions are made in favour of these companies leading to negative effects on the performance of the Group.

The Company believes that the service offered by PMSB and PMESB are not in competition with each other as both PMSB and PMESB are merely converting the Group's content publications into multimedia format to serve the needs of various users. In addition, an audit committee comprising a majority of independent directors which is required to be formed under the Listing Requirements of MASEB will, inter-alia, monitor any transactions between the Group and its Promoters/Directors/Substantial Shareholders. The Promoters/Directors/Substantial Shareholders of the Group will also not venture into any new businesses that will lead to conflict of interest situations with the existing publishing businesses carried out by the Group. Also, the Directors, substantial shareholders and promoters have provided an undertaking that all business transactions between the Group and the Directors and substantial shareholders (and their connected persons) and the key management of the Group shall be based on arms length basis.

**v. Restrictive Covenants on Borrowings**

Pursuant to credit facility agreements entered into by the Group with certain banks, it is bound by certain negative covenants which may limit the Group's operating and financial flexibility. The aforesaid covenants are of a nature, which is commonly contained in credit facility agreements in Malaysia. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant bank. Breach of such covenants may give rise to a right by the bank to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Board of Directors is aware of such covenants and shall take all precautions necessary to prevent any such breach.

**w. Seasonality**

The Group's products mainly the schoolbooks are subject to seasonal variations. Demand tends to increase in the third quarter of the year to cope with the increased delivery of textbooks, workbooks and revision books towards the year-end to meet pent-up demand for the opening of new school session in January every year. Nevertheless, the Group has maintained a good balance of customer profile by not limiting to schoolbooks segment but covering other segments including the children books, multimedia products and printing services. Demand from these segments is constantly placed with orders on a monthly basis.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP

##### 4.1 Incorporation

Pelangi Publishing was incorporated in Malaysia under the Companies Act, 1965 on 24 September 2002 as a public company. Pelangi Publishing is a company formed for the purpose of carrying out the restructuring undertaken pursuant to the listing exercise. It is principally an investment holding company, with its subsidiaries principally engaged in the publishing and printing of a wide range of educational books, children's books and multimedia educational products. As at 1 March 2004, the Pelangi Publishing Group has 353 employees.

The details of the subsidiary companies of Pelangi Publishing as at 1 March 2004 are as follows:-

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

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

Details of the subsidiary company of PPSB as at 1 March 2004 are summarized as 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

Details of the subsidiary company of PPHSB as at 1 March 2004 are summarized as 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

#### 4.2 Share Capital and Changes in Share Capital

The present authorised share capital is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each whilst its current issued and paid-up share capital is RM34,000,000 comprising 68,000,000 ordinary shares of RM0.50 each.



#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

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

Date of Allotment/ Splitting	No. of Ordinary Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
24.9.02	2	1.00	Subscribers' shares	2
13.2.03	4	0.50	Share Split	2
8.11.03	64,299,996	0.50	Acquisition of subsidiaries	32,150,000
12.2.04	3,700,000	0.50	Rights Issue	34,000,000

#### 4.3 Restructuring Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of Pelangi Publishing on the Second Board of MSEB, the Company undertook a restructuring scheme involved the following:-

i) Acquisition of PPSB

On, 8 November 2003, Pelangi Publishing acquired the entire issued and paid-up share capital of PPSB comprising 2,500,000 ordinary shares of RM1.00 each ("Shares") from its existing shareholders for a purchase consideration of RM22,403,505 based on its audited NTA value as at 30 September 2002. The purchase consideration of RM22,403,505 was satisfied by the issuance of 42,888,516 Shares in Pelangi Publishing at an issue price of approximately RM0.52 per Share as follows:-

Shareholders	No of shares held in PPSB	Percentage interest %	Purchase Consideration RM	No. of Pelangi Publishing Shares issued
Sum Kown Cheek	816,667	32.67	7,318,517	14,010,289
Fang Mei Sin	722,917	28.92	6,478,394	12,401,979
Lai Chin Heng	194,791	7.79	1,745,585	3,341,704
Lee Kheng Hon	171,875	6.88	1,540,226	2,948,571
Yap Chong Koy	250,000	10.00	2,240,329	4,288,829
Lai Swee Chiung	156,250	6.25	1,400,205	2,680,517
Phang Choon Wah	62,500	2.50	560,083	1,072,209
Sam Yuen @ Sam				
Chin Yan	62,500	2.50	560,083	1,072,209
Ang Ah Ba @ Ang				
Hock Ming	62,500	2.50	560,083	1,072,209
<b>TOTAL</b>	<b>2,500,000</b>	<b>100.0</b>	<b>22,403,505</b>	<b>42,888,516</b>

The Acquisition was completed on 8 November 2003. The shares issued pursuant to the Acquisition of PPSB of 42,888,516 Shares ranks pari passu in all respects with the then existing shares of the Company.

**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**ii) Acquisition of TPSB

On, 8 November 2003, Pelangi Publishing acquired the entire issued and paid-up share capital of TPSB comprising 1,000,000 ordinary shares of RM1.00 each ("Shares") from its existing shareholders for a purchase consideration of RM5,399,365 based on its audited NTA value as at 30 September 2002. The purchase consideration of RM5,399,365 was satisfied by the issuance of 10,336,363 Shares in Pelangi Publishing at an issue price of approximately RM0.52 per Share as follows:-

Shareholders	No of shares held in TPSB	Percentage interest %	Purchase Consideration RM	No. of Pelangi Publishing Shares issued
Sum Kown Cheek	326,667	32.67	1,763,802	3,376,564
Fang Mei Sin	289,167	28.92	1,561,328	2,988,953
Lai Chin Heng	77,916	7.79	420,695	805,365
Lee Kheng Hon	68,750	6.88	371,203	710,618
Yap Chong Koy	100,000	10.00	539,931	1,033,626
Lai Swee Chiung	62,500	6.25	337,457	646,016
Phang Choon Wah	25,000	2.50	134,983	258,407
Sam Yuen @ Sam Chin Yan	25,000	2.50	134,983	258,407
Ang Ah Ba @ Ang Hock Ming	25,000	2.50	134,983	258,407
<b>TOTAL</b>	<b>1,000,000</b>	<b>100.0</b>	<b>5,399,365</b>	<b>10,336,363</b>

The Acquisition was completed on 8 November 2003. The shares issued pursuant to the Acquisition of TPSB of 10,336,363 Shares ranks pari passu in all respects with the then existing shares of the Company.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**iii) Acquisition of SCSB

On, 8 November 2003, Pelangi Publishing acquired the entire issued and paid-up share capital of SCSB comprising 4,003,752 ordinary shares of RM1.00 each ("Shares") from its existing shareholders for a purchase consideration of RM3,693,411 based on its audited NTA value as at 30 September 2002. The purchase consideration of RM3,693,411 was satisfied by the issuance of 7,070,542 Shares in Pelangi Publishing at an issue price of approximately RM0.52 per Share as follows:-

Shareholders	No of shares held in SCSB	Percentage interest %	Purchase Consideration RM	No. of Pelangi Publishing Shares issued
Sum Kown Cheek	1,307,893	32.67	1,206,521	2,309,724
Fang Mei Sin	1,157,752	28.92	1,068,019	2,044,580
Lai Chin Heng	311,958	7.79	287,775	550,906
Lee Kheng Hon	275,258	6.88	253,920	486,095
Yap Chong Koy	400,375	10.00	369,338	707,047
Lai Swee Chiung	250,234	6.25	230,836	441,904
Phang Choon Wah	100,094	2.50	92,334	176,762
Sam Yuen @ Sam Chin Yan	100,094	2.50	92,334	176,762
Ang Ah Ba @ Ang Hock Ming	100,094	2.50	92,334	176,762
<b>TOTAL</b>	<b>4,003,752</b>	<b>100.0</b>	<b>3,693,411</b>	<b>7,070,542</b>

The Acquisition was completed on 8 November 2003. The shares issued pursuant to the Acquisition of SCSB of 7,070,542 Shares ranks pari passu in all respects with the then existing shares of the Company.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**iv) Acquisition of PESB

On, 8 November 2003, Pelangi Publishing acquired the entire issued and paid-up share capital of PESB comprising 300,000 ordinary shares of RM1.00 each ("Shares") from its existing shareholders for a purchase consideration of RM263,995 based on its audited NTA value as at 30 September 2002. The purchase consideration of RM263,995 was satisfied by the issuance of 505,383 Shares in Pelangi Publishing at an issue price of approximately RM0.52 per Share as follows:-

Shareholders	No of shares held in PESB	Percentage interest %	Purchase Consideration RM	No. of Pelangi Publishing Shares issued
Sum Kown Cheek	98,000	32.67	86,239	165,094
Fang Mei Sin	86,750	28.92	76,339	146,141
Lai Chin Heng	23,375	7.79	20,569	39,377
Lee Kheng Hon	20,625	6.88	18,149	34,745
Yap Chong Koy	30,000	10.00	26,399	50,538
Lai Swee Chiung	18,750	6.25	16,500	31,586
Phang Choon Wah	7,500	2.50	6,600	12,634
Sam Yuen @ Sam Chin Yan	7,500	2.50	6,600	12,634
Ang Ah Ba @ Ang Hock Ming	7,500	2.50	6,600	12,634
<b>TOTAL</b>	<b>300,000</b>	<b>100.0</b>	<b>263,995</b>	<b>505,383</b>

The Acquisition was completed on 8 November 2003. The shares issued pursuant to the Acquisition of PESB of 505,383 Shares ranks pari passu in all respects with the then existing shares of the Company.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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v) Acquisition of PPISB

On, 8 November 2003, Pelangi Publishing acquired the entire issued and paid-up share capital of PPISB comprising 100 ordinary shares of RM1.00 each ("Shares") from its existing shareholders for a purchase consideration of RM100 based on the audited Net Tangible Liabilities as at 30 September 2002 of RM8,174. The purchase consideration of RM100 was satisfied by the issuance of 192 Shares in Pelangi Publishing at an issue price of approximately RM0.52 per Share as follows:-

Shareholders	No of shares held in PPISB	Percentage interest %	Purchase Consideration RM	No. of Pelangi Publishing Shares issued
Sum Kown Cheek	50	50.00	50	96
Fang Mei Sin	50	50.00	50	96
<b>TOTAL</b>	<b>100</b>	<b>100.0</b>	<b>100</b>	<b>192</b>

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 will be acquired by Pelangi Publishing for a purchase consideration of RM9,900 to be wholly satisfied by cash.

The Acquisition was completed on 8 November 2003. The shares issued pursuant to the Acquisition of PPISB of 192 Shares ranks pari passu in all respects with the then existing shares of the Company.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**vi) Acquisition of PPHSB

On, 8 November 2003, Pelangi Publishing acquired the entire issued and paid-up share capital of PPHSB comprising 2,700,000 ordinary shares of RM1.00 each ("Shares") from its existing shareholders for a purchase consideration of RM1,827,759 based on its audited NTA value as at 30 September 2002. The purchase consideration of RM1,827,759 was satisfied by the issuance of 3,499,000 Shares in Pelangi Publishing at an issue price of approximately RM0.52 per Share as follows:-

Shareholders	No of shares held in PPHSB	Percentage interest %	Purchase Consideration RM	No. of Pelangi Publishing Shares issued
Sum Kown Cheek	882,000	32.67	597,071	1,143,013
Fang Mei Sin	780,750	28.92	528,531	1,011,802
Lai Chin Heng	210,375	7.79	142,411	272,627
Lee Kheng Hon	185,625	6.88	125,657	240,554
Yap Chong Koy	270,000	10.00	182,774	349,897
Lai Swee Chiung	168,750	6.25	114,234	218,685
Phang Choon Wah	67,500	2.50	45,694	87,474
Sam Yuen @ Sam Chin Yan	67,500	2.50	45,694	87,474
Ang Ah Ba @ Ang Hock Ming	67,500	2.50	45,694	87,474
<b>TOTAL</b>	<b>2,700,000</b>	<b>100.0</b>	<b>1,827,759</b>	<b>3,499,000</b>

The Acquisition was completed on 8 November 2003. The shares issued pursuant to the Acquisition of PPHSB of 3,499,000 Shares ranks pari passu in all respects with the then existing shares of the Company.

vii) Rights Issue

Upon completion of the Acquisitions, Pelangi Publishing implemented a 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 one (1) new Share for every seventeen (17) existing Shares held.

The Rights Issue which was completed on 12 February 2004 resulted in the issued and paid up share capital of Pelangi Publishing being further increased from 64,300,000 Shares to 68,000,000 Shares.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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viii) Public Issue and Offer for Sale

The final stage in the Restructuring Scheme involves a Public Issue of 12,000,000 new shares in Pelangi Publishing at an issue price of RM0.75 per Share to the Malaysian public.

Correspondingly, the Offerors are offering 24,000,000 Shares in Pelangi Publishing representing 30.0% of the entire enlarged share capital of Pelangi Publishing at an offer price of RM0.75 per Share in order to meet the minimum Bumiputera and Public shareholdings requirement.

The total of 36,000,000 IPO Shares pursuant to the Public Issue and Offer for Sale will be allocated in the following manner:-

- i) 12,000,000 Public Issue Shares representing 15.0% of the enlarged issued and paid-up share capital of 80,000,000 to Malaysian Public, eligible employees, business associates and Directors of the Pelangi Publishing Group; and
- ii) 24,000,000 Offer Shares representing 30.0% of the enlarged issued and paid-up share capital of 80,000,000 is to be offered to the Bumiputera investors approved by MITI.

All the new Shares issued pursuant to the IPO will rank pari passu in all aspects with the existing ordinary shares of Pelangi Publishing including voting rights and the rights to the dividend that may be declared subsequent to the allotment of the IPO Shares.

ix) Listing

The Company will make an application to the MSEB for the admission of Pelangi Publishing to the Official List and for the listing of and quotation for the enlarged issued and fully paid-up share capital of up to 80,000,000 Shares in Pelangi Publishing on the Second Board of the MSEB.

**4.4 ESOS**

Pelangi Publishing had on 29 September 2003 and 6 February 2004 obtained the approval of the SC and existing shareholders of the Company respectively, to establish an employee share option scheme in order to retain and motivate eligible Executive Directors and employees who have contributed to the success of the Group. According to the SC's guidelines on employee share option schemes, the ESOS shall only be implemented by Pelangi Publishing upon receipt of the relevant approvals from the SC, MSEB and existing shareholders of the Company, the fulfilment of any conditions attached thereto and upon AmMerchant Bank, as the Adviser to the ESOS, submitting to the SC the following: -

- a) Final copy of the Bye-Laws of the ESOS; and
- b) Confirmation letter from AmMerchant Bank that Pelangi Publishing has: -
  - i) fulfilled the SC's conditions of approval for the ESOS and that the Bye-Laws do not contravene any of the provisions of the SC's guidelines on employee share option schemes; and
  - ii) obtained all other relevant approvals for the ESOS and has fulfilled all conditions imposed therein.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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An application will be made to the MSEB within three (3) Market Days from the date of this Prospectus for the listing of Pelangi Publishing Shares that may be issued upon the exercise of the ESOS Options together with the application for admission of Pelangi Publishing Shares to the Official List of the Second Board of the MSEB and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up share capital of Pelangi Publishing as mentioned in Section 2.1 of this Prospectus. Therefore, the ESOS shall only be established after Pelangi Publishing has obtained the MSEB's approval-in-principle for the listing of Pelangi Publishing Shares that may be issued upon the exercise of the ESOS Options.

The ESOS will be for a duration of five (5) years and maximum number of Shares that may be issued to eligible Executive Directors and employees of the Group under the ESOS is limited to 10% of Pelangi Publishing's issued and paid-up share capital at any point in time.

According to the SC's guidelines on ESOS, where the ESOS Options are granted before the Company is listed on the MSEB, the exercise price of the ESOS Options shall not be less than the IPO price. Where the ESOS Options are granted on or after the Company is listed on the MSEB, the exercise price shall be the higher of: -

- i) the weighted average market price of the Shares for the five(5) Market Days immediately preceding the date of offer, or with a discount of not more than 10% on the said weighted average market price; or
- ii) the par value of the Shares.

The Directors of Pelangi Publishing intend to grant ESOS Options for up to a maximum of 8.0 million Shares prior to the Company being listed on the MSEB at an exercise price of RM0.75 per Share. However, such ESOS Options shall only be exercisable after Pelangi Publishing has been listed on the Second Board of the MSEB.

The Directors of Pelangi Publishing intend to utilise the proceeds from the exercise of the ESOS Options for working capital purposes.

The new Shares to be allotted upon any exercise of the ESOS Option will upon allotment rank *pari passu* in all respect with the then existing issued ordinary shares of the Company except that the Shares so issued shall not rank for any dividends or other distribution declared, made or paid to shareholders which entitlement date thereof precedes the relevant exercise date of ESOS Option and will be subject to all provisions of the Articles of Association of the Company.

The Bye-Laws of the ESOS are set out in Section 12 of this Prospectus.



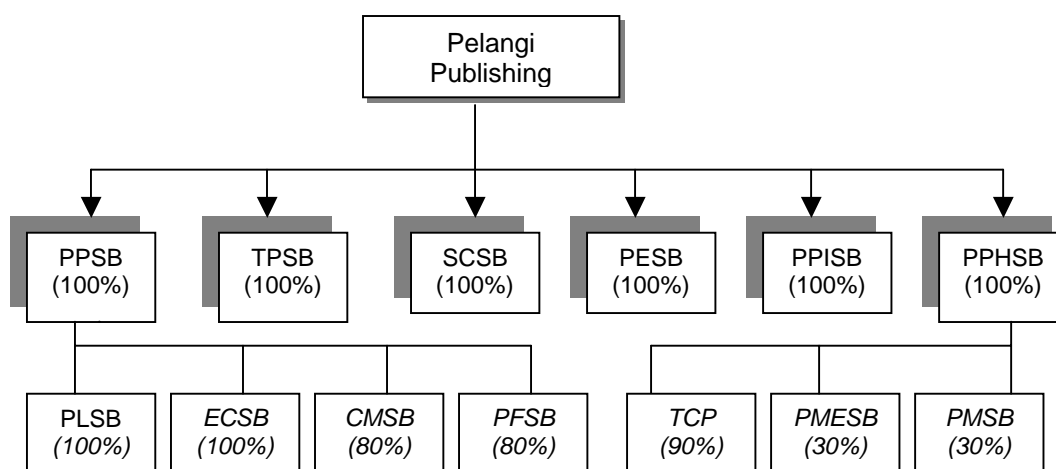
#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.5 Business Overview

###### (i) Introduction

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.

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



Details of the subsidiary companies of Pelangi Publishing as at 1 March 2004 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

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

Details of the subsidiary companies of PPSB as at 1 March 2004 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

Details of the subsidiary and associated companies of PPHSB as at 1 March 2004 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

To date, the 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 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.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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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 8<sup>th</sup> 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.

Pelangi 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, Johor 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, the Group has a total of 353 employees.

(ii) Development of Pelangi Publishing Group

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.

On 24 August 1982, PPSB was incorporated and took over the business operation of PEE with an initial staff force of ten (10). PPSB was principally involved in the publishing of educational books namely revision books and workbooks.

In 1987, PPSB was first awarded the contract to publish Mathematics textbooks for Form 4 and Form 5 by the MOE. Since then, PPSB had secured numerous contracts from the MOE to publish textbooks for both the primary and secondary schools. In the same year, after actively participating in international book fairs such as the Frankfurt International Book Fair in Germany, PPSB ventured into the translation business of foreign works into Bahasa Malaysia and Chinese language, for school reference books encyclopedias, language learners and children's books. Todate, PPSB has worked with more than twenty-five renowned foreign publishers in translating their works to Bahasa Malaysia and Chinese language. These include Usborne from the United Kingdom, Paramoun from Spain, Crisp Publication from the United States of America and Casterman from Belgium.

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#### **4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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With the experience gained from the translation business, it paved the way for PPSB to move into publishing of its own children's books, using a pool of local writers. PPSB has since sold publishing rights to publishers in Hong Kong, Singapore, China, Taiwan, Korea, Indonesia and the Philippines. PPSB is believed to be one of the few local publishers to market its books overseas.

In 1993, PPSB secured the exclusive license to publish Walt Disney storybooks in Bahasa Malaysia and Chinese language in Malaysia, Singapore and Brunei.

Since 1996, PPSB's children's storybooks have been recommended as primary school supplementary readers by the Singapore's Ministry of Education. In the same year, PPSB was involved in publishing academic books for the Chinese primary schools.

In 1997, PPSB was awarded the MOE's contract to publish Mathematics and Chinese language textbooks for Chinese primary schools. Since then, PPSB has continued to secure more contracts to publish other textbooks for the Chinese primary school. During the same year, Standard Chartered Bank and Malaysian Airline System Berhad have selected PPSB's children's story and craft books as premium gifts to be distributed to their customers.

In an effort to tap the vast potential in multimedia business, PPSB launched its own website in 2001 to complement its business operations via an on-line bookshop. This provided PPSB with another channel to reach out to parents, school children and other readers. At the same time, this has increased the awareness of PPSB and its products. The Website contains the latest information on its publications. In the same year, PPSB continued to publish more children's books and secured additional government contracts to publish Kurikulum Bersepadu Sekolah Menengah ("KBSM") (refers to Secondary School Integrated Curriculum) new set of textbooks.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**(iii) Production Facilities

The Pelangi Publishing Group currently owns two (2) publishing and three (3) printing sites located mainly in both Johor and Selangor. Tabulated below the list of machineries as at 1 March 2004:-

Type of Machineries	Publishing Total (Units)	Printing Total (Units)	Total (Units)
<b>PUBLISHING</b>			
<b>PPSB</b>			
Computer Peripherals	653	-	653
Plant and Machinery	29	-	29
<b>TPSB</b>			
Computer Peripherals	191	-	191
Plant and machinery	1	-	1
<b>PRINTING SERVICES</b>			
<b>PFSB</b>			
Printing Machines	-	5	5
Binding Machines	-	5	5
Other machines	-	3	3
<b>CMSB</b>			
Printing Machines	-	3	3
Binding Machines	-	7	7
Other machines	-	3	3
<b>TCP</b>			
Printing machines	-	7	7
Binding machines	-	12	12
Other machines	-	4	4
<b>Total</b>	<b>874</b>	<b>49</b>	<b>923</b>

There are about 923 units of machineries as at 1 March 2004. The bulk of the machineries are for production and editorial processes. The production department mainly utilizes computer equipments to enhance the creative and graphical illustrations of a book in terms of cover, inserting icons and input diagrams. The other machineries are mainly for printing purposes.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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(iv) Principal Products and Services

In general, the Group's products can be divided into six (6) categories namely,

- Academic Books
- Children's Books
- Translated and Re-Print Rights Books
- Sale of Publishing Rights and Co-Print
- Multimedia Related Products
- Printing services

Annually, the Group publishes more than 600 new titles, and sells more than 14.0 million copies of books. To date, the Group has also translated more than 800 popular foreign books into Bahasa Malaysia, Chinese and English.

A description of its products is set out below:-

- **Academic Books comprising school textbooks, workbooks and revision and assessment books**

The Group publishes a wide range of academic books including school textbooks, revision books, assessment books and workbooks for almost all subjects in both the primary and secondary levels. Tabulated below is the list of textbooks, workbooks, revision and assessment books that the Group published over the years for both the primary and secondary levels:-

**Primary Textbooks**

Year Awarded	Textbooks	Level
1997	Mathematics Chinese	Primary 6 Primary 3
1998	Chinese	Primary 4
1999	Health and Physical Education Moral Education	Primary 5 Primary 4
2000	Mathematics Moral Education Chinese (Volume A & B)	Primary 6 Primary 6 Primary 6
2002	Moral Education Mathematics	Primary 1 Primary 1
2003	Mathematics Chinese Chinese – Communication	Primary 2 & 3 Primary 1 Primary 1

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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**Secondary Textbooks**

Year Awarded	Textbooks	Level
1987	Additional Mathematics	Form 4 & 5
1989	Mathematics Science Geography "Pengurusan Ladang dan Penternakan"	Form 1 & 2 Form 1 Form 1 Form 4 & 5
1990	Science Mathematics	Form 2 Form 3
1991	Mathematics	Form 4
1992	Mathematics	Form 5
2000	English Literature	Form 3
2001	Biology Mathematics	Form 4 Form 1
2002	Biology Mathematics (Volume 1 & 2)	Form 5 Form 1
2003	Mathematics Principle of Accounts	Form 2 Form 5

**Workbooks, revision and assessment books**

Type	Series	Level
Revision Books	STPM Matematik	Primary
	Siri Fokus Ungu UPSR	Primary
	Grammar Made Easy UPSR	Primary
	Siri Fokus Ungu UPSR	Primary
	Teman Bahasa Kita	Primary
	Discovery Science	Primary
	Essential Maths/Science Year 1	Primary
	Siri Tutor PMR	Secondary
	Contoh Karangan PMR	Secondary
	Contoh Karangan SPM	Secondary
	Siri Fokus Ungu Masteri SPM	Secondary
	Fokus Ungu PMR	Secondary
	Siri Fokus Ungu SPM	Secondary
	Siri Semak Cepat KBSM	Secondary
	Siri Pelangi Fokus Indigo SPM	Secondary
	Siri Rujukan Pendidikan Seni	Secondary
	Siri Semak Cepat PMR	Secondary
	Siri Semak Cepat SPM	Secondary
	Sejarah STPM Tamadun Islam	Secondary
	Model Essay for PMR	Secondary
100 Hari Menjelang SPM	Secondary	
Siri Matematik STPM	Pre-University	
Siri Rujukan STPM	Pre-University	
Pengajian Perniagaan STPM	Pre-University	
Key to Mastery (English & Bahasa)	All levels	

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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Type	Series	Level
Assessment Books	Siri Uji Prestasi KBSR Skor A dalam UPSR Skor A+ dalam UPSR SJKC Skor 999+9 UPSR SJKC Skor Cemerlang Dalam UPSR Prestasi KBSM Skor A dalam PMR Formula A dalam Karangan KBSR Siri Uji Prestasi KBSR Uji Prestasi KOMSAS BM KBSR Siri Lembaran Latihan Motivasi Siri Uji Siri Uji Prestasi KBSR  Siri Kajian & Analisis SPM Siri Latih Tubi SPM Skor A dalam SPM Siri Analisi Pelangi  Prime Assessment	Primary Secondary Secondary Secondary Secondary Primary & Secondary
Workbooks	Siri Sumber Masteri Sukses (KSMS) Pelajar KBSR Buku Latihan SJKC Latihan Pengukuhan & Pengayaan Lembaran Latihan Motivasi Siri Latihan Impresif Tunas Pelangi Siri Latihan Efektif Tunas Buku Latihan & Aktiviti SJKC Lembaran Kerja Sumber Masteri Sukses Pelajar KBSR Siri Newton Latihan Teori Companion English Praktis Sumber Masteri Sukses Pelajar KBSN  Sukses (KSMS) Pelajar KBSM Kajian Analisis kesusasteraan Melayu KBSM Kemahiran Sumber Masteri Sukses Pelajar KBSM Kemahiran Sumber Masteri Sukses Pelajar KBSM Amali Analisis Pelangi SPM Kajian dan Analisis Kesusasteraan SPM Siri Latihan & Pentaksiran Latihan Strategi Matematik SPM Contoh Karangan PMR Contoh Karangan SPM Latihan Topikal SPM Latihan Strategi SPM Siri Einstein Latihan Teori Siri Peka Sains Latihan Strategi Matematik SPM  Siri Latihan & Pentaksiran STPM	Primary Primary Primary Primary Primary Primary Primary Primary Primary Primary Primary Primary Primary Primary Primary Secondary Pre-University



#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### • Children's Books

The Group's involvement in children's books started in 1990 with the publishing of the series "Lion Books" by PPSB. The first breakthrough came in 1993 with the signing of a contract to become a Disney Licensee. Subsequently, more licence agreements were signed between other renowned international publishers like Paws Incorporated (Garfield), D.C. Comics (Superman and Batman), Lucasfilm (Star Wars), and Jump Licensing & Merchandising (Tommy & Oscar).

Co-operating with these renowned publishers added prestige to the Group and enhanced branding and profile of the name Pelangi Publishing. The co-operation also imparted children's book publishing skills to the Group, paving the way for the Group to successfully develop its own following series:-

Type	Series
Early Readers	<ul style="list-style-type: none"> <li>• Little Reader Series</li> <li>• Little Grammar Books</li> <li>• Butterfly Books</li> <li>• Bumblebee Books</li> <li>• Busy Bunny Board Books</li> <li>• Bear Books</li> <li>• My Basic books</li> <li>• Fun time Books</li> <li>• Little Learners' Word Books</li> <li>• Little Stars Storybooks</li> <li>• My First Touch and Learn Books</li> <li>• Siri Moo</li> </ul>
Storybooks	<ul style="list-style-type: none"> <li>• Tale Time Series</li> <li>• Owl Series</li> <li>• Extraordinary Lives</li> <li>• Nature Stories for the Young</li> <li>• The Adventures of Rudy the Rooster</li> <li>• Chinese Festival Folktales</li> <li>• Long Ago in Asia</li> <li>• Friends of the Forest</li> <li>• Lion Books</li> <li>• Tug of City Park</li> <li>• Story Chest</li> <li>• The Funny Adventures of Bong Bong</li> <li>• Masa Bercerita</li> <li>• Peti Emas</li> <li>• About Princess Shelly</li> <li>• Tales of Molly</li> <li>• Tommy &amp; Oscar</li> <li>• Little Cherry Books</li> </ul>
Preschool Activity Books	<ul style="list-style-type: none"> <li>• Maths Smart</li> <li>• Phonics Reader &amp; Activity Books</li> <li>• Fun with English</li> <li>• Early Reading</li> <li>• Step by Step Preschool Learning</li> <li>• Early Maths</li> <li>• Look! I am writing</li> <li>• My Nursery Books</li> <li>• Colour Fun Series</li> <li>• Holiday Learners</li> <li>• English Funbox</li> <li>• I Can Make</li> <li>• Let's Learn</li> <li>• Paper Zoo</li> <li>• Start to Write Series</li> <li>• My Nursery Colouring Book</li> <li>• Preschool Park Series</li> <li>• Little Grammar Workbook</li> <li>• My First Drawing</li> <li>• Maths Fun Time</li> <li>• Science is Fun</li> <li>• Look and Learn Charts</li> <li>• Nursery Programme</li> <li>• Teman Taska</li> <li>• Now I Can Read</li> <li>• My Preschool World</li> <li>• Teman Tadika</li> <li>• Creative Crafts</li> </ul>

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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- **Translated Books and Re-Print Rights Books**

Translated Books

In order to cater for the demand for books in Bahasa Malaysia and Chinese language, the Group procures foreign publishing rights, translates and publishes them into these languages.

These titles include encyclopaedia, children's books, health care books, self-development books and others. Some of the more popular translated books are as follow:-

Type	Series
Health Care	<ul style="list-style-type: none"> <li>• Siri Doktor Anda</li> <li>• Penjagaan Ibu &amp; Anak</li> <li>• Kita Bercakap tentang Aids</li> <li>• Masih Ada Penawar Kanser</li> </ul>
Storybooks	<ul style="list-style-type: none"> <li>• Harry Potter dengan Batu Hikmat</li> <li>• Harry Potter dan Bilik Rahsia</li> <li>• Siri Martini</li> <li>• Siri Kisah Hidup</li> <li>• Siri Pembuka Mata</li> <li>• Siri Suria Sains</li> <li>• Siri Alam Riang</li> <li>• Disney Books</li> <li>• Paper Zoo</li> <li>• Tommy &amp; Oscar</li> <li>• Fun World Collections</li> <li>• Little Eyes Collection</li> <li>• Once Upon a Time Series</li> <li>• Pelangi's Little Book Series</li> <li>• Pelangi's Fairy Story</li> <li>• Little Paw Series</li> <li>• The Wonderful World of Animals</li> <li>• Gosi and Friends</li> <li>• I Can Make</li> <li>• Creative Crafts</li> </ul>
Encyclopaedia	<ul style="list-style-type: none"> <li>• Siri Lindungi Bumi Kita</li> <li>• Siri Pustaka Ekologi Junior</li> <li>• Siri Dunia yang Tidak Kelihatan</li> <li>• Buku Pelangi tentang Dinosaur</li> <li>• Siri Lihat-Fikirkan-Belajar</li> <li>• Koleksi Dinosaur</li> <li>• Siri Dunia Haiwan yang Menakjubkan</li> <li>• Siri Penyelidik Muda Pelangi</li> <li>• Siri Aktiviti Sains Pelangi</li> <li>• Siri Dunia Kita</li> <li>• Siri Atlas Sejarah</li> <li>• Siri Beritahu Saya Tentang</li> <li>• Siri Dunia Ilmu</li> <li>• Siri Alam Semesta Sains</li> <li>• Who am I</li> </ul>
Professional Titles	<ul style="list-style-type: none"> <li>• Siri Pengurusan 50 Minit</li> <li>• Ke Arah Pengurusan Cemerlang</li> </ul>
General Titles	<ul style="list-style-type: none"> <li>• Misi Penyelamat Planet Bumi</li> </ul>

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### Reprint Rights Books

The Group also procures English and Chinese foreign copyrights for re-printing locally and some of the reprint rights books are as follows:-

Type	Series
Storybooks	<ul style="list-style-type: none"> <li>• Very Easy Readers Series</li> <li>• Easy Readers Series</li> <li>• Who am I</li> <li>• Moral Education Series</li> <li>• South-East Asia Folktales</li> <li>• Sunshine Science</li> </ul>

##### • **Sale of Publishing Rights and Co-Printing**

##### Sale of Publishing Rights

The copyrights of these books are sold to overseas publishers, especially to Asian countries like Korea, Taiwan, Hong Kong, Philippines, Indonesia and Singapore.

Some of the copyrights that are sold overseas are:-

Series
<ul style="list-style-type: none"> <li>• Lion Books</li> <li>• Little Reader Series</li> <li>• Owl Series</li> <li>• Butterfly Books</li> <li>• Bumblebee Books</li> <li>• Little Grammar Books</li> <li>• Tale Time Series</li> <li>• Phonics Reader &amp; Activity Books</li> <li>• Chinese Festival Folktales</li> <li>• Little Eyes Collections</li> <li>• Phonics Reader &amp; Activity Books</li> <li>• Chinese Festival Folktales</li> <li>• Pelangi's Nursery Chinese Writing Books</li> <li>• Tales of Molly</li> <li>• Story Chest</li> </ul>

##### Co-Printing

Co-Printing is an arrangement with other foreign publishers to print the Group's titles simultaneously in different languages with an aim to achieve economies of scale.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

Some of the series that are co-printed locally are as follows:-

Series	
<ul style="list-style-type: none"> <li>• Disney Sugar Hut Series</li> <li>• Disney - 102 Dalmatians</li> <li>• Disney – The Emperor's New Groove</li> <li>• Disney's First Readers</li> <li>• Tale Time Series</li> <li>• World Fairy Tale Collections</li> <li>• Little Readers Series Level 1</li> <li>• Owl Series</li> <li>• My Everyday Pictorial Dictionary</li> <li>• The Pen God Ma Lang</li> <li>• Little Grammar Series</li> <li>• Phonics Picture Dictionary</li> <li>• Early Maths</li> <li>• Early English</li> <li>• Tug of City Park</li> <li>• Little Eyes Collections</li> <li>• Tales of Molly</li> <li>• Story Chest</li> <li>• Colour Me</li> </ul>	<ul style="list-style-type: none"> <li>• Colour Fun</li> <li>• Moral Education Series</li> <li>• Disney Classic Tales from the Magic Kingdom</li> <li>• Disney Colouring &amp; Activity Book</li> <li>• Disney's Little Wonder Fun Book</li> <li>• Disney's Colouring Book</li> <li>• Early Reading Books</li> <li>• My Preschool World Phonic Activity Book</li> <li>• Disney Pelangi Very Young Reader</li> <li>• Disney Pelangi Young Reader</li> <li>• Once Upon a Time</li> <li>• Lion Books</li> <li>• My Craft Books</li> <li>• Make &amp; Play Books</li> <li>• Chinese Festival Folktales</li> <li>• Great Men of China</li> <li>• World Youth Chinese Literature Series</li> </ul>

#### • Multimedia Related Products

Interactive CD-ROM	Description
School Textbooks	School textbooks for Mathematics Form One in English
Academic	Revision books.
Children's Storybooks	Little Reader Series Titles and Busy Bunny.
General Titles	-Phonics dictionary -Discovery Channel on Science subjects -National Geographic -English learning for Primary Schools

	Description
<b>Audio CD</b>	Butterfly, Bumblebee, Little Grammar and Little Book Series which is recorded through its in-house studio.
<b>VCD</b>	Moral Education Year One for Chinese Primary Schools.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

Web-Related Products	Description
E-library	An initiative to respond to government's effort to promote IT literacy and reading habit. E-library provides reading materials through the Internet. Since its launch in 2002, this unique first of its kind service in Malaysia.
E-book	Allows public to download the book into their home PCs.
E-commerce	Customers can do online purchasing of the Group's products ranging from school textbooks, revision books, children's books to multimedia products.

For the web community, PMSB has its own membership programme, "Pelangi Kids" which members can access certain sites and services, and are awarded points for purchase of books and service online. The points can then be used to exchange for gifts.

For members of the web community who are students, PMSB provides an e-learning service, in which exercises and study guides for various subjects can be downloaded free of charge.

- **Printing Services**

Currently, the Group also offers printing services to several established publishers and meeting in-house requirement. In the financial year ended 30 September 2003, approximately 26% of the printing are for in-house.

#### Product Turnover

The turnover breakdown by product category in the last three financial years ended 30 September 2003 is tabulated as follows:-

Product Category	2001		2002		2003	
	(RM'000)	%	(RM'000)	%	(RM'000)	%
Academic books (revision books/workbooks)	30,625	62	32,577	61	32,481	55
Academic books (Textbooks for retail market and for schools)	5,396	11	6,481	12	10,351	18
Children's books	6,231	13	6,988	13	7,487	13
Printing	7,062	14	7,214	14	8,120	14
Others	46	-	78	-	438	-
<b>Total</b>	<b>49,360</b>	<b>100</b>	<b>53,338</b>	<b>100</b>	<b>58,877</b>	<b>100</b>

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#### **4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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The academic books category contributes 73% of the Group's turnover in the financial year ended 30 September 2003. Academic books were the main contributors to the Group's products turnover for the past three years accounting more than 50% since 2000. This has helped the Group to achieve a steady income stream over the years even during the times of recession.

(v) Intellectual Property and Financial Contracts

Pelangi Publishing's subsidiaries and associated companies either own or are licensed in respect of the intellectual property currently used in its business.

At present, the Group own copyrights to all its academic books and children's books which are published by the Group. These publications are protected under the Copyright Act, 1987.

The Group's academic books are secured on a long-term contract with the Ministry of Education, Malaysia for the publishing, printing and supply of academic textbooks in accordance with the orders made by the Government under the "Skim Pinjaman Buku Teks". The long-term contract also allows the Group to publish the academic textbooks for sale in the open market, that is, retail bookshops and school distributors and wholesalers.

The Group has also signed long term contracts with foreign publishers for the publishing and sale of the Group's own titles in foreign markets. The Group has entered into contracts to grant rights and licenses to foreign publishers to publish and translate the Group's own titles into foreign languages and subsequent sale and distribution of such translated works in foreign countries.

(vi) Production Process for Publishing and Printing

Figure 1 shows a general production process flow of book publishing by Pelangi. This is a typical process that generally includes R & D, editorial, production, printing, marketing and distribution processes.

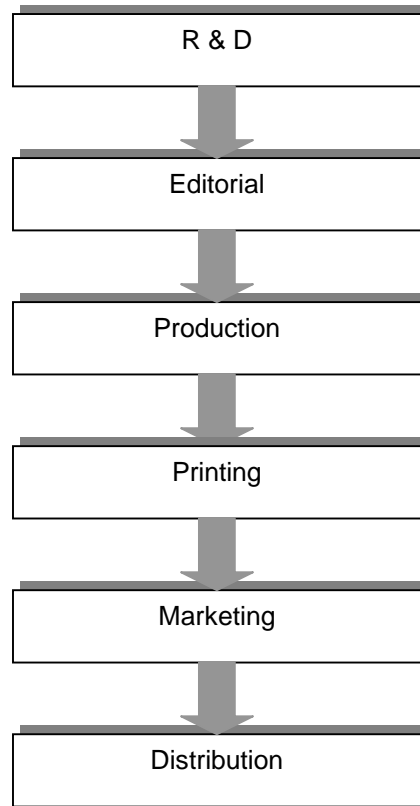
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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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**Figure 1: General Production Process Flow**

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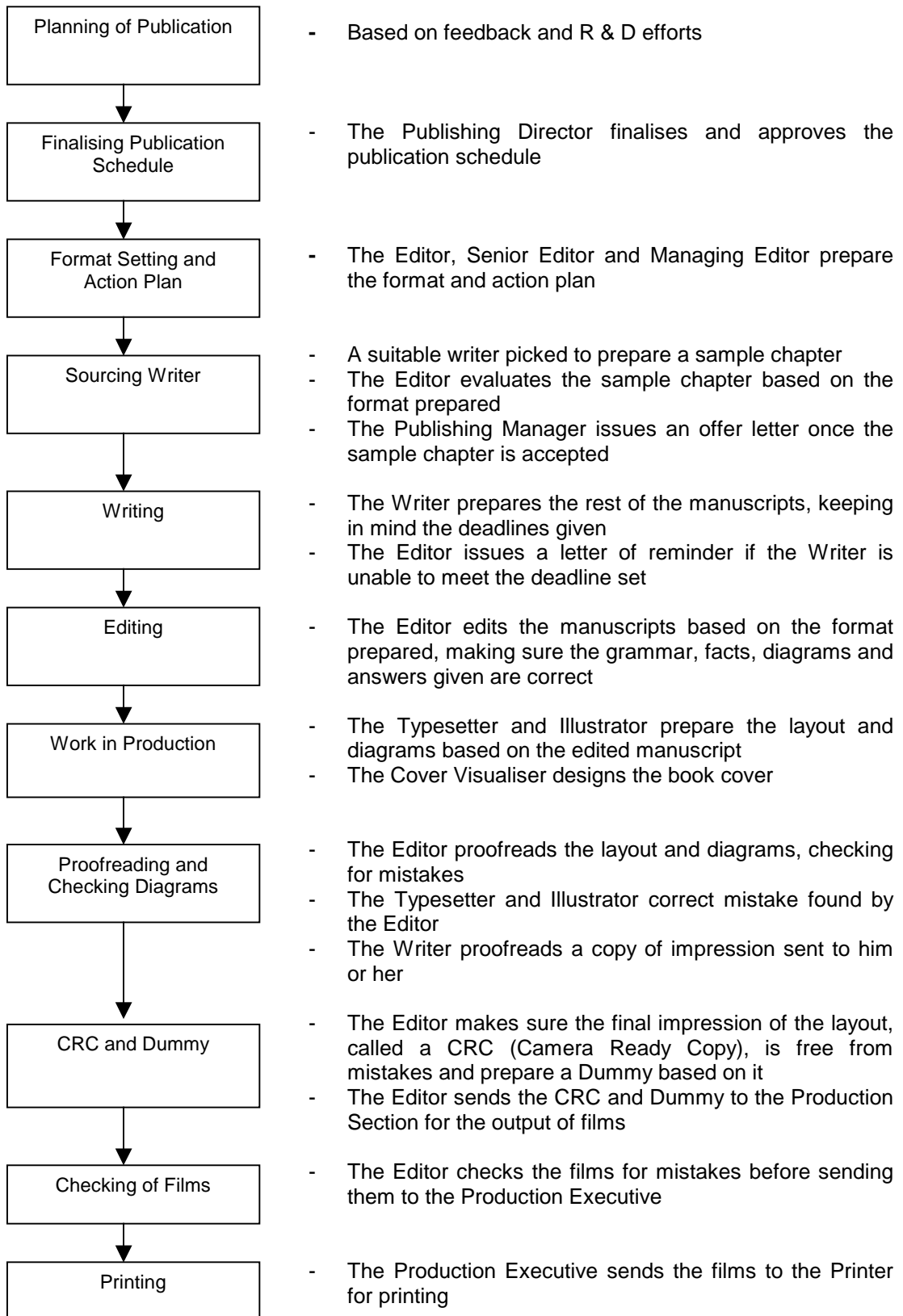


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The process is divided into 2 main divisions; the editorial and production. The editorial division is responsible in recruiting writers, evaluating samples submitted by the writers and selecting the appropriate manuscripts / or writers. The editorial division will edit and review the manuscripts before sending it to the production division. The production division will arrange for the typesetting, layout and illustrations until the output of the film before sending to the printers.

**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

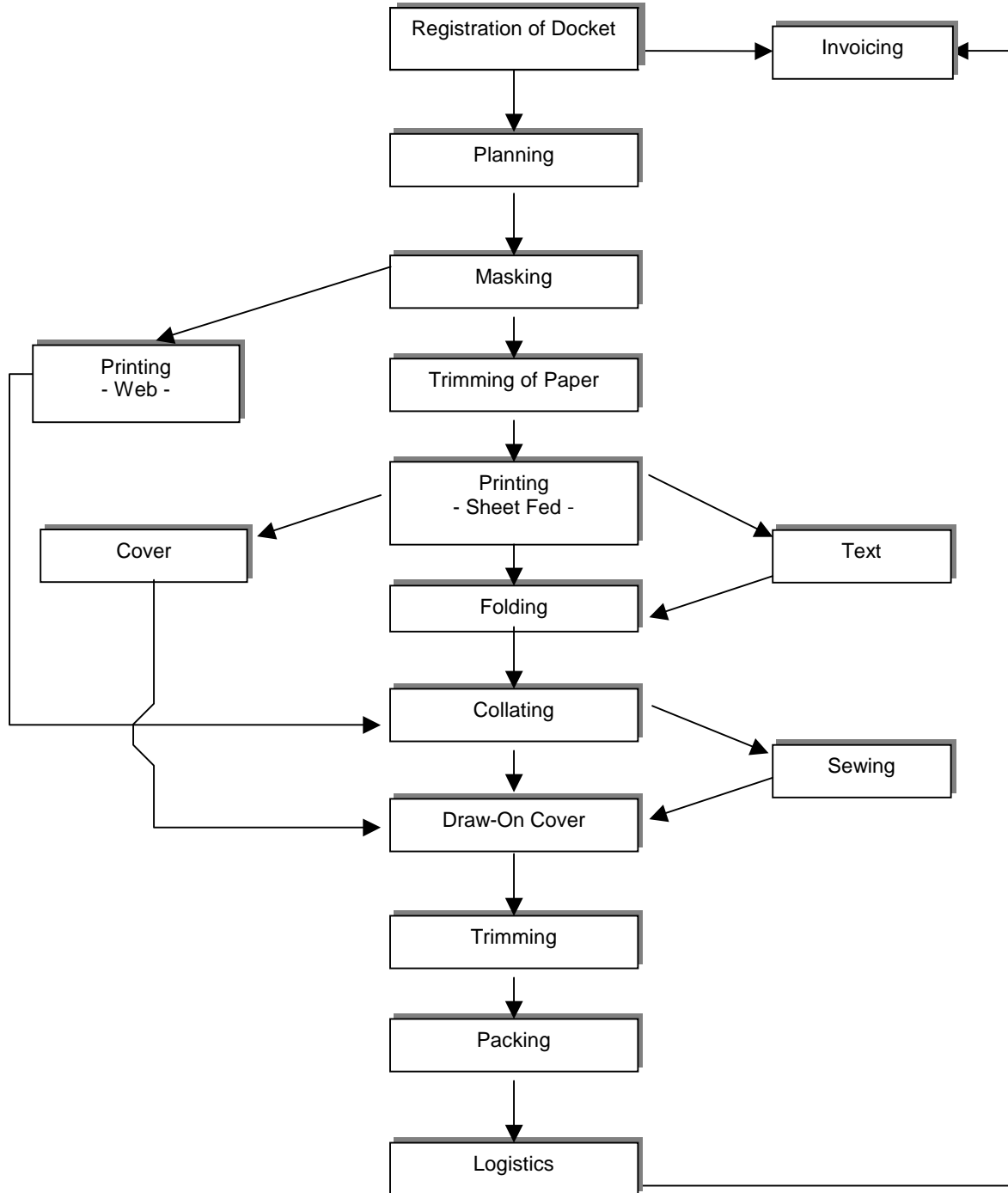
**PUBLISHING PROCESS FLOW CHART**





4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

PRINTING PROCESS FLOW CHART



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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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Upon receiving the films, a jobsheet will be created (registration of docket), and the printing job will be planned and lined up for printing.

The first stage of printing involves the production of a printing plate (Masking). In this process, the films are mounted on foils and positioned according to size on the printing plate. The printing plate will then be mounted onto the machine.

Simultaneously, papers are cut into the required size and fed into the printing machine to be printed. When the printing process is completed, the printed papers will be folded and collated in running sequence to form a book. Together with the cover, the book will be bound and the rough edges trimmed. Finally, the books will be packed and delivered.

In addition to the sheet fed printing, the Group is also able to do Web Print. Web print involves feeding of paper in roll form and subsequent processes are automated.

(vii) Sources and Availability of Raw Materials

As a publishing and printing group, Pelangi Publishing's main raw materials are mainly paper that are needed to print the books. Currently, paper costs constitutes less than 33% of the Group's cost of sales in the financial year ended 30 September 2003. (*Details of the Group's suppliers are detailed in Section 4.9 of this Prospectus*)

(viii) Quality Control ("QC")

The process of editing, vetting and quality control is carried out by the entire editorial and production team at every part of the publishing process. Similarly, the printing process also adopts the same quality control system throughout its entire process.

As a testimony of its quality, in year 2002, PPSB was accredited with the prestigious MS ISO 9001:2000 certification award for Quality Management System from DSM(Malaysia), UKAS(UK) and COFRAC(France). This ISO certification recognizes its published books are of international standard.

(ix) Research & Development ("R & D")

The Group constantly focuses on its R & D to keep up with the ever changing needs of its customers. The R & D department is headed by its Managing Director, Sum Kown Cheek and is assisted by the respective senior staff in the various departments. The Group's R & D efforts will mainly rest on the followings:-

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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- a) *Attending various international book fairs to scout for new ideas, concepts and trends*

The Group has been actively sending its personnel to attend various international book fairs namely Frankfurt Book Fair, Tokyo International Book Exhibition, Bologna Children's Book Fair and Seoul International Book Fair with the aim to gather new ideas, concept and trends. Through this effort, the Group has successfully introduced the Little Reader Series, a children's storybook series that has a total of 54 titles, to both the local market and five other countries. The Group's active involvement in these book fairs has also helped enhance the contents of its series of revision books.

- b) *Tie-ups with reputable foreign publishers to publish books for local market*

The Group has formed tie-ups with renowned international publishers by purchasing rights to publish children's storybooks based on characters from Walt Disney, Tommy & Oscar and Harry Potter. Under the general title category, it has also secured rights to publish medical books like Mother & Baby Care and Family Doctor series. With these tie-ups over the years, the Group has gained valuable experience from these established international counterparts in terms of quality artworks and stringent editing. Subsequently, this paved the way for the Group to publish its own children's books. Todate, the Group has sold publishing rights for its own children's books to countries like Singapore, Hong Kong, Korea, Taiwan, China, Indonesia, Thailand and Philippines.

- c) *Proactive engagement of foreign artists and writers*

The Group has taken steps to engage foreign artists and writers to tailor to the different needs in various countries. This is imperative given the fact that the Group has now set its sight on the international publishing market covering across Asia.

- d) *Seeking periodic feedback from teachers and bookshops*

The Group has undertaken steps to gather periodic feedback from experienced teachers and bookshops in an effort to improve its contents for both the school textbooks and academic books. Further, the Group has always constantly sought out new materials by researching other published textbooks by foreign publishers.

- e) *Resource Centre*

The Group maintains a resource centre which has accumulated a wide variety of titles for reference purposes.

- (x) Product Development

The Group's current product development focuses primarily on digital and multimedia content. Through continuous improvement and constant product development, the multimedia department has developed innovative products such as the children's book title "The Little Reader Series" in audio CDs and interactive CD-ROMs based on the existing contents.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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Another multimedia development is the introduction of the e-Library concept through the development of its web services. The e-Library is an affordable product targeted at children to have access to digital contents at any place and time. The e-Library also provides interactive games and on-line activities with the objective of encouraging reading habits and IT literacy among children. In addition to the e-Library service, the Group had launched the "Pelangikad" in 2002. The "Pelangikad" is a prepaid card to enable users or members to conduct online purchase of the Group's products.

Besides the focus in multimedia development, the Group has produced other new products and services. For example, the Group engages the Soap Opera Company, a renowned local drama group to stage several plays based on enactments of stories from the Group's books and this was recorded and broadcasted through a national television station.

The Group engages foreign authors and illustrators in developing children's books. These books use western style illustrations in order to have the books widely accepted in other countries.

(xi) Market and Distribution Channel

The Group's books mainly caters for the domestic market which accounts for about 94% of the total turnover in the financial year ended 30 September 2003. The balance was attributed to the printing activities and sales of books to international markets. The international markets include countries like Singapore, Hong Kong, Indonesia, Brunei, Myanmar, Republic of Maldives and Philippines.

Pelanggi Publishing's distribution network is mainly through the following channels:-

- Retail bookshops;
- School book distributors and wholesalers;
- On-line bookshop; and
- Overseas publishers and distributors

For the local market, the Group has since established its own distribution channels mainly through the local established retail chain bookstores such as MPH and Popular. In addition, the Group has also established more than 500 channels through the local book retailers and school book distributors and wholesalers.

The major customers are located throughout Malaysia in major town centres. Most of the major customers have more than 5 years of relationship with the Group. Presently, the Group does not rely on any single customer as it has todate over 800 active customer accounts. As at 30 September 2003, none of the top ten customers singly contributed more than 10% of the Group turnover.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

For the overseas markets, the Group has tied-up with established international publishers and distributors as follows:-

<b>Name</b>	<b>Country</b>
Mentari Bookstore	Indonesia
P.T. Java Books	Indonesia
WS Pacific Publication Inc.	Philippines
Novum Organum P. House Pte Ltd	Singapore
Newton Publications Pte Ltd	Singapore
Sesame Publication Company Ltd	Hong Kong

As at 1 March 2004, the Group marketing team consists of forty (40) staff led by the Executive Director (Marketing) and three managers. The sales personnel are strategically stationed throughout Malaysia.

The marketing team carries out its marketing activities by promoting the Group's products namely academic books, children's books and multimedia related products to its customers who are mainly bookshops, schools, colleges and kindergartens. The Group's marketing focus is to provide prompt and efficient service, expand its customers' base and gather feedback for product improvement. For the overseas markets, the products are distributed through publishers and distributors.

Besides participating in local book fairs, the Group also participates in international book fairs with the aim to build relationship with other overseas publishers as well as to promote the Group products and "Pelangi" as a brand name in the worldwide book market.

Tabulated below a list of the team's recent activities in the international exhibitions:-

<b>Year</b>	<b>Type of Exhibitions</b>	<b>Country</b>
2001	2001 Asia International Book Fair	Singapore
2001 & 2002	BIBF Beijing International Book Fair	China
2001 & 2002	Seoul International Book Fair	South Korea
2002 & 2003	Bologna Children's Book Fair	Italy
2001 & 2003	8 <sup>th</sup> Taipei International Book Fair	Taiwan
2001 & 2002 & 2003	Tokyo International Book Exhibition	Japan
2001 & 2002 & 2003	Frankfurt Book Fair	Germany
2001 & 2002 & 2003	Indonesian Book Fair	Indonesia
2003	Sri Lanka Book Fair	Sri Lanka

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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Year	Type of Exhibitions	Country
2003	Australia Book Fair	Australia
2003	Japan Book Fair	Japan
2003	America Book Fair	America

The Group has also formed strategic alliances with renowned international publishers such as Walt Disney, D.C. Comics, DK, Discovery Channel, J.K. Rowlings (Harry Potter), Jump Licencing (Tommy & Oscar) and Usborne to raise the Group's profile in both the local and international markets.

Other marketing activities organised by the Group includes:-

- Sponsorships: Sponsors prizes for children's television programmes to promote the children's books; and  
  
Stage plays based on Pelangi's storybooks are organised to promote the series of children's books and at the same time to instill children's awareness towards good reading habits and moral values.
- Learning camps: Learning camps are organised during school holidays using Pelangi's storybook themes.
- Teachers' training Programmes: The workshops guide the teachers to use Pelangi's products.
- Media: Use of the media to enhance awareness and promote the "Pelangi" brand
- Internet: Use as a marketing tool to promote the Group's products and services

(xii) Employees

As at 1 March 2004, the Group has 353 employees. None of the employees is a member of any union. Thus far, the Group has not experienced any stoppages in its operation due to labour disputes. The management of the Group enjoys a cordial relationship with its employees. To date, the Group has 30 foreign workers whom are attached to PPSB, CMSB and TCP. All foreign workers have obtained the necessary working permits and are not in breach of any immigration laws.

The Group provides comprehensive training to all employees to ensure that they have the necessary skills for their various job functions. To keep abreast with the latest development in the industry, the Directors and senior management of the Group attend international book fairs, seminars and exhibitions. Editors are also sent to attend courses and seminars organised by the MOE and the Malaysian Books Council.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

The following is a table setting out the breakdown of the employees and their length of service as at 1 March 2004:-

Category of Employees	Number of Employees			Total
	<1 year	1-5 years	> 5 years	
Managerial and Professional	1	6	14	21
Technical and Supervisory	26	44	30	100
Administration and Clerical	10	28	15	53
Factory Workers	14	32	24	70
Skilled Workers	26	44	28	98
General Workers	7	3	1	11
	<b>84</b>	<b>157</b>	<b>112</b>	<b>353</b>

(xiii) Achievements/Awards of Pelangi Publishing

As a testimony to its successful track record, the Group has received several awards/recognitions and some of which are set out as below:-

Year	Company	Award/Achievement
1996	PPSB	Walt Disney Mousecar Award*, Hong Kong
1997	PPSB	Walt Disney Mousecar Award*, Malaysia
2000	PPSB	Enterprise 50 Award – 12 <sup>TH</sup> rank
2001	PPSB	Enterprise 50 Award- 6 <sup>TH</sup> rank
2002	PPSB	Enterprise 50 Award – 8 <sup>TH</sup> rank
2002	PPSB	MS ISO 9001:2000 - Quality Management System by DSM (Malaysia), UKAS(UK) and COFRAC (France)
2003	PPSB	Winner of Golden Bull Award 2003 - Malaysia's 100 outstanding Small and Medium Enterprise
2003	PPSB	SMI Recognition Award Series 2003

\* The Mousecar Award by Walt Disney to its licensees for outstanding marketing efforts

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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(xiv) Competitive Strengths

The Group has been in the publishing and printing of educational books for over 20 years. The Directors believe that the competitive strengths of the Group lie in the following areas:-

(a) *An Established Publisher With An Integrated One-Stop Publishing Capability*

The Group has established a track record in the publishing industry since 1980. This is evidenced by both its established and longstanding local and overseas customer base who have been customers of the Group for an average period of more than five (5) years. Having been in the industry for more than two decades, the Group has since established itself to be an integrated one-stop publishing house by conducting the entire process of producing a book from editing, typesetting, layout, colour separation to printing. The benefits of its integrated set-up are consistency of its high product quality, improved efficiency and better cost control.

(b) *Economies of Scale*

Over the span of 20 years, the Group has been able to build up a fairly substantial presence in the local publishing industry with approximately 28% of the market share (*Source: The Independent Market Research Report by Infocredit D&B (Malaysia) Sdn Bhd*). With its sizeable operation, the Group is able to reap benefits of economies of scale through bulk purchases, sharing of resources and personnel and better recovery of fixed overhead costs on higher publication volume thus achieving lower average unit cost.

(c) *International Network*

Leveraging on the international exposure, the Group is well connected with the international publishers and distributors spanning across the world. This has enable the Group to secure license rights from some of the leading publishing players as exemplified by its alliances with renowned international publishers and sale of its publishing rights and books to countries such as:-

- Thailand
- Singapore
- Indonesia
- Philippines
- China
- Hong Kong
- Korea
- Taiwan
- United States of America
- Spain
- United Kingdom
- Belgium
- Pakistan
- Maldives
- New Zealand
- Australia
- Myanmar



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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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(d) *Diversified Product Range*

The Group has a diversified product range as follows:-

- Academic Books (including school textbooks, revision books, workbooks and assessment books etc)
- Children's Books (Pre-school books, storybooks and activity books)
- Translated and Re-Print Rights Books
- Sale of Publishing Rights and Co-Print
- Multimedia Related Products
- Printing services

With over 600 new titles published per annum, the Group is not overly dependent on any particular single product. The increasing affluent population and a knowledge-based driven society is expected to increase the demand for the Group products.

(e) *Wide Customer Base*

The Group has a wide customer base with over 800 active accounts and the Group is not overly dependent on any single customer. In financial year ended 30 September 2003, the top ten customers in aggregate accounted for about 21% of the Group's turnover.

With the Group's diversified range of products, the Group is able to reach out to different spectra of all age group as follows:-

- Toddlers
- Nursery
- Kindergarten
- Primary
- Secondary
- Adults

This enables the Group to widen its earnings base thus insulating the Group from any economic downturn. As a testimony, the Group has withstood the last recession by recording a turnover growth for the past three financial years.

(f) *Dedicated and Experienced Management*

The management has extensive experience in the publishing industry. The Promoters of the Group are veterans in the industry, bringing with them vast experience as well as technical and marketing knowledge to the Group.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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(g) *Quality and Service*

The Group emphasizes product quality, timely delivery and service in meeting the demands of its customers both domestically and internationally. The ISO 9001:2000 certification awarded to the PPSB bears testimony to the Group's product quality assurance processes, its management commitment to quality products and its organizational efficiency.

(h) *Up-to-date Computerised Systems*

The Group has invested in up-to-date publishing facilities, making it one of the few local publishers to have full publishing facilities. It has todate invested over RM5.0 million in computer software and hardware peripherals.

(xv) Approvals, Major Licenses and Permits

The licences held by the Group (which will be renewed upon expiry) required for the purposes of conducting its businesses are listed as below:-

<b>Authority</b>	<b>Issuer</b>	<b>Validity Period</b>	<b>Equity Conditions</b>
<b>PPSB</b> Kementerian Kewangan Malaysia	Kementerian Kewangan Malaysia	18/01/2003 to 17/01/2006	Nil
<b>PFSB</b> Kementerian Dalam Negeri	Kementerian Dalam Negeri	13/06/2003 to 12/06/2004	Nil
<b>CMSB</b> Kementerian Dalam Negeri	Kementerian Dalam Negeri	01/04/2003 to 31/03/2004	Nil
<b>TCP</b> Kementerian Dalam Negeri	Kementerian Dalam Negeri	01/12/2003 to 30/11/2004	Nil

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.6 Subsidiary Companies

##### 4.6.1 PPSB (89120-H)

###### (i) History and Business Overview

PPSB was incorporated on 24 August 1982 Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on the same day of incorporation.

PPSB's principal activities are in the publishing and distribution of books and other educational materials and sale of publishing rights. As at 1 March 2004, PPSB has 198 employees.

###### (ii) Share Capital

The present authorised share capital of PPSB is RM5,000,000 comprising 5,000,000 Shares of which RM2,500,000 comprising 2,500,000 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par value (RM)	Consideration	Total issued and paid-up capital (RM)
24-08-1982	2	1.00	Cash	2
31-12-1982	19,998	1.00	Cash	20,000
23-02-1983	20,000	1.00	Cash	40,000
11-11-1983	78,000	1.00	Cash	118,000
16-12-1984	2,000	1.00	Cash	120,000
19-06-1991	80,000	1.00	Cash	200,000
06-12-1991	200,000	1.00	Cash	400,000
06-10-1992	100,000	1.00	Cash	500,000
26-04-1993	100,000	1.00	Cash	600,000
26-11-1993	100,000	1.00	Cash	700,000
23-12-1994	300,000	1.00	Cash	1,000,000
05-01-1996	200,000	1.00	Cash	1,200,000
14-06-1996	300,000	1.00	Cash	1,500,000
21-05-1998	500,000	1.00	Cash	2,000,000
24-03-1999	500,000	1.00	Cash	2,500,000

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### (iii) Substantial Shareholders

PPSB is a wholly owned subsidiary of Pelangi Publishing. The substantial shareholders of PPSB are as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect	%	
Pelangi Publishing	2,500,000	100.0	-	-	
Sum Kown Cheek	-	-	2,500,000	100.0	(1)
Fang Mei Sin	-	-	2,500,000	100.0	(1)
Yap Chong Koy	-	-	2,500,000	100.0	(2)
Lai Swee Chiung	-	-	2,500,000	100.0	(3)

Notes on indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of PPSB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (2) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (3) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

##### iv) Subsidiary and associated company

As at 1 March 2004, PPSB has four subsidiaries namely, PLSB, ECSB, PFSB and CMSB. Details of PLSB, ECSB, PFSB and CMSB are set out in Section 4.5.7, 4.5.8, 4.5.9, and 4.5.10. PPSB does not have any associated company as at 31 July 2003.

#### 4.6.2 TPSB (105652 -A)

##### (i) History and Business Overview

TPSB was incorporated on 22 August 1983 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on the same day of incorporation.

TPSB's principal activities are in the publishing and distribution of books and other educational materials and sale of publishing rights. As at 1 March 2004, TPSB has 48 employees.

##### (ii) Share Capital

The present authorised and issued and paid-up share capital of TPSB are both RM1,000,000 comprising 1,000,000 Shares.

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

**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
22-08-1983	2	1.00	Cash	2
22-04-1985	27,400	1.00	Cash	27,402
17-06-1992	22,598	1.00	Cash	50,000
14-02-1995	100,000	1.00	Cash	150,000
18-06-1997	450,000	1.00	Cash	600,000
24-03-1999	400,000	1.00	Cash	1,000,000

(iii) Substantial Shareholders

TPSB is a wholly owned subsidiary of Pelangi Publishing. The substantial shareholders of TPSB are as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect*	%	
Pelangi Publishing	1,000,000	100.0	-	-	
Sum Kown Cheek	-	-	1,000,000	100.0	(1)
Fang Mei Sin	-	-	1,000,000	100.0	(1)
Yap Chong Koy	-	-	1,000,000	100.0	(2)
Lai Swee Chiung	-	-	1,000,000	100.0	(3)

Notes on indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of TPSB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (2) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (3) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

iv) Subsidiary and associated company

TPSB does not have any subsidiary/associated company.

**4.6.3** SCSB (499589-M)(i) History and Business Overview

SCSB was incorporated on 23 November 1999 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on the same day of incorporation.

SCSB's principal activity is of investment holding, property letting and property management. SCSB has no employees as it is currently managed by PPSB.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### (ii) Share Capital

The present authorised share capital of SCSB is RM5,000,000 comprising 5,000,000 Shares of which RM4,003,752 comprising 4,003,752 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
23-11-1999	2	1.00	Cash	2
22-04-2000	1,000,000	1.00	Cash	1,000,002
07-07-2000	1,450,000	1.00	Cash	2,450,002
11-01-2002	1,553,750	1.00	Allotment Otherwise Than Cash*	4,003,752

\* Satisfaction of amount owing to Directors and Shareholders by issuance of shares

##### (iii) Substantial Shareholders

SCSB is a wholly owned subsidiary of Pelangi Publishing. The substantial shareholders of SCSB are as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect*	%	
Pelangi Publishing	4,003,752	100.0	-	-	
Sum Kown Cheek	-	-	4,003,752	100.0	(1)
Fang Mei Sin	-	-	4,003,752	100.0	(1)
Yap Chong Koy	-	-	4,003,752	100.0	(2)
Lai Swee Chiung	-	-	4,003,752	100.0	(3)

Notes on indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of SCSB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (2) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (3) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

##### iv) Subsidiary and associated company

SCSB does not have any subsidiary/associated company.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.6.4 PESB (458162 -U)

###### (i) History and Business Overview

PESB was incorporated on 23 February 1998 as a private limited company under the Companies Act, 1965 and commenced its operation on 1 September 1998.

PESB's principal activities are those of franchise education operator and provision of education related training services. As at 1 March 2004, PESB has no employees as it is currently managed by PPSB.

###### (ii) Share Capital

The present authorised share capital of PESB is RM500,000 comprising 500,000 Shares of which RM300,000 comprising 300,000 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
23-02-1998	2	1.00	Cash	2
22-07-1998	99,998	1.00	Cash	100,000
20-06-2000	200,000	1.00	Cash	300,000

###### (iii) Substantial Shareholders

PESB is a wholly owned subsidiary of Pelangi Publishing. The substantial shareholders of PESB are as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect*	%	
Pelangi Publishing	300,000	100.0	-	-	
Sum Kown Cheek	-	-	300,000	100.0	(1)
Fang Mei Sin	-	-	300,000	100.0	(1)
Yap Chong Koy	-	-	300,000	100.0	(2)
Lai Swee Chiung	-	-	300,000	100.0	(3)

Notes on indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of PESB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (2) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (3) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

###### iv) Subsidiary and associated company

PESB does not have any subsidiary/associated company.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.6.5 PPISB (517605-P)

###### (i) History and Business Overview

PPISB was incorporated on 21 June 2000 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation 6 February 2003.

The principal activity of the company is overseas investment holding. PPISB has no employee as it is currently managed by PPSB.

###### (ii) Share Capital

The present authorised share capital of PPISB is RM100,000 comprising 100,000 Shares of which RM10,000 comprising 10,000 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
21-06-2000	100	1.00	Cash	100
26-12-2002	9,900	1.00	Cash	10,000

###### (iii) Substantial Shareholders

PPISB is a wholly owned subsidiary of Pelangi Publishing. The substantial shareholders of PPISB are as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect*	%	
Pelangi Publishing	10,000	100.0	-	-	
Sum Kown Cheek	-	-	10,000	100.0	(1)
Fang Mei Sin	-	-	10,000	100.0	(1)
Yap Chong Koy	-	-	10,000	100.0	(2)
Lai Swee Chiung	-	-	10,000	100.0	(3)

Notes on indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of PPISB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (2) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (3) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

###### iv) Subsidiary and associated company

PPISB does not have any subsidiary/associated company.



#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.6.6 PPHSB (493518-H)

###### (i) History and Business Overview

PPHSB was incorporated on 9 September 1999 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on 12 March 2001.

PPHSB's principal activity is investment holding. PPHSB has no employee as it is currently managed by PPSB.

###### (ii) Share Capital

The present authorised share capital of PPHSB is RM5,000,000 comprising 5,000,000 Shares of which RM2,700,000 comprising 2,700,000 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
09-09-1999	2	1.00	Cash	2
15-10-1999	599,998	1.00	Cash	600,000
20-06-2000	1,100,000	1.00	Cash	1,700,000
28-09-2002	1,000,000	1.00	Cash	2,700,000

###### (iii) Substantial Shareholders

PPHSB is a wholly owned subsidiary of Pelangi Publishing. The substantial shareholders of PPHSB are as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect*	%	
Pelangi Publishing	2,700,000	100.0	-	-	
Sum Kown Cheek	-	-	2,700,000	100.0	(1)
Fang Mei Sin	-	-	2,700,000	100.0	(1)
Yap Chong Koy	-	-	2,700,000	100.0	(2)
Lai Swee Chiung	-	-	2,700,000	100.0	(3)

Notes on indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of PPHSB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (2) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (3) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

###### iv) Subsidiary and associated company

As at 1 March 2004, PPHSB has a subsidiary namely, TCP and two associated companies namely, PMESB and PMSB. Details of TCP, PMESB and PMSB are set out in Section 4.5.11, 4.5.12 and 4.5.13.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.6.7 PLSB (379269-A)

###### (i) History and Business Overview

PLSB was incorporated on 9 March 1996 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on 1 April 1997.

PLSB is currently inactive. Its intended principal activities are to produce and distribute teaching aids and education aids. PLSB has no employees as the company is currently managed by PPSB.

###### (ii) Share Capital

The present authorised share capital of PLSB is RM100,000 comprising 100,000 Shares of which RM50,002 comprising 50,002 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
09-03-1996	2	1.00	Cash	2
15-07-1998	50,000	1.00	Cash	50,002

###### (iii) Substantial Shareholders

PLSB is a wholly owned subsidiary of PPSB. The substantial shareholder of PLSB is as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect*	%	
PPSB	50,002	100.0	-	-	-
Pelangi Publishing	-	-	50,002	100.0	(1)
Sum Kown Cheek	-	-	50,002	100.0	(2)
Fang Mei Sin	-	-	50,002	100.0	(2)
Yap Chong Koy	-	-	50,002	100.0	(3)
Lai Swee Chiung	-	-	50,002	100.0	(4)

Notes on indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the Pelangi Publishing is deemed to have interests in the shares of PLSB as it exercises or controls not less than 15% of the voting shares of PPSB.
- (2) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of PLSB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (3) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (4) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

iv) Subsidiary and associated company

PLSB does not have any subsidiary/associated company.

#### 4.6.8 ECSB (431111-V)

(i) History and Business Overview

ECSB was incorporated on 13 May 1997 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on 1 June 1997.

ECSB's principal activities are of those of investment holding, property letting and property management. ECSB has no employees as the company is managed by PPSB.

(ii) Share Capital

The present authorised share capital of ECSB is RM1,000,000 comprising 1,000,000 Shares of which RM500,000 comprising 500,000 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
13-05-1997	2	1.00	Cash	2
28-07-1997	499,998	1.00	Cash	500,000

(iii) Substantial Shareholders

ECSB is a wholly owned subsidiary of PPSB. The substantial shareholder of ECSB is as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect	%	
PPSB	500,000	100.0	-	-	-
Pelangi Publishing	-	-	500,000	100.0	(1)
Sum Kown Cheek	-	-	500,000	100.0	(2)
Fang Mei Sin	-	-	500,000	100.0	(2)
Yap Chong Koy	-	-	500,000	100.0	(3)
Lai Swee Chiung	-	-	500,000	100.0	(4)

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

Note of indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the Pelangi Publishing is deemed to have interests in the shares of ECSB as it exercises or controls not less than 15% of the voting shares of PPSB.
- (2) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of ECSB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (3) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (4) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

iv) Subsidiary and associated company

ECSB does not have any subsidiary/associated company.

#### 4.6.9 PFSB (172005-U)

(i) History and Business Overview

PFSB was incorporated on 14 July 1988 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on 2 September 1990.

PFSB's principal activities are in the printing of computer forms and other types of printing services. As at 1 March 2004, PFSB has 17 employees.

(ii) Share Capital

The present authorised share capital of PFSB is RM1,000,000 comprising 1,000,000 Shares of which RM850,000 comprising 850,000 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
14-07-1988	2	1.00	Cash	2
06-10-1992	24,998	1.00	Cash	25,000
17-04-1993	125,000	1.00	Cash	150,000
15-05-1994	100,000	1.00	Cash	250,000
10-04-1995	150,000	1.00	Cash	400,000
30-11-1996	200,000	1.00	Cash	600,000
12-12-1997	100,000	1.00	Cash	700,000
14-08-1998	150,000	1.00	Cash	850,000

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### (iii) Substantial Shareholders

PFSB is an 80% owned subsidiary of PPSB. The substantial shareholders of PFSB are as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect	%	
PPSB	680,000	80.0	-	-	-
Chia Hai Chew	42,500	5.00	-	-	-
Wong Poo Won	85,000	10.00	-	-	-
Ng Weng Tuck	42,500	5.00	-	-	-
Pelangi Publishing	-	-	680,000	80.0	(1)
Sum Kown Cheek	-	-	680,000	80.0	(2)
Fang Mei Sin	-	-	680,000	80.0	(2)
Yap Chong Koy	-	-	680,000	80.0	(3)
Lai Swee Chiung	-	-	680,000	80.0	(4)

Note of indirect interests:

(1) By virtue of Section 6A of the Companies Act 1965 whereby the Pelangi Publishing is deemed to have interests in the shares of PFSB as it exercises or controls not less than 15% of the voting shares of PPSB.

(2) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of PFSB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.

(3) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.

(4) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

##### iv) Subsidiary and associated company

PFSB does not have any subsidiary/associated company.

#### 4.6.10 CMSB (104669-W)

##### (i) History and Business Overview

CMSB was incorporated on 29 July 1983 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operations on the same day of incorporation.

CMSB's principal activities are in the typesetting and printing services. As at 1 March 2004, CMSB has 34 employees.

##### (ii) Share Capital

The present authorised share capital of CMSB is RM1,000,000 comprising 1,000,000 Shares of which RM500,000 comprising 500,000 Shares have been issued and fully paid-up.

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

**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
29-07-1983	2	1.00	Cash	2
08-09-1983	54,105	1.00	Allotment otherwise than cash*	54,107
05-05-1989	24,872	1.00	Cash	78,979
07-09-1992	30,000	1.00	Cash	108,979
29-06-1999	111,021	1.00	Cash	220,000
24-01-2003	280,000	1.00	Cash	500,000

\* Took over assets and liabilities of a partnership

**(iii) Substantial Shareholders**

CMSB is an 80% owned subsidiary of PPSB. The substantial shareholders of CMSB are as follows: -

Shareholders	No. of shares held				Note
	Direct	%	Indirect	%	
PPSB	400,000	80.0	-	-	-
Sim How Chuang	100,000	20.0	-	-	-
Pelangi Publishing	-	-	400,000	80.0	(1)
Sum Kown Cheek	-	-	400,000	80.0	(2)
Fang Mei Sin	-	-	400,000	80.0	(2)
Yap Chong Koy	-	-	400,000	80.0	(3)
Lai Swee Chiung	-	-	400,000	80.0	(4)

Note of indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the Pelangi Publishing is deemed to have interests in the shares of CMSB as it exercises or controls not less than 15% of the voting shares of PPSB.
- (2) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of CMSB as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (3) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (4) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

**iv) Subsidiary and associated company**

CMSB does not have any subsidiary/associated company.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.6.11 TCP (2390-V)

###### (i) History and Business Overview

TCP was incorporated as The Commercial Press, Limited on 14 August 1953 in Malaysia as a private limited company under the Companies Ordinance 1940-1946. It changed its name to The Commercial Press, Sdn. Berhad on 4 July 1969. The business operation of TCP commenced way back in 1908.

TCP's principal activities are in the provision of printing services. As at 1 March 2004, TCP has 56 employees.

###### (ii) Share Capital

The present authorised share capital of TCP is RM1,000,000 comprising 100,000 Shares of which RM956,000 comprising 95,600 Shares have been issued and fully paid-up.

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

Date of allotment	No. of shares	Par value (RM)	Consideration	Total issued and paid-up share capital (RM)
13.10.1953	40	10.00	Otherwise than cash	400
06.11.1953	11,210	10.00	Otherwise than cash	112,500
06.06.1960	2,018	10.00	Cash	132,680
19.06.1961	2,383	10.00	Cash	156,510
25.06.1962	2,810	10.00	Cash	184,610
25.05.1964	1,539	10.00	Cash	200,000
20.06.1964	3,900	10.00	Cash	239,000
17.12.1988	71,700	10.00	Allotment otherwise than cash (Capitalisation of Reserve Account)	956,000

###### (iii) Substantial Shareholders

TCP is a 90% owned subsidiary of PPHSB. The substantial shareholders of TCP are as follows: -

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

Shareholders	No. of shares held				Note
	Direct	%	Indirect	%	
PPHSB	86,040	90.0	-	-	-
Loh Hing Chuen	9,560	10.0	-	-	-
Pelangi Publishing	-	-	86,040	90.0	(1)
Sum Kown Cheek	-	-	86,040	90.0	(2)
Fang Mei Sin	-	-	86,040	90.0	(2)
Yap Chong Koy	-	-	86,040	90.0	(3)
Lai Swee Chiung	-	-	86,040	90.0	(4)

Note of indirect interests:

- (1) By virtue of Section 6A of the Companies Act 1965 whereby the Pelangi Publishing is deemed to have interests in the shares of TCP as it exercises or controls not less than 15% of the voting shares of PPHSB.
- (2) By virtue of Section 6A of the Companies Act 1965 whereby the indirect shareholders are deemed to have interests in the shares of TCP as they exercise or control not less than 15% of the voting shares of Pelangi Publishing.
- (3) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in Pelangi Publishing.
- (4) Deemed interested by virtue of her spouse, Sum Kown Cheek's substantial shareholdings in Pelangi Publishing.

iv) Subsidiary and associated company

TCP does not have any subsidiary/associated company.

#### 4.6.12 PMESB (585971-M)

(i) History and Business Overview

PMESB was incorporated on 11 July 2002 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on 28 February 2003.

PMESB's principal activities are in the designing and producing educational CD-ROMs and related IT products. As at 1 March 2004, PMESB has 5 employees.

(ii) Share Capital

The present authorised share capital of PMESB is RM100,000 comprising 100,000 Shares of which RM100,000 comprising 100,000 Shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
11-07-2002	2	1.00	Cash	2
31-12-2002	91,081	1.00	Cash	91,083
31-12-2002	8,917	1.00	Allotment otherwise than cash*	100,000

\* Took over assets of a partnership



#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### (iii) Substantial Shareholders

PMESB is a 30% associated company of PPHSB. The substantial shareholders of PMESB and their respective shareholdings are as follows:-

Shareholders	No. of shares held				Note
	Direct	%	Indirect	%	
Lim Shiau Kean	9,000	9.00	-	-	-
Teh Huey Pang	7,000	7.00	-	-	-
HolderName	13,067	13.07	32,500	32.5	(1)
HolderName	11,567	11.57	34,000	34.0	(2)
Ooi Oon Seong	7,000	7.00	-	-	-
Siow Wei Fatt	7,000	7.00	-	-	-
PPHSB	30,000	30.00	-	-	-
Pelangi Publishing	-	-	30,000	30.0	(3)
Yap Chong Koy	-	-	41,567	30.0	(4)
Lai Swee Chiung	-	-	43,067	30.0	(5)

Notes on indirect interests:

- (1) Deemed interested by virtue of his spouse, Lai Swee Chiung's shareholdings in the company and by virtue of Section 6A of the Companies Act 1965 whereby Sum Kown Cheek is deemed to have an interest in the shares of PMESB as he exercises or controls not less than 15% of the voting shares of Pelangi Publishing.
- (2) Deemed interested by virtue of her spouse, Yap Chong Koy's shareholdings in the company and by virtue of Section 6A of the Companies Act 1965 whereby Fang Mei Sin is deemed to have an interest in the shares of PMESB as she exercises or controls not less than 15% of the voting shares of Pelangi Publishing.
- (3) By virtue of Section 6A of the Companies Act 1965 whereby Pelangi Publishing is deemed to have interests in the shares of PMESB as it exercises or controls not less than 15% of the voting shares of PPHSB.
- (4) Deemed interested by virtue of his spouse, Fang Mei Sin's direct shareholdings in PMESB and Pelangi Publishing.
- (5) Deemed interested by virtue of her spouse, Sum Kown Cheek's direct shareholdings in PMESB and Pelangi Publishing.

##### iv) Subsidiary and associated company

PMESB does not have any subsidiary/associated company.

#### 4.6.13 PMSB (345998-T)

##### (i) History and Business Overview

PMSB was incorporated on 8 June 1995 in Malaysia as a private limited company under the Companies Act, 1965 and commenced its operation on 1 January 2001.

PMSB's principal activities are in the designing and producing Internet and multimedia related products. As at 1 March 2004, PMSB has 6 employees.

**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**(ii) Share Capital

The present authorized and issued and paid-up share capital of PMSB are both RM100,000 comprising 100,000 Shares.

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

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up share capital (RM)
08-06-1995	2	1.00	Cash	2
20-06-2000	99,998	1.00	Cash	100,000

(iii) Substantial Shareholder

PMSB is a 30% associated company of PPHSB. The substantial shareholders of PMSB and their respective shareholdings are as follows:-

Shareholders	No. of shares held				Note
	Direct	%	Indirect	%	
Lai Chin Heng	5,454	5.45	-	-	-
Sum Kown Cheek	22,867	22.87	34,375	34.37	(1)
Fang Mei Sin	20,242	20.24	37,000	37.0	(2)
Yap Chong Koy	7,000	7.00	50,242	50.24	(3)
PPHSB	30,000	30.00	-	-	-
Pelangi Publishing	-	-	30,000	30.0	(4)
Lai Swee Chiung	-	-	52,867	30.0	(5)

Notes on indirect interests:

- (1) Deemed interested by virtue of his spouse, Lai Swee Ching's direct shareholdings in PMSB and by virtue of Section 6A of the Companies Act 1965 whereby Sum Kown Cheek is deemed to have an interest in the shares of PMSB as he exercises or controls not less than 15% of the voting shares of Pelangi Publishing.
- (2) Deemed interested by virtue of her spouse, Yap Chong Koy's direct shareholdings in PMSB and by virtue of Section 6A of the Companies Act 1965 whereby Fang Mei Sin is deemed to have an interest in the shares of PMSB as she exercises or controls not less than 15% of the voting shares of Pelangi Publishing.
- (3) Deemed interested by virtue of his spouse, Fang Mei Sin's direct shareholdings in PMSB and Pelangi Publishing.
- (4) By virtue of Section 6A of the Companies Act 1965 whereby Pelangi Publishing is deemed to have interests in the shares of PMSB as it exercises or controls not less than 15% of the voting shares of PPHSB.
- (5) Deemed interested by virtue of her spouse, Sum Kown Cheek's direct shareholdings in PMSB and Pelangi Publishing.

(iv) Subsidiary and associated company

PMSB does not have any subsidiary/associated company.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.7 Industry Overview & Prospects of Pelangi Publishing

(Section 1.1 to Section 1.5 below are extracted in total from the report prepared by Infocredit D&B (Malaysia) Sdn Bhd)

##### 1.1 Economic Overview

##### 1.1.1 Global Economy

The global economic outlook showed signs of recovery after a string of adverse shocks occurred in the first half of 2003. The recovery was accompanied by forward looking indicators such as the strengthening of equity markets, a rebound in business and consumer confidence, reduction of interest rates in the Euro area and the United States of America ("USA") and signs of pick-up in investments particularly in the USA, Japan and the Asian emerging markets.

There are regional variations in economic growth. The USA had remained as the main engine of global growth but emerging markets in Asia, notably China is set to lead the global economic rebound especially now that the Severe Acute Respiratory Syndrome ("SARS") crisis has ceased. The recovery is expected to be more buoyant than the rest of the world, as growth is expected to reach 6.4% by 2004. The robust growth will be driven by rising labour productivity, a rebound in global trade and the information technology ("IT") sector. Although domestic demand growth is becoming broadly based, the recovery for these countries remains dependent on external demand. The prospect of a foreseeable weaker global recovery is a potential risk. Growth forecast for emerging markets in Asia is 6.2% for 2004.

The USA is forecast to chart a stronger Gross Domestic Product ("GDP") growth of 3.9% in 2004, while the Euro area is expected to further improve by 1.9% in 2004. Japan, which has shown further signs of bottoming out, has entered into a recovery mode and is projected to grow by 1.4% in 2004. China, India and Newly Industrialised Asian Economies (Hong Kong SAR, Korea, Singapore, Taiwan) are expected to pose strong GDP growth in 2004 at 7.5%, 5.9% and 4.2%.

Even in an optimistic year, there are several global downside risks facing the global economy. Softer equity prices and weaker growth in trading partners are also potential threats to growth. Although growth in China as a trading partner should provide some support to the downside, a loss of growth momentum in the demand for electronic products could dampen outlook further. This in turn would hurt industrial production, consumption and investment.

##### 1.1.2 The Malaysian Economy

**Table 1.2 : Main Indicators of the Malaysian Economy, 1997-2004f**

<b>MAIN INDICATORS (%)</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003e</b>	<b>2004f</b>
<b>GDP at Constant Price</b>	7.3	-7.4	6.1	8.3	0.4	4.1	4.5	5.5-6.0
Agriculture	0.7	-2.8	0.5	2.0	1.8	3.0	2.3	3.0
Manufacturing	10.1	-13.4	11.7	19.1	-6.2	4.0	6.5	7.2
Mining and quarrying	1.9	0.4	6.9	1.9	1.6	3.7	4.5	3.5
Construction	10.6	-24.0	-4.4	1.0	2.3	2.3	2.5	2.6
Services	9.9	-0.4	4.5	5.7	5.7	4.1	4.2	5.5

Notes:

e = estimates f = forecasts

Sources: Department of Statistics, Bank Negara Malaysia

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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The Malaysian economy registered stronger growth at 5.1% in the third quarter of 2003 from 4.5% in the second quarter 2003<sup>1</sup>. The improved performance was mainly driven by the private sector and a low interest rate environment. The pick-up of the private sector was the result of increase consumption and investment coupled with growth in productivity<sup>2</sup>. Going forward, the outlook for the following year is set towards strengthening the country's economic position. Malaysia's GDP is expected to accelerate from 4.5% in 2003 to about 6% in 2004, driven by improving export performance, domestic consumption and private investments. Furthermore, the RM7.3 billion economic stimulus package unveiled on 21 May 2003, swift conclusion of the Iraq war and the end of the SARS epidemic had regained consumer confidence.

External trade performance showed improvements during the first half of 2003 recording a 4.3% growth compared to 2.0% within the corresponding period in 2002<sup>3</sup>. The upsurge was brought about by an upturn demand for rubber products, which increased to 10.7% and the recovery of global electronics demand particularly from the East Asian countries. Bank Negara Malaysia ("BNM") projects a higher export growth of 5.2% in 2003 compared with 3.6% for 2002. This is in view of the country's success in attracting export-oriented projects, particularly in the electrical machinery and appliance production sectors. According to the Ministry of International & Trade Industry, total exports of these products increased by 16.1% year-on-year reaching RM92.3 billion in 2002. Public sector investment and consumption have taken a more passive role in 2002 compared to 2001. The Ministry of Finance expects the private sector to take a more aggressive role in 2003 with private sector investment projected to grow by 14.4% or 13.1% of the GDP.

BNM's forecast is based on the assumption of modest world economic growth, some pick-up in the global electronics industry, firm commodity prices and further expansion in intra-regional trade. This forecast is lower than its previous forecast of 6.5% in October 2002. BNM is also cutting its intervention rate by 50 basis points to 4.50% as a pre-emptive measure to support domestic growth potential. Together with the other measures in the economic package to increase disposable income, it is expected to enhance the potential for supporting the growth prospects. With economic fundamentals remaining strong, proactive policy measures such as fiscal and monetary expansion to stimulate domestic demand, and the diversified and resilient economic base has allowed the growth momentum to be sustained despite the SARS outbreak and the uncertain external environment.

Growth in domestic-oriented industries continued to pick up, registering an increased of 11.5% in 2003 after a sluggish 0.8% growth in 2002. This was brought about by higher consumption level of plastic products where plastic parts for household appliances contributed to the strong growth due to increased in disposable income from the stimulus package and a growing consumer confidence. Meanwhile, the export-oriented industries showed better performance in the first half of 2003, recording a 4.3% growth compared to 2.0% within the corresponding period in 2002. The upsurge was brought about by an upturn demand for rubber products, which increased to 10.7%. Wood-based products recorded a slight output growth of 1.7% in the first half of 2003 with major contribution from the plywood industry.

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<sup>1</sup> Source: BNM Press Release on Third Quarter 2003 dated 19 November 2003

<sup>2</sup> Source: BNM Press Release on Third Quarter 2003 dated 19 November 2003

<sup>3</sup> Source: Economic Report 2003/2004

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 1.1.3 Manufacturing In Malaysia

**Table 1.3 : Principal Statistics of Manufacturing Industries in Malaysia, 1998-2003**

	1998	1999	2000	2001	2002	2003
Number of Establishments	2,989	3,095	3,259	3,358	3,542	3,633
Sales Value (Ex-Factory) RM billion	220.5	256.9	333.3	308.9	307.5	341.1
Number of Employees	887,300	969,766	1,048,553	974,551	970,315	1,007,656
Salaries & Wages Paid RM billion	13.8	15.1	17.5	18.0	18.1	19.2

Note:

*The data were collected through the Monthly Manufacturing Survey. This survey covered 73 out of a total of 137 manufacturing industries, of which 11 had been fully enumerated while, for the remaining 62, only larger establishments above certain employment were covered.*

*Sources: Department of Statistics*

In 2003, the number of companies engaged in the manufacturing sector was 3,633. The number of employees employed by the manufacturing sector stood increased by 3.84% to 1,007,656 in 2003. At the same time, the productivity in terms of average sales value per employee edged up by 6.8%.

In terms of sales value, there were 47 or 64.4% out of the 73 industries covered in the manufacturing survey that recorded sales value of RM1 billion and above for the year 2003. This is 61.6% of the 73 industries covered in the Monthly Manufacturing Survey. Collectively, the sales value for these 47 industries in 2002 was RM330.7 billion. This total of RM330.7 billion represented 97.0% of the overall sales value reported for the period under review in 2003.

Listed in Table 1.4 are five industries, which registered the highest sales value during 2003 (with comparative data for the same period of 2002):

**Table 1.4 : Top Five Contributors of Manufacturing Industries in Malaysia, 2002-2003**

No.	Industry	Sales Value (RM billion)		% Change
		2002	2003	
1	Semi-Conductors and Other Electronic Components and Communication Equipment and Apparatus (38329)	92.5	100.2	8.3
2	Radio and Television Sets, Sound Reproducing and Recording Equipment (38321)	28.0	28.7	2.5
3	Crude Oil Refineries (35300)	22.7	28.0	23.3
4	Manufacture of Industrial Gases (35111)	13.0	16.6	27.7
5	Manufacture & Assembly of Motor Vehicles (38432)	12.1	14.3	18.2

*Sources: Department of Statistics*

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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The manufacturing sector continues to be the major engine of growth for the Malaysian economy, which registered an average annual growth rate of 9.1% for the period from 1996-2000 against the target growth rate of 10.7% under the 7MP. In 2001, manufacturing output tumbled due to the slowdown in global economy and a sharp plunge in the demand for electronic products. Given the high contribution of the electronics industry to the manufacturing sector (40.3%), the decline in world demand of the electronic products has adversely affected manufacturing output. However, the domestic-oriented industries were resilient due to the expansion in the manufacturing output of construction-related sectors, resource-based industries, transportation equipments and consumer products. After 11 consecutive months of decline, the manufacturing output finally staged a rebound during the first quarter of 2002 and went on with three straight months of positive growth since April 2002.

On the external front, the slump in the worldwide semiconductors sector has shown signs of bottoming out and the book-to-bill ratio of North America's electronics equipment has stayed above one in four straight months since March 2002. After an inventory adjustment in both the domestic and global electronics industry in 2001, new orders replenishing depleted stocks of electronic products have started to pick-up. Imports of intermediate goods have increased by 3.3% in the first quarter of 2002, showing an encouraging growth in manufacturing output for the months ahead.

Under the Eighth Malaysia Plan ("8MP"), the annual average growth rate for the manufacturing sector is expected at 8.9% for the period of 2001 to 2005. However, the growth rate was only 0.2% in 2001 due to a slump in global demand for electronic products. As export-oriented industries will continue to dominate the manufacturing sector, the sector's growth is expected to be export-led, projected to earn up to 89% of the country's foreign exchange earnings by 2005.

The outlook for the manufacturing sector remains positive despite a fall in foreign investments in recent years. To speed up recovery of the global economy, some MNCs have relocated its labour-intensive and low-end operations to the lower cost countries such as China and Thailand. However, some companies have moved its high-end operations to Malaysia to tap on the superior manufacturing facilities, competitive tax, incentive scheme and well-trained labour force. The fiscal stimulus packages and low interest rate regime has helped to ensure a brighter prospect for the manufacturing sector in 2003.

**1.1.4 The Knowledge Economy in Malaysia**

The concerted efforts of the Government to broaden the economic base and develop new sources of growth have resulted in a gradual shift from a production-intensive economy to a knowledge-intensive economy. In September 2001, the Government launched the Knowledge-based or K-based Economy Master Plan that outlines the seven strategic thrusts comprising recommendations to accelerate the shift towards the knowledge-based economy. The strategic thrusts focus on areas that are salient to the transformation to the new economy, encompassing human resource development, institutional framework, info-structure and infrastructure, science and technology capacity, role of the private sector, a knowledge-based civil service as well as bridging the knowledge and digital divides.

Within the ICT agenda, the penetration rate in Internet usage has surged from 10.6 per 100 population in 2000 to 20.0 per 100 population in 2003 for urban areas as at end-June 2003. As for the rural areas, the progress is also almost two-fold from 1.3 to 2.5 per 100 population as at end-June 2003. Internet connectivity is also being extended to 750 locations for rural schools through the SchoolNet Programme, public libraries as well as clinics throughout the country. In the Government sector, the establishment of the electronic-government (e-Government) is an initiative towards accelerating information flows and expediting transactions, such as through the e-Procurement and e-Payment. A growing young population, high literacy rate and increasing PCs usage will also spur Internet usage in the country.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

In the education sector, the move towards educational excellence in Malaysia is aimed at improving the quality of workforce. At both primary and secondary levels, the ongoing ICT-driven projects in schools and smart schools will enable students to tap into the wealth of knowledge arising from the expansion in Internet connectivity. The extension of these projects nationwide will reduce the digital divide between the urban and rural areas.

The Government's decision to teach Mathematics and Science in the English language beginning 2003 will provide students with access to the greater wealth of knowledge in the fields of science and technology as well as enhancing proficiency in the language. The implementation of single-session schools further ensures that students have effective access to both academic as well as co-curriculum activities and nurture a balanced and all-round development. Such programmes will also equip students with the required knowledge to achieve excellence in education while creating easily trainable and higher quality workforce.

### 1.2 Broad Industry Assessment – Publishing Industry

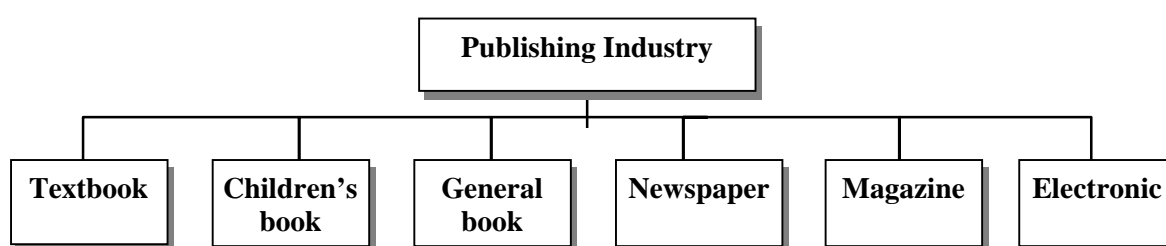
#### 1.2.1 Industry Classification

##### *Industry Structure*

The publishing industry is a highly diverse industry. Publication rides on the backbone of information or content, which is by nature ubiquitous in form. Webster<sup>4</sup> defines the term “publishing” as the business or profession of the commercial production and issuance of literature, information, musical scores or sometimes recordings or arts. It however does not cover printing or producing of a family history bound in book form without commercial intent.

The publishing industry can be broadly classified into six different sub-groups. The classifications are textbook, children's book, general book, newspaper, magazine and electronic publishing.

**Figure 1.1 : The Publishing Industry by Product Classification**



Source: Department of Statistics, Infocredit D&B Research

The publishing industry is difficult to be classified due to the broad variation of publications produced, varying from language, genre, topics, markets covered to media type. The complexity is aggravated by the convergence of the conventional<sup>5</sup> and electronic publishing industry, sparked by the rapid growth of the Internet and alternative content delivery channels. In the publishing industry, distribution represents the key fundamental activity, whereas all others are considered as supporting activities.

<sup>4</sup> Source: Webster's new world dictionary and thesaurus. Macmillan, 1996

<sup>5</sup> Note: Conventional Publishing includes all major hardcopy printed media defined within ISIC 2211, 2212 and 2219 (see Table 1.5)

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

Based on the Malaysian Industrial Classification ("MIC") code system, the publishing industry falls under the code of 34200 - printing, publishing and allied industries. However, this includes printing and allied services, which is not covered in this study. As such, the International Standard Industrial Classification ("ISIC") system will be used to classify the segments within the publishing industry.

**Table 1.5 : Definition of the Malaysian Publishing Industry**

Definition	Type	Example of Publications
<b>ISIC 2211</b> Publishing of books, brochures, musical books and other publications	Children's Books	Educational, Fiction, Non-Fiction
	Dictionaries	Dictionaries, Encyclopaedias, Thesaurus
	Directories	Business, Members, Yellow Pages, Guides
	General Books	Business, Fiction, Non-Fiction, Religious, Novels
	Musical Books	Theory, Reference, Song Books
	Reference Books	College, Higher Education, University
	Textbooks	Primary and Secondary Textbooks, Reference, Workbooks
	Others	Brochures, Printed Profiles, Pamphlets, Guides, Maps, Atlases, Reports
<b>ISIC 2212</b> Publishing of newspapers, journals and periodicals	Newspaper	English, Malay, Chinese, Indian Daily or Weekly Newspaper
	Journals	Trade Journals, Other Journals
	Magazines	General, Consumer, Business, Special Interest
	Other Periodicals	Newsletters, Special Interest Periodicals, Comics, Others
<b>ISIC 2213</b> Publishing of recorded media	Electronic media publishing	Publishing of media within ISIC 2211, 2212 and 2219 in the form of Adobe PDF (Portable Document Format), CDROM, OEB (Open e-book Format), HTML and other electronic media
<b>ISIC 2219</b> Other publishing	Other publishing not elsewhere classified	Photos, Engravings and Postcards, Forms, Posters and Reproduction of works of art

Sources: Department of Statistics

#### 1.2.2 Industry Overview

The earliest publication was traced back as far as 1806 in Penang, which marked the beginning of the publishing industry<sup>6</sup>. The Government has played a significant role in the development of the local publishing industry, as it needs to ensure that the reading materials available locally reflect local values appropriate for the country's multi-ethnic composition and meet the requirements of the national educational curriculum. The strategic role of the publishing industry lies not only in its economic function, but also in its educational and cultural function.

<sup>6</sup> Source: National Language and Literary Council



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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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Along with the improvement of the nation's income and household living standards is the emergence of the growing middle class, whose interests are reflected in their quest for information and knowledge. More young Malaysians are now in the course of completing their tertiary degrees in local colleges, universities as well as institutions overseas. Students today have also begun to consume more reading materials in pursuit of higher education and knowledge.

As such, a National Book Policy has been formulated in 1985, and the Dewan Bahasa dan Pustaka ("DBP")<sup>7</sup> was established to spearhead the development of the local publishing industry. Starting off with a publication fund of RM20 million awarded by the Government, DBP has grown to become the largest book publisher in the country, publishing several hundred Malay book titles a year, including Government publications, textbooks, educational aids, academic textbooks and general literature<sup>8</sup>.

Educational materials are published in four languages – Bahasa Malaysia (Malay), English, Chinese and Tamil. As Bahasa Malaysia is the national language and the primary medium of instruction for the primary to tertiary education, Malay titles make up the a major 60% of the total volume of books published locally, with nearly 25% English titles and the remainder comprising a balance of Chinese and Tamil languages.

### **1.2.3 Industry Players**

There are about 500 companies registered as "publishers" with the Companies Commission of Malaysia. These companies range from small "one-man" shops to large firms with more than fifty employees. Of the 500, around 150 or 30% are estimated to be significant players. Majority of the active players were found to be located within Klang Valley, while the remaining ones are located in the capitals of other main states. These publishers produce an estimated 5,000 new titles annually. The more established publishers in Malaysia are Pelanduk Publications Sdn Bhd, Penerbitan Pelangi Sdn Bhd, Berita Publishing Sdn Bhd, Falcon Press Sdn Bhd and Fajar Bakti Sdn Bhd.

Despite the limitation of a controlled and domestic-driven market, the local publishing industry is complex as publishers buy rights of foreign titles, print books and/or magazines for foreign publishers for export, and translate books and magazines from English into Bahasa Malaysia. The publishing sector also includes a small number of local subsidiaries of foreign and multinational companies. These local subsidiaries, drawing on their international connections, have built core competency in the publication of academic texts as well as general literature.

### **1.2.4 Industry Life-Cycle**

The demand trend of the publishing industry varies as it depends largely on the type of publishing involved. For general book publishers, one major risk is not being able to forecast the market accurately due to changing consumer preferences and short product life-cycles of "titles". The established players are in a better position to anticipate the market trend.

In contrary, the demand for the textbook and reference book market segment shows a unique characteristic as demand is known well in advance. The risk of cost fluctuations is also small as cost of paper forms a small part of the total price of a book and most costs can be fixed at the time of signing of contract. The local textbook and reference book market is dominated by a small pool of very established players.

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<sup>7</sup> Source: International Federation of Library Associations and Institutions

<sup>8</sup> Source: Dewan Bahasa dan Pustaka

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#### **4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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The local publishing industry is almost entirely domestically-oriented, with a large proportion of book production directed to the educational and school market and in the national language and curriculum. The focus on the domestic market indicates that local firms have been largely shielded from competitions from foreign multinational companies. . However, local publishers who produce non-national language titles such as English and Chinese are able to penetrate the overseas markets.

##### **1.2.5 Government Legislations**

Being a multi-ethnic and multi-religious nation, Malaysia is highly conscious of publication that might cause racial and religious unrest. As such, the Internal Security Act (“ISA”) enforces a restriction on publication or distribution of reading materials that are deemed threatening to the national security. However, the decision to ban books can be made only after such material is circulated. In the case of imported books, titles that arouse suspicion by the customs department are required to be submitted for examination by the authorities. Other laws, such as the Printing Presses and Publications Act 1984, also have provisions on “undesirable publications” defined as those that would likely to conflict with the national interests.

Generally, it is a Government requirement that the supply of imported books to Government offices and libraries be channeled through Bumiputra book contractors registered with the Ministry of Finance; certain other preferential policies also exist to ensure the sustained growth and development of Bumiputra publishers and printers in Malaysia.

Copyright laws in Malaysia are established under the Copyright Act 1987 to protect published and other creative materials. Despite severe penalties on copyright offence, copyright infringement or book “piracy”, namely the photocopy of complete books, primarily of textbooks and reference books, is still common.

Intellectual property rights in relation to the publishing industry are protected under the following:

- Trade Mark Acts 1976 and the Regulations;
- Copyright Act 1987, Copyright (Amendment) Act 1990 and the regulations;

Related cyber-laws in protecting Malaysia in the electronic world are<sup>9</sup> :

- Digital Signature Act 1997
- Computer Crime Act 1997
- Telemedicine Act 1997
- The Copyright (Amendment) Act 1997
- The Communications and Multimedia Act 1998

##### **1.2.6 Dependence on Other Industries**

The publishing industry is a knowledge-based economy and as such, depends largely on human capital, which is the key driver of growth. Although the publishing of Government textbooks is relatively mature, qualified and experienced writers are scarce. The publishing industry also has close relations with the printing industry. The print quality of books is important to capture demand especially for the commercial market.

The publishing industry is also dependent on the paper industry since the main raw materials used in the publishing industry consist mainly of paper. Paper prices fluctuate not only due to cyclical changes in paper prices but also due to exchange rate of the Ringgit vis-à-vis the USD. Depending on the type of publications, high-end publications are generally more open to the risk of fluctuation in paper prices.

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<sup>9</sup> Source: National Information Technology Council (“NITC”)

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## 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

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### 1.2.7 Barriers of Entry

The barriers of entry for the publishing industry are low which explains the large number of players currently in the market. Another factor is that almost every part of the production process can be contracted out. The authors are paid on royalty, hence requiring zero investment. The typesetting, colour separation, plates production and the printing itself can all be subcontracted out.

However, the publishing industry is also a knowledge driven industry. The ability to attract, establish and maintain a large pool of experienced writers and illustrators as well as the entrenched R&D team and marketing networks are imperative to the operation of well established publishing houses. These factors represent barriers of entry to new entrants especially for the non-integrated ones.

### 1.3 Focus Industry Assessment–Academic & Children’s Book

#### 1.3.1 Definition

For the purpose of facilitating a better understanding of the academic<sup>10</sup> and children’s book sector, the analysis is segmented based on its industrial groupings (by products, under the *ISIC* coding system) defined within ISIC 2211 - Publishing of books, brochures, musical books and other publications. Academic book is currently the largest contributor to Pelangi Publishing Group’s turnover at 73% in the FYE2003. It consists of textbooks, revision books, workbooks and reference books. Children’s book represents an estimated 13% of revenue in the FYE2003.

#### 1.3.2 Industry Players

The Malaysian academic and children’s book market is dominated by a group of established publishers that have vast experience in the publishing industry. The local leading publishers such as Pelangi, Fajar Bakti, Sasbadi, Pearson Education and Preston have all been established locally for more than ten years. Some of these players have also established international ties with foreign publishers or writers.

The publishing industry is fragmented where it caters to different target segments namely, adults, young adults, teenagers and children. In the academic books sector, the textbook publishers usually have their own niche markets such as targeting the Government school or secondary and primary school markets. For the latter, buyers of school reference and supplementary books are the main target. Generally, most of the textbook publishers specialise in selected school subjects.

In the children’s books segment, the major publishers are Mind to Mind, Kohwai & Young, S.E. Supplies, Pelangi, Fajar Bakti, RCDS, Early Learner’s Publications and Grafikta. Some of the children’s books published by these players include activity books, pre-schooler books, colouring books, storybooks and books for children aged below six years old. New players such as Early Learners Publications (established in September 2001) and Maxi-Q (established in August 2002) are also gradually entering this segment.

An interesting point to note is that Pelangi Publishing Group is the only Malaysian publisher with one of the widest range of publishing activities that include reference books, textbooks, supplementary books, children’s book, general books as well as multimedia related publishing (e-publishing). It is capable of handling the entire process of producing a book, from editing to typesetting to colour separation, filming and printing. In addition, the Group has also ventured into other business activities namely multi-media CD-ROM production and Web-related businesses such as e-library and e-learning.

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<sup>10</sup> Academic Books include Textbooks, Revision Books, Workbooks and Reference Books

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**


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**1.3.3 The Education Market**
**a. Library Market**

In Malaysia, libraries play a major role in the demand volume of books. Libraries that make major purchases are the National Library, public libraries, universities libraries, private college libraries, school libraries and those of Government and private institutions. Of the estimated 10,212 libraries in Malaysia, 8,696 are school libraries or school resource centres. As school resource centers are part of the whole continuum of educational provisions, hence, most schools have their own libraries. There are no published statistics on the total value of the library books market. The market is expected to be huge as the Government allocated RM84.5 million for the development of state public libraries under the 8MP. For the year 2002, the Government has allocated RM13.5 million for the operational budget to the State Public Libraries.

**Table 1.6 : Libraries in Malaysia**

National Library	1
State Public Libraries	783
Rural Community Centre Libraries	327
University Libraries	15
Institute of Higher Learning Libraries	97
Special Libraries	293
School Resource Centres	8,696
<b>Total</b>	<b>10,212</b>

*Note: Based on Figures as of 2000*

*Source: Report on National Library of Malaysia, Zawiyah Binti Baba, Director General - August 2002*

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**b. School Market**

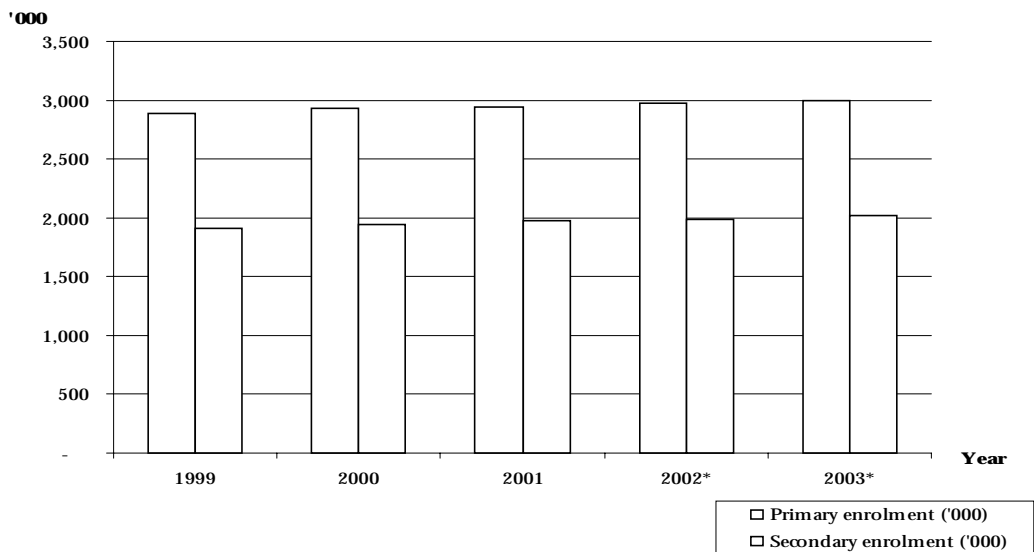
The Curriculum Development Center in the MOE is responsible for the development of textbook syllabus. The Textbook Division of MOE was responsible for sourcing textbook writers. In 1996, MOE revamped the tendering process of publishing textbooks. Since 2000, the publishers are required to source for its own writers for textbook projects.

Besides DBP, which occupies a special position by virtue of its government support, the other book publishers comprise of local SMEs are publishing for the domestic market, in particular the educational market. In the past, given the expertise required for the publishing of educational materials (such as school textbooks), the number of publishers in this sector has remained constant in a growing captive domestic market.

The school market represents a huge potential for Malaysian textbook publishers. There are 5.01 million school students enrolled as at 31 January 2003 with 60% enrolment from primary schools and 40% enrolment from secondary schools. There is also a demand for more schools to be built as students' enrolment increase every year resulting in further demand for textbooks especially when a new syllabus is introduced by the MOE. Enrolment of school students recorded an average annual growth of 1.05%.

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

**Figure 1.2 : Total Number of Primary and Secondary School Students Enrolment (Malaysia), 1999- 2003**



\* - As at 31 January

Source: Ministry of Education, Department of Statistics

#### Government Education Expenditure

**Table 1.7: Federal Government Expenditure Allocation and Expenditure by Social Sector, 1996-2005**

Social Sector	Revised allocation (RM million)	7MP		8MP		
		%	Expenditure (RM million)	%	Allocation (RM million)	%
<b>Education &amp; Training</b>	<b>20,185.8</b>	<b>19.5</b>	<b>19,724.1</b>	<b>19.9</b>	<b>22,660.0</b>	<b>20.6</b>
Health	3,737.1	3.6	3,725.5	3.8	5,500.0	5
Information & Broadcasting	246.2	0.2	192.3	0.2	254.1	0.2
Housing	3,372.4	3.3	3,330.8	3.4	4,223.3	3.8
Culture, Youth & Sports	1,517.3	1.5	1,365.4	1.4	964.8	0.9
Local Authorities & Welfare Services	1,624.9	1.6	1,565.1	1.6	2,972.6	2.7
Village & Community Development	1,350.4	1.3	1,318.5	1.3	943.3	0.9
Purchase of Land	67.9	0.1	62.3	0.1	-	0
<b>Total Social</b>	<b>32,102.0</b>	<b>31.1</b>	<b>31,284.0</b>	<b>31.7</b>	<b>37,518.1</b>	<b>34.1</b>

Source: Eighth Malaysia Plan

The total Federal Government development expenditure allocation for the social sector increased by approximately 17% from RM32,102.0 million during the 7MP to RM37,518.1 million in the 8MP. The Government continued to finance and support the social sector which includes education and training, health, housing and other social services. Human resource development continued to be given priority to support the implementation of productivity-driven growth programmes. The education programmes focused on increasing accessibility and improving quality of education.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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In the education and training sector, additional facilities were provided at all levels, while existing facilities were expanded to increase capacity as well as to create a more conducive teaching and learning environment. To improve the performance of rural students, 205 science laboratories and 230 computer laboratories were constructed and a total of 5,750 computers supplied to these schools. Efforts were also undertaken to provide housing facilities, particularly for teachers in rural areas, with the provision of 38,970 quarters. The allocation under the 8MP of RM22,660.0 million represents an increase of 12.3% as compared to the Seventh Malaysia Plan for education and training programmes. The increase in allocation has shown the Government's commitment in providing quality education and training.

**1.4 Industry Dynamics****1.4.1 Competition Environment**

In 1998, there were 5,816 titles of books in Malaysia.. Many academic titles are churned out yearly. This however has not affect the textbook or reference books segment as the type of titles as well as demand are pre-determined, minimising the risk of over estimation in print-runs.

Pricing is competitive in the textbook and reference book segment. Most of the local textbook and reference books displayed on the shelves are affordably priced as compared with imported books. This market is dominated by few established players and new players find it difficult to penetrate into this segment. Publishers compete on the Government tender for textbooks every year.

In the general books segment, knowledge of the global market, as against knowledge of the domestic market, would require a more cosmopolitan outlook and greater familiarity with international trends and styles of work. As such, the market will continue to be dominated by foreign players such as McGraw-Hill, Simon and Schuster, John Wiley, Grolier Int'l and many others. As there are no duties on books imported into Malaysia, new players are expected to emerge.

**1.4.2 Book Retail Market**

The textbook sector is composed of an estimated 8,000 schools in the country, half being served by school bookshops. Local bookshop owners distribute the textbooks to these vendors. School bookshops source textbooks and reference books mainly from academic book distributors located in major towns around Peninsular Malaysia. University bookshops also place orders of textbooks and reference books directly from local and international publishers.

Most of the local publishers specialise in the three main languages (Bahasa Malaysia, English and Chinese) serving major retail bookstores and other independent bookshops. The major retail bookstores are owned by four major retail chains namely Popular Book, MPH, Times Bookstore and Berita Publishing.

**1.4.3 Textbook Sector in Asia**

According to the National Commissions of UNESCO, the term school 'textbook' is defined as the main learning material for pupils or students of which subjects are systematically arranged to the composition of the curriculum for schools. Many curriculum and textbook projects have been implemented in the last twenty years; however, the ratios of books per pupil have fallen in most developing countries. Textbooks play an importance role in promoting good learning quality materials to establish social and economic development of the country.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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**1.5 Industry Outlook****1.5.1 Industry Trends*****a. Proliferation of Electronic Media***

Publishing in the knowledge economy has resulted in various forms of new publishing media formats. One such example is the electronic media vehicle, the Internet. The growth of Internet connectivity especially in homes will affect consumers' lifestyle. Internet penetration in Malaysia is 11.4 persons per 100 inhabitants of dial-up Internet users<sup>11</sup> in 2003. With the number of Internet users increasing yearly, consumers have become much more IT savvy and this would provide an opportunity for traditional print publishing companies to explore the world of electronic publishing. However, digital divide is still inevitable where the majority of urban and or upper to mid income level consumers have wider exposure towards the usage of IT compared to consumers in the rural areas.

***b. Online Education***

Malaysia has 8,901 schools in 2000 of which a total of 2,202 primary schools and 883 secondary schools had PC facilities. Meanwhile, a total of 739 primary schools and 559 secondary schools have access to the Internet. However, there is a digital divide amongst schools in the country. Schools in urban areas have better PC facilities and almost 100% Internet connectivity while schools in the rural area have limited Internet access. There were many students who do not own PCs in their homes. However, the MOE has allocated one third of its 2000 annual budget to connect another 230 rural schools to Internet connectivity. Allocation expenditure for Smart Schools of about RM401.1 million is part of the development allocation for ICT-related programmes and projects under the Multimedia Development Flagship applications during the 8MP period. The Multimedia Development Flagship is one of the two Multimedia Super Corridor ("MSC) Flagship Application groups to establish the development of MSC.

***c. Books Expenditure***

Average total expenditure of books based on the Household Expenditure Survey 1998/99 is RM3.92 per urban household and RM2.39 per rural household<sup>12</sup>. Malaysians are generally

aware of the importance of education thus they are placing more emphasis in higher education or tertiary studies. Furthermore, according to the Department of Statistics, literacy rate for Malaysians aged 10 to 64 years improved from 88.6% in 1991 to 93.5% in 2000, an increased of 5% over a ten year period. The increase in literacy rate and the nation's goal towards k-economy would encourage consumers to cultivate reading habits thus having wider exposure on current issues.

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<sup>11</sup> Malaysian Communications & Multimedia Commission

<sup>12</sup> Department of Statistics

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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***d. English Translation***

The English language is used as a medium of teaching for science and mathematics subjects in Primary 1, Secondary 1 and Lower Six Form levels starting 2003. In addition, with the development of the K-economy and demand for knowledge skilled workers increasing, it is essential for Malaysians to be proficient in the English language<sup>13</sup>. English as the international business language will certainly have to be given more emphasis in the educational curriculum. In general, far more attention must be paid to training and continuous upgrading of skills in the industry. As such, English books, especially locally produced ones that are 15%-20% cheaper than the imported ones, are expected to experience a stable growth in demand.

***e. Children's Book Segment***

The children's book market is growing at a healthy rate due to the popularity of children's series such as Walt Disney and Harry Potter that had also been made into movies. The mid-year population for children aged 14 years and below had increased by 1.25% in 2002 from 8,112,000 in 2001<sup>14</sup>. The increased in children's population will spur continuous growth for the local children's books market segment. Malaysian book publishers are able to provide different types of children's educational books made at an affordable price to cater to the growing stability children's population. Parents tend to place more emphasis on children's education today. Therefore, most children are sent to tutors and are encouraged to cultivate reading habits as parents realised the importance of increasing children's knowledge and skills in an increasing competitive society.

**1.5.2 Conclusion**

It is important to educate a generation of students with ICT skills and increase the proficiency level of the English language for the nation to move towards a k-based society<sup>15</sup>. Interest in books is expected to rise with the increasing literacy rate. The real expansion of the book industry in Malaysia requires major players to act on foresight of the market and seize such opportunities associated with increasing prosperity, sophistication, and educational levels of the nation. In the longer term, this industry will have to keep pace with the real market demand and reduce its dependency on Government's assistance and support.

Drivers for the growth of the publishing industry are population growth, increase in school-going children; increase in university enrolments; Malaysia moving towards being an international education centre; the incremental growth of private educational institutions; establishment of branch campuses by foreign universities; the increased interests in self-help, health related and motivational subjects by the population.

In order to achieve overall growth of the industry, Malaysian publishers must invest in high-technology equipment and information technology such as electronic publishing. Local publishers also need to research into titles that would best reflect and guide the changing tastes and interests of an increasingly sophisticated, demanding and growing reading public in the country. They should proactively seek for opportunities to increase their presence in the international book markets.

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<sup>13</sup> Source: Budget Speech 2003

<sup>14</sup> Source: Department of Statistics

<sup>15</sup> Source: NITC



#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

##### 4.8 Major Customers

The top ten customers of the Group based on the total turnover in the financial year ended 30 September 2003 is as set out below:-

Description	Percentage of Sales (%)	Length of relationship Years (Approximately)
Popular Book Co (M) Sdn Bhd	5.4	12
WS Pacific Publication Inc	2.5	3
Macmillan Peninsular Production & Distribution	2.5	2
Mehraj Book Distributors	2.2	12
Ilmiah SBL Sdn Bhd	1.8	12
Syarikat Buku Uni Success	1.4	9
Pustaka Rakyat (M) Sdn. Bhd.	1.3	12
Kuo Liang Book House	1.3	8
Syarikat Book Centre	1.2	12
Syarikat Perniagaan Perintis	1.0	12

Pelangi Publishing has a wide customer base with over 800 active accounts and the Group does not overly dependent on any single customer.

##### 4.9 Major suppliers

The top ten suppliers of the Group's total purchases in the financial year ended 30 September 2003 is as set out below:-

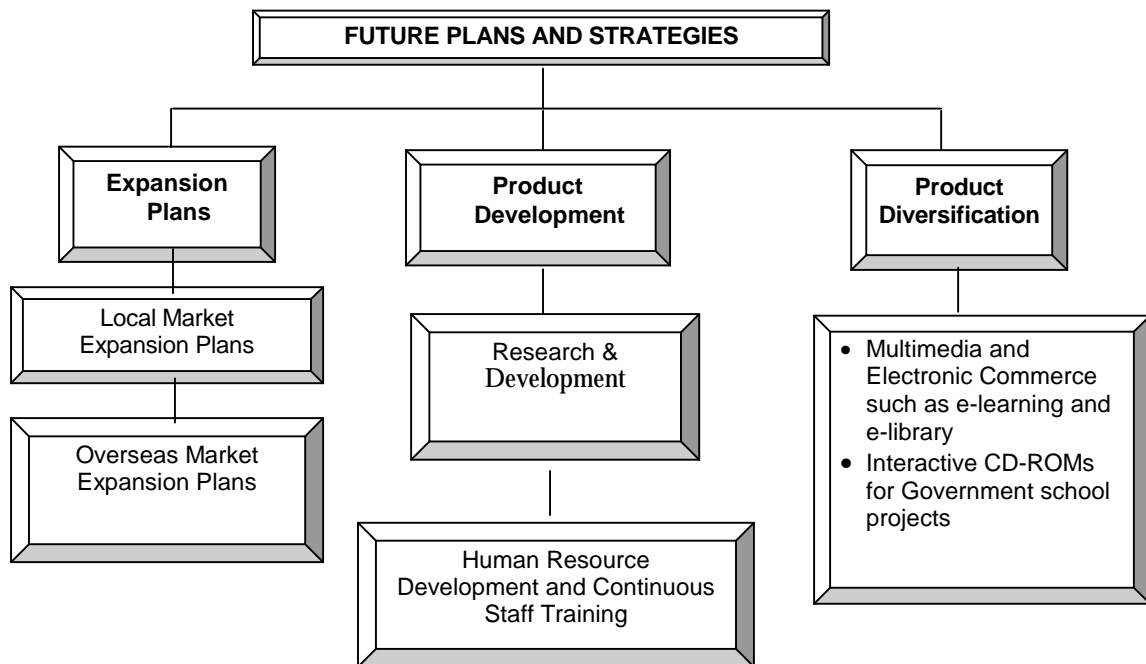
Description	Percentage of Purchases (%)	Length of relationship Years (Approximately)
New Top Win Corporation Sdn Bhd	32.9	8
Percetakan Jiwabaru Sdn Bhd	7.7	18
Laser Press Sdn Bhd	3.9	12
Percetakan Anda Sdn Bhd	3.5	11
Gains Print Sdn Bhd	3.1	8
Graphic Technology (M) Sdn Bhd	1.5	4
Chee Leong Press Sdn Bhd	1.5	12
Percetakan Strikeway Sdn Bhd	1.5	3
Etamax Sdn Bhd	1.5	5
Herald Printers Sdn Bhd	1.3	2

#### 4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)

Pelangi Publishing is also not overly dependent on any single supplier. Pelangi Publishing has been able to secure supply of materials from various establishments in Malaysia such as printing companies and paper products with several of these companies have had approximately 8 to 18 years of relationship.

##### 4.10 Future Plans and Strategies of Pelangi Publishing

The future plans and strategies of the Group are summarized as follows:-



##### Expansion Plans

###### Local market expansion plans

A 4-storey publishing office with a single storey warehouse with an estimated built-up area of 80,000 sq.ft. is currently under construction in Bangi, Selangor and is near to completion. The total investment cost is estimated to be RM8.0 million. Commencement of operations is expected by the third quarter of 2004. The long-term objective of this expansion facility is to integrate the Group's publishing activities from production work, multimedia to distribution and marketing.

In addition, the Group also plans to upgrade and increase its production capacity by investing in additional machinery and equipment for its operations. The total investment cost is estimated to be approximately RM5.0 million within the next two years.

###### Overseas market expansion plans

Commencing from year 2004, the Group is expected to set up operations in Thailand, Indonesia and China. The operations will involve mainly distribution, printing and publishing. The expansion of overseas operations would enable the Group to promote its brand name to the international marketplace, compete with other international publishers and expand its business base.

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**4. INFORMATION ON THE PELANGI PUBLISHING GROUP (Cont'd)**

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**Product Development**Research & Development

The Group recognises the significance of R&D to maintain a competitive edge in the market. Besides the ongoing R&D activities such as actively attending international books fairs, the Group plans to further upgrade its research and development facilities by investing in reference materials and equipment such as computer software, hardware and other publishing tools.

The Group also plans to continuously upgrade its existing IT infrastructure with the focus in the following areas:-

- Setting-up an online B2B (business-to-business) portal to facilitate its ordering process; and
- Setting up integrated warehouse with automation capabilities.

Human Resource Development and continuous staff trainings

The Group places great emphasis on staff training to enable the building of a pool of well educated, highly skilled and strongly motivated professionals. As such, the Group plans to introduce more training programmes for its staff. Selected staff will also be sent for overseas training from time to time to increase their product knowledge and to keep abreast of trends and preferences in the publishing world. These trainings would rouse the staff's confidence in meeting various challenges facing the publishing industry.

**Product Diversification**Multimedia and E-Commerce

Currently, the Group has developed the existing multimedia services such as the e-library, interactive children's CD-ROMs, Pelangikad and e-learning portal.

The Pelangikad is a prepaid card integrated with Maybank2u as its primary online payment gateway. Plans are already in the pipeline to integrate this business-to-consumer portal with other online payment gateways such as Visa and Mastercard to cater for the international market.

The Group also plans to explore strategic partnerships with key players in education portals and other e-commerce portals to strengthen its online marketing channel. This strategy will help attract more online users and at the same time cultivate reading habits and instill IT literacy amongst school children thus supporting the government's objective to move towards a knowledge-based society.

Government school projects and other products expansion

In response to the government's initiative to utilize ICT as teaching aids, the Group has started to produce academic CD-ROMs. These CD-ROMs would supplement the existing textbooks in the classroom. In future, the Group will provide more web-based products, children's CD-ROMs and CD-ROMs based on reference books especially in English for Mathematics and Science for the retail market.

## 5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The Group is led by strong and committed promoter, directors and management with extensive experience in the publishing industry.

### 5.1 Information on Promoters and Substantial Shareholders

#### 5.1.1 Promoters

The promoters of Pelangi Publishing are Sum Kown Cheek, Yap Chong Koy, Lai Chin Heng and Lee Kheng Hon.

Detailed information of the promoters is as set out below:-

Name	Designation	Nationality	Final Shareholdings before the listing of Pelangi Publishing				Final shareholdings after the listing of Pelangi Publishing			
			Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares <sup>^</sup>	%	Indirect No. of Shares	%
Sum Kown Cheek	Executive Chairman/ Managing Director	Malaysian	22,213,454	32.67	4,249,956 <sup>(i)</sup>	6.25	14,463,410	18.08	2,749,972 <sup>(i)</sup>	3.44
Yap Chong Koy	Executive Director	Malaysian	6,799,933	10.00	19,663,475 <sup>(ii)</sup>	28.92	4,469,957	5.59	12,723,425 <sup>(ii)</sup>	15.91
Lai Chin Heng	Executive Director	Malaysian	5,298,267	7.79	-	-	3,498,290	4.37	-	-
Lee Kheng Hon	Executive Director	Malaysian	4,674,956	6.87	-	-	3,094,972	3.87	-	-

(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

<sup>^</sup> Includes pink form allocation

Please also refer to Section 5.3.2 below on the profile of Directors of the Pelangi Publishing.

## 5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.2 Substantial Shareholders

The substantial shareholders (with 5% or more shareholding, directly or indirectly) of Pelangi Publishing upon the completion of the Public Issue and Offer for Sale are as follows:-

Name	Designation	Nationality	After the Public Issue and Offer for Sale			
			Direct No. of Shares <sup>^</sup>	%	Indirect No. of Shares	%
Sum Kown Cheek	Executive Chairman/ Managing Director	Malaysian	14,463,410	18.08	2,749,972 <sup>(i)</sup>	3.44
Fang Mei Sin	-	Malaysian	12,723,425	15.91	4,469,957 <sup>(ii)</sup>	5.59
Yap Chong Koy	Executive Director	Malaysian	4,469,957	5.59	12,723,425 <sup>(iii)</sup>	15.91

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

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

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

<sup>^</sup> Includes pink form allocation

## 5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.3 Directors

#### 5.3.1 Particulars and Shareholdings

The directors and chief executive officer of Pelangi Publishing upon the completion of the Public Issue and Offer for Sale are as follows:-

Name	Designation/Functions	Final shareholdings before the listing of Pelangi Publishing				Final shareholdings after the listing of Pelangi Publishing			
		Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
Sum Kown Cheek	Executive Chairman/ Managing Director/ Chief Executive	22,213,454	32.67	4,249,956 <sup>(i)</sup>	6.25	14,463,410	18.08	2,749,972 <sup>(i)</sup>	3.44
Yap Chong Koy	Executive Director/ Education and Property Management	6,799,933	10.00	19,663,475 <sup>(ii)</sup>	28.92	4,469,957	5.59	12,723,425 <sup>(iii)</sup>	15.91
Lai Chin Heng	Executive Director/ Marketing	5,298,267	7.79	-	-	3,498,290	4.37	-	-
Lee Kheng Hon	Executive Director/ Printing	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) Includes pink form allocation

Please also refer to Section 5.3.2 below on the profile of Directors of the Pelangi Publishing.

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**5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**5.3.2 Profiles of Directors**

**Sum Kown Cheek**, aged 51, Malaysian, was appointed as the Executive Chairman cum Managing Director of Pelangi Publishing on 19 December 2003. He graduated from Universiti Sains Malaysia in 1978. In the same year, he entered into the teaching profession and taught at the MSAB, Johor Bahru (formerly known as English College). In 1993, he left the teaching profession to join PPSB as the Managing Director. Under his guidance, he spearheaded the company to achieve rapid growth by securing local school textbooks project, expanding its product range by entering into children's books via securing Walt Disney licensee, which subsequently placed PPSB into the international publishing map and a string of prestigious awards within the publishing industry. His regular participation in overseas book fairs and conferences equipped him with fresh ideas that were constantly being injected into the publication of quality books. An entrepreneur with more than ten (10) years of publishing experience, he has brought the Group to its present success. He oversees all aspects of the Group's operation. He has no directorship or substantial shareholdings in other public listed companies for the past two (2) years.

**Lai Chin Heng**, aged 44, Malaysian, was appointed as the Executive Director of Pelangi Publishing on 19 December 2003. He joined PPSB as a sales personnel way back in 1982 and was responsible for the establishment of the first marketing networks outlet for the Group which has now grown to over 500 bookshops and retail bookstores spanning across the whole of Peninsular Malaysia and East Malaysia. He is instrumental in widening the market share of the Group's books. With over 20 years of marketing experience, Mr. Lai is currently heading the marketing department. He has no directorship or substantial shareholdings in other public listed companies for the past two (2) years.

**Lee Kheng Hon**, aged 59, Malaysian, was appointed as the Executive Director of Pelangi Publishing on 19 December 2003. He obtained his teaching qualification from the Regional Teacher Training Centre in 1966. He taught at the Petaling Garden Girls School, Selangor in 1967 before moving to teach at MSAB, Johor Bahru (formerly known as English College) in 1973. He joined PPSB in 1995 as the Personnel Manager. He is currently overseeing the printing operation of CMSB. He is a member of the Lions Club International holding the position of a Cabinet Officer. He has no directorship or substantial shareholdings in other public listed companies for the past two (2) years.

**Yap Chong Koy**, aged 55, Malaysian, was appointed as the Executive Director of Pelangi Publishing on 19 December 2003. He graduated from the University of Malaya in 1975 with a Bachelor of Science majoring in Mathematics. Subsequently, he obtained a Diploma in Education from the University of Malaya in 1977 and a Further Professional Diploma in Education (Secondary) from the Nanyang Technological University, Singapore in 1992. With 25 years of experience in the teaching profession, he is currently overseeing the subsidiaries specializing in education and property management and overseeing the general administration of the company affairs. He has no directorship or substantial shareholdings in other public listed companies for the past two (2) years.

**Mak Tack Meng**, aged 44, Malaysian, was appointed as an Independent Director of Pelangi Publishing on 19 December 2003. He graduated from the Manchester Metropolitan University with a degree in Law in 1981. He continued to read law at Middle Temple and was called to the English and Welsh Bar in 1982. In 1984, he was called to the Malaysian Bar. He is a founding partner of Mak, Ng, Shao and Kee (Advocates and Solicitors) in Johor Bahru. He has no directorship or substantial shareholdings in other public listed companies for the past two (2) years.

## 5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

**Syahriza Binti Senan**, aged 26, Malaysian, was appointed as an Independent Director of Pelangi Publishing on 19 December 2003. She graduated from the Monash University, Australia with a Bachelor of Business (Law) in 1999. She is an Associate Member of Chartered Practising Accountant, Australia (ASCPA). She was attached to American International Assurance Pte Ltd as a Compliance Executive in 2000 and as a Senior Internal Auditor with the Malaysia Mining Corporation Berhad in 2002. She was an Internal Auditor and Compliance Officer with the Malaysia Venture Management Berhad before joining Khairuddin, Hasyudeen and Razi as an Advisory Consultant. She has no directorship or substantial shareholdings in other public listed companies for the past two (2) years.

### 5.3.3 Directorships' Remuneration and Benefits

The aggregate remuneration and benefits paid to the Directors and Chief Executive Officer of the Group for services rendered in all capacities to the Group in the financial period ended 30 September 2002 and 30 September 2003 respectively are as follows:-

Remuneration Band (RM'000)	Financial Year Ended 30 September 2002		Financial Year Ended 30 September 2003		Financial Year Ending 30 September 2004	
	Aggregate Remuneration (RM'000)	Number of Directors	Aggregate Remuneration (RM'000)	Number of Directors	Aggregate Remuneration (RM'000)	Number of Directors
Up to 50,000	-	-	17	1	40	2
50,001 – 100,000	-	-	-	-	-	-
100,001 – 200,000	-	-	-	-	-	-
200,001 – 500,000	520	2	814	2	400	1
Above 500,000	1,441	2	1,461	2	2,200	3
<b>Total</b>	<b>1,961</b>	<b>4</b>	<b>2,292</b>	<b>5</b>	<b>2,640</b>	<b>6</b>

For the financial year ending 30 September 2004, the remuneration payable to the Directors is estimated to be RM2,640,000.

### 5.3.4 Directors' Directorships and Substantial Shareholdings in other Public Corporation(s) for the past two (2) years

None of the Directors hold or has held any directorships or five percent (5%) or more of the issue and paid-up share capital in other public corporations for the past two (2) years preceding the date of this Prospectus.



## 5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.4 Key Management Team

#### 5.4.1 Particulars and Shareholdings of the Key Management Team

The details of the key management and their shareholdings of the Group after the IPO are as follows: -

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

<sup>^</sup> assuming the key management staff fully subscribe for their full allocations under the pink forms allocations

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**5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**5.4.2 Profiles of Key Management Team**

**Ng Jit Sing**, aged 43, Malaysian, is the Head of Corporate Affairs of Pelangi Publishing. He graduated from University of Malaya with a Bachelor of Accounting in 1985. He is a Chartered Accountant, Member of Malaysian Institute of Accountants. Upon graduation, he joined Kwong Yik Bank Berhad as a Credit Officer before promoted to Manager during his ten (10) year period with the bank from 1985 to 1995. In 1995, he joined L.K. Ooi Group of Companies, a property development & construction company, as a Managing Director & Finance Director. In 1998, he returned to the banking industry as a Branch Manager with PhileoAllied Bank Berhad. In 1999, he joined Sumber Terang Sdn Bhd, as a Finance Director and before leaving to join JB Securities Sdn Bhd as a Senior Manager in year 2000. In 2001, he was attached to Thosco Treatech Sdn Bhd, as a General Manager for a year. In April 2002, he joined PPSB as a Corporate Planner before his promotion to the current position of Head of Corporate Affairs in January 2003 to manage the overall finance and special projects for the Group. He is the Director of PMESB. He has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Lee Kon Lian**, aged 35, Malaysian, is the Accounts Manager of PPSB. She is a Chartered Management Accountant, Associate Member of Chartered Institute of Management Accountants (“CIMA”) and a Chartered Accountant, member of Malaysian Institute of Accountants. She is also a Certified Financial Planner<sup>TM</sup> and a certified member of Financial Planning Association of Malaysia. Upon completing her CIMA, she gained one (1) year of audit experience with REXXEN Management and Secretarial Services before joining an Italian company, Ansaldo (Malaysia) Sdn Bhd, as an Accountant in 1995. She was promoted to Finance & Administration Manager in 1997. In 1998, she joined PPSB as the Accounts Manager. She has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Chia Hai Chew**, aged 40, Malaysian, is the Marketing Manager - Academic Section of PPSB. He joined PPSB in 1985 as a Sales Representative before being promoted to the current position. In 1990, he completed his Diploma in Business Management from Malaysian Institute of Training and Development. In 2003, he obtained his Bachelor of Business Administration with the University Putra Malaysia. He has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Ng Weng Tuck**, aged 39, Malaysian, is the Marketing Manager - Children's Books Section of PPSB. He joined PPSB in 1988 as a Sales Representative in the academic department (section) and was promoted to Regional Sales Manager for northern Malaysia in 1992. He was appointed to lead the newly created Children's Books Section in 1994 as Marketing Manager when PPSB signed up as a licensee with The Walt Disney Company. In 1999, he graduated from Southern Cross University with a Master of Business Administration. He is also in charge of the international sale of books and copyrights. He has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Lim Mong Ping**, aged 36, Malaysian, is the Publishing Manager – Academic Section of PPSB. Upon her graduation from Universiti Sains Malaysia with a Bachelor of Science in Education in 1991, she joined PPSB as an Editor. She was subsequently promoted to Head of Science in 1993 and became an Assistant Editorial Manager in 1995. In 2001, she assumed the current position of Publishing Manager. In addition to her duties as the Publishing Manager, she is also part of the R&D team, and has attended seminars and international book fairs to gather data and research materials on publishing. She has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

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**5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**Giam Gaik Hong**, aged 37, Malaysian, is the Managing Editor-Children's Books Section. She joined PPSB 1986 as an Editor. She completed an Attachment Training Course on Textbook Publishing in Philippines in 1988. In 1994, she obtained her Diploma in Business Administration, UK. In 2000, she underwent a preschool in-service teacher's training course organized by the Persatuan Tadika Malaysia, and a preschool Curriculum Management and Teaching-Learning Techniques course conducted by the Johor Education Department. In 2002, she was promoted to her current position. She has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Leong Sok Kum**, aged 41, Malaysian, is the Manager – Education, overseeing all matters with regards to education business. Upon her graduation from the Universiti Sains Malaysia with a Bachelor of Arts (Bahasa Malaysia) in 1987, She joined PPSB as an editor. In 1989, she was promoted to Senior Editor, then in 1990, she was made the Chief Editor, and subsequently in 1991, she was promoted to Editorial Manager. In 2000, she was appointed the Manager – Education to head the newly formed Education department. She has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Tee Dee See**, aged 29, Malaysian, is the Executive of PPSB heading the Production Department. Upon her graduation from the University of Malaya with a first class honours in Bachelor of Science (Physics), She joined PPSB as an Editor cum Writer. In 2000, she was promoted to Production Executive. She has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Chang Hee Lee**, aged 41, Malaysian, is the Head of Sales – Chinese Language Books of TPSB. He joined PPSB in 1987 as a Sales Representative. In 1992, he was promoted to Regional Executive and was subsequently transferred to TPSB as a Marketing Manager in 1995. He has since held this position till now. He currently heads a team of sales representatives and executives who are responsible for the marketing of Chinese language books. He has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Leong Lai San**, aged 36, Malaysian, is the Senior Managing Editor of TPSB. Upon her graduation from Universiti Sains Malaysia with a Bachelor of Applied Science (Biology) in 1993, she joined PPSB as editor. She was promoted as Senior Editor (Science) in 1997, and to Managing Editor of PPSB in 2002. In 2003, she was transferred to TPSB and assumed her current position. She is currently overseeing the editorial and production of Chinese language books. She has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Wong Poo Won**, aged 42, Malaysian, is an Executive Director of PFSB. He first joined PPSB in 1985 as a sales marketing executive and has since established himself as a top sales marketing executive. In 1992, he was transferred to PFSB and assumed the current position. He is experience in the production of computer forms and printed documents. He has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Sim How Chuang**, aged 46, Malaysian, is the Executive Director of CMSB. He is involved in the overall planning, marketing and management of the company. He has accumulated about 20 years of experience in typesetting, as a printing agent and subsequently as a printer. He has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

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**5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**Loh Hing Chuen**, aged 59, Malaysian, is an Executive Director of TCP. He completed his Diploma in Printing, from the London School of Printing and The Camberwell School of Arts & Crafts in 1968, and joined TCP as the production manager. In 1976, he left the company and joined Polygraphic Press Sdn Bhd as a production manager and was there for 13 years before returning to TCP as the Managing Director of TCP. Altogether, he has accumulated over 35 years experience in printing. He has no directorships or substantial shareholdings in other public listed companies for the past two (2) years.

**Foo Ho Tim**, aged 52, Malaysian, is the Human Resource Manager. He graduated from the University Science Malaysia in 1976 with a Bachelor of Social Science in Economics. Subsequently he joined the Ministry of Human Resource for 15 years, during which he also obtained his Master of Science in Human Resource Development from Universiti Putra Malaysia. In 1991, he left the government service to join Vicmark Holding Sdn Bhd as the Human Resource and Administration Manager. In 1994, he joined Brothers Industries Sdn Bhd as the Manager of Human Resource and General Affairs and was subsequently promoted to Senior Manager. In 2000, He took up the post of Human Resource Manager in Yamakoh Precision Malaysia Sdn Bhd. In 2003, he joined PPSB as the Human Resource Manager to undertake the human resource management of the company. He has no directorship or substantial shareholdings in other public listed companies for the past two (2) years.

**Tung Mun Yew**, aged 48, Malaysian, is the Warehouse Manager. He attended Ohio Wesleyan University under a full scholarship and graduated with a Bachelor of Administration in Economics in 1981. Upon graduation, he joined Berjaya Mesh Sdn Bhd as a Branch Manager for 3 years before joining MBF Factors Sdn Bhd as a New Business Executive. He later joined IJM Engineering & Construction Sdn Bhd as a Sales Officer. In 1990, he joined CCH Asia Limited where he served for 2 years as an Area Manager before joining Etamax Sdn Bhd as a Marketing Executive. In 2003, He joined PPSB as the Warehouse Manager to manage the overall operation of warehousing and distribution. He has no directorship or substantial shareholdings in other public listed companies for the past two (2) years.

**5.5 Family Relationship**

Save as disclosed below, none of the Directors and Senior Management of Pelangi Publishing Group is related to each other:-

Madam Lai Swee Chiung and Madam Fang Mei Sin are the spouses of Mr Sum Kown Cheek and Mr Yap Chong Koy respectively. They are deemed interested to Mr Sum Kown Cheek and Mr Yap Chong Koy by virtue of their direct shareholdings and indirect shareholding through their respective spouses. Madam Fang Mei Sin, a spouse of Mr Yap Chong Koy, is a substantial shareholder of Pelangi Publishing.

## 5. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 5.6 Audit Committee

Pelangi Publishing has set up an Audit Committee on 19 December 2003 which comprises the following Board members:-

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

The main functions of the Audit Committee include the review of audit plan and audit report with the Auditors, review of Auditors' evaluation of internal accounting controls, review of the scope of internal audit procedures, review of balance sheets and profit and loss accounts and nomination of Auditors.

### 5.7 Continuity in Management

As in any organisation, the Board of Directors believes that the continued success of the Pelangi Publishing will depend on the ability and dedication of its Directors and management. The loss of any key members of the Group may adversely affect the Group's continued ability to compete. However, the Group has made efforts to train its staff and have the support of long-term management staff. Also, it is a continuous policy for Pelangi Publishing to groom the newer members in the senior management to gradually take-over from the senior members to ensure smooth transition in the management team. The Group's future success will also depend on its ability to attract and retain skilled personnel. The allocation of pink forms under the IPO and the ESOS would assist the Group in retaining its staff.

### 5.8 Involvement Of Executive Directors / Key Management In Other Businesses / Corporations

Information on the involvement of Executive Directors/Key Management in other businesses/corporation is set out in Section 6.5 of this Prospectus.

### 5.9 Declaration Of Directors And Key Management Team / Technical Personnel

Information on the declaration of Directors and Key Management Team/Technical Personnel is set out in Section 13.3 (iv) of this Prospectus.

### 5.10 Changes in Shareholders and Shareholdings for the Past Three (3) Years

Save as disclosed in the prospectus for the Acquisitions and Public Issue, there are no changes to the shareholders and shareholdings of Pelangi Publishing since its date of incorporation:

Date	Name of Shareholders	Consideration	No. of Shares
24-09-2002	Han Kok Juan	Subscribers' Shares	1
24-09-2002	Guan Sew Chin	Subscribers' Shares	1

*Note: On 13 February 2003, the par value of Pelangi Publishing shares were split from RM1.00 to RM0.50 thus the number of shares in issued is four.*

## 6. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST

### 6.1 Promotion of Any Assets Acquired/to be Acquired within Two Years Preceding the Date of this Prospectus

Save as disclosed below, none of the Directors or Substantial Shareholders of Pelangi Publishing has any interest, direct or indirect, in the following acquisition by the Company, and none of the Directors has any interest, directly or indirectly in the promotion of or in any assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiary companies within the two (2) years preceding the date of this Prospectus.

<i><b>Persons Interested</b></i>	<i><b>Acquisition of PPSB Nature of relationship</b></i>
Sum Kown Cheek	Director and substantial shareholder of PPSB
Lai Chin Heng	Director and substantial shareholder of PPSB
Yap Chong Koy	Director and substantial shareholder of PPSB
Lee Kheng Hon	Director and substantial shareholder of PPSB
Fang Mei Sin	Substantial shareholder of PPSB

<i><b>Persons Interested</b></i>	<i><b>Acquisition of TPSB Nature of relationship</b></i>
Sum Kown Cheek	Director and substantial shareholder of TPSB
Lai Chin Heng	Director and substantial shareholder of TPSB
Yap Chong Koy	Director and substantial shareholder of TPSB
Lee Kheng Hon	Substantial shareholder of TPSB
Fang Mei Sin	Substantial shareholder of TPSB

<i><b>Persons Interested</b></i>	<i><b>Acquisition of SCSB Nature of relationship</b></i>
Sum Kown Cheek	Director and substantial shareholder of SCSB
Lai Chin Heng	Director and substantial shareholder of SCSB
Yap Chong Koy	Substantial shareholder of SCSB
Lee Kheng Hon	Substantial shareholder of SCSB
Fang Mei Sin	Substantial shareholder of SCSB

<i><b>Persons Interested</b></i>	<i><b>Acquisition of PESB Nature of relationship</b></i>
Sum Kown Cheek	Director and substantial shareholder of PESB
Lai Chin Heng	Substantial shareholder of PESB
Yap Chong Koy	Director and substantial shareholder of PESB
Lee Kheng Hon	Substantial shareholder of PESB
Fang Mei Sin	Substantial shareholder of PESB

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**6. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)**


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<i>Persons Interested</i>	<i>Acquisition of PPISB Nature of relationship</i>
Sum Kown Cheek	Director and substantial shareholder of PPISB
Lai Chin Heng	Substantial shareholder of PPISB
Yap Chong Koy	Director and substantial shareholder of PPISB
Lee Kheng Hon	Substantial shareholder of PPISB
Fang Mei Sin	Substantial shareholder of PPISB

<i>Persons Interested</i>	<i>Acquisition of PPHSB Nature of relationship</i>
Sum Kown Cheek	Director and substantial shareholder of PPHSB
Lai Chin Heng	Substantial shareholder of PPHSB
Yap Chong Koy	Director and substantial shareholder of PPHSB
Lee Kheng Hon	Substantial shareholder of PPHSB
Fang Mei Sin	Substantial shareholder of PPHSB

The particulars of the Acquisition of PPSB, TPSB, SCSB, PESB, PPISB and PPHSB are set out in Section 4 of this Prospectus.

**6.2 Transactions between Pelangi Publishing Group and the Promoters / Directors / Substantial Shareholders and Management Team / Key Technical Personnel**

Save as disclosed below, there are no transactions between Pelangi Publishing Group with the Promoters / Directors / Substantial Shareholders and management team/key technical personnel:-

**6. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)****(i) Property Rental**

Name	Principal activity of company	Related Party	Name of Common Directors/Key Management	Name of Common Substantial shareholders	Nature of transaction	Value
PMSB	Designing and producing internet and multimedia related products	PPSB / Landlord	Lai Chin Heng Sum Kown Cheek Yap Chong Koy	Lai Chin Heng Sum Kown Cheek Yap Chong Koy Fang Mei Sin	A sub-lease of the second floor of a 3-storey shophouse at No. 40-B, Jalan Kuning, 80400 Johor Bahru, Johor.	RM12,000 per annum
PMESB	Designing and producing educational CD-ROMs and related IT products	TPSB / Landlord	Ng Jit Sing	Sum Kown Cheek Fang Mei Sin  Indirect substantial shareholders via PPHSB  Sum Kown Cheek Yap Chong Koy Lai Chin Heng Lee Kheng Hon Lai Swee Chiung Fang Mei Sin	A lease of a portion of a 1½ storey factory lot at No. 10, Jalan P/18, Taman Industri Selaman, Seksyen 10, Bandar Baru Bangi, 43650 Bangi, Selangor	RM2,400 per annum
Pusat Tuisyen Seri Pelangi	Provision of tuition services	TPSB / Landlord	Sum Kown Cheek Fang Mei Sin	Sum Kown Cheek Fang Mei Sin	A lease of a portion of a 3-storey shophouse at No. 68, Jalan Pingai, 80400 Johor Bahru, Johor.	RM24,000 per annum



**6. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)**

Name	Principal activity of company	Related Party	Name of Common Directors/Key Management	Name of Common Substantial shareholders	Nature of transaction	Value
PPSB	Publishing and distribution of books and other educational materials and sale of publishing rights	Sum Kown Cheek and Lai Swee Chiung / Landlord  Yap Chong Koy and Fang Mei Sin / Landlord  Yap Chong Koy and Fang Mei Teng / Landlord	Sum Kown Cheek Yap Chong Koy Lai Chin Heng Lee Kheng Hon	Sum Kown Cheek Yap Chong Koy Lai Chin Heng Lee Kheng Hon Lai Swee Chiung Fang Mei Sin	A lease on a 1½ storey factory lot at No. 11, Jalan P/18, Taman Industri Selaman, Seksyen 10, Bandar Baru Bangi, 43000 Bangi, Selangor.  A lease on a 1½ storey factory lot at No. 9, Jalan P/18, Taman Industri Selaman, Seksyen 10, Bandar Baru Bangi, 43000 Bangi, Selangor  A lease on a 2 storey terrace house at No. 6, Jalan Ungu 5, Taman Pelangi 80400 Johor Bahru	RM45,600 per annum  RM45,600 per annum  RM11,400 per annum

**6. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)**
**(ii) Inter-Company Transactions**

Name	Principal activity of company	Related Party	Name of Common Directors/Key Management	Name of Common Substantial shareholders	Nature of transaction	Total value in the financial year ended 30 September 2003 (RM'000)
PMSB	Designing and producing internet and multimedia related products	PPSB	Lai Chin Heng Sum Kown Cheek Yap Chong Koy	Indirect substantial shareholders via PPHSB	Sale of CD-ROMs to PPSB based on prevailing market prices and commercial terms	117
				Sum Kown Cheek Yap Chong Koy Lai Chin Heng Lee Kheng Hon Lai Swee Chiung Fang Mei Sin	Purchase of books from PPSB based on prevailing market prices and commercial terms	108
		TPSB	Lai Chin Heng Sum Kown Cheek Yap Chong Koy	Indirect substantial shareholders via PPHSB	Sale of CD-ROMs to TPSB based on prevailing market prices and commercial terms	63
				Sum Kown Cheek Yap Chong Koy Lai Chin Heng Lee Kheng Hon Lai Swee Chiung Fang Mei Sin	Purchase of books from TPSB based on prevailing market prices and commercial terms	2

## 6. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

The transactions with related parties are of revenue in nature, which are required for the Group's day-to-day operations. The Directors of the Group have vide a letter dated 15 September 2003 confirmed to the SC that all related business transactions between the Group and the parties of which the Directors/Substantial Shareholders and persons connected to them and the key management of Group, shall be based on the arms length basis and on commercial terms and shall not be disadvantages to the Group.

### 6.3 Outstanding Loans Made By Corporation Or Any Of Its Parent Or Subsidiaries To/For The Benefit Of Related Parties

Lender	Borrower	Loan Type	Interest Rate (%)	Borrowings		Total (RM'000)	Amount Outstanding as at financial year ended 30 September 2003 (RM'000)
				Short-Term (RM'000)	Long-Term (RM'000)		
PPHSB	PMESB	Advances	-	-	150	150	150
	PMSB	Advances	-	-	100	100	100
<b>Total</b>					<b>250</b>	<b>250</b>	<b>250</b>

### 6.4 Transactions Which Are Unusual In Their Nature Or Conditions

There are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets, to which the Pelangi Publishing Group was a party in respect of the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of this Prospectus.

### 6.5 Interest In Similar Business

Save as disclosed below and to the best of knowledge and belief of the Directors and substantial shareholders of Pelangi Publishing, none of the Directors or substantial shareholders and/or Key Management of Pelangi Publishing are interested, directly or indirectly in any business carrying on a similar trade as the Company and its subsidiary and associated companies: -

**6. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)**

Name of Directors/Substantial shareholders/Key Management of Pelangi Publishing	Name of Company	Nature of Business	No of shares held in the company			
			Direct	(%)	Indirect	(%)
Sum Kown Cheek	PMESB	Designing and producing educational CD-ROMs and related IT products	13,067	13.07	2,500 <sup>(i)</sup>	2.50
	PMSB	Designing and producing internet and multimedia related products	22,867	22.87	4,375 <sup>(i)</sup>	4.37
	Pusat Tuisyen Seri Pelangi	Provision of tuition services	10,000	50.00	-	-
Fang Mei Sin	PMESB	Designing and producing educational CD-ROMs and related IT products	11,567	11.57	4,000 <sup>(ii)</sup>	4.00
	PMSB	Designing and producing internet and multimedia related products	20,242	20.24	7,000 <sup>(ii)</sup>	7.00
	Pusat Tuisyen Seri Pelangi	Provision of tuition services	10,000	50.00	-	-
Lai Chin Heng	PMSB	Designing and producing internet and multimedia related products	5,454	5.45	-	-
Yap Chong Koy	PMESB	Designing and producing educational CD-ROMs and related IT products	4,000	4.00	11,567 <sup>(iii)</sup>	11.57
	PMSB	Designing and producing internet and multimedia related products	7,000	7.00	20,242 <sup>(iii)</sup>	20.24
Lee Kheng Hon	PMESB	Designing and producing educational CD-ROMs and related IT products	-	-	30,000 <sup>(iv)</sup>	30.00
	PMSB	Designing and producing internet and multimedia related products	4,812	4.81	30,000 <sup>(iv)</sup>	30.00
Chia Hai Chew	PFSB	Printing of computer forms and other types of printing services	42,500	5.00	-	-
Wong Poo Won	PFSB	Printing of computer forms and other types of printing services	85,000	10.00	-	-
Ng Weng Tuck	PFSB	Printing of computer forms and other types of printing services	42,500	5.00	-	-
Sim How Chuang	CMSB	Typesetting and printing services	100,000	20.00	-	-
Loh Hing Chuen	TCP	Provision of printing services	9,560	10.00	-	-

- (i) Deemed interested by virtue of his spouse, Lai Swee Chiung's substantial shareholdings in the Company  
(ii) Deemed interested by virtue of her spouse, Yap Chong Koy's substantial shareholdings in the Company  
(iii) Deemed interested by virtue of his spouse, Fang Mei Sin's substantial shareholdings in the Company  
(iv) Deemed interested by virtue of his substantial shareholding in PPHSB

The Audit Committee of Pelangi Publishing will monitor any related transactions to ensure that these transactions are carried out on an arm-length basis and on commercial terms that will not be detrimental to the Group. Any related-party transactions will be reported by the Directors in the Company's annual report.

Both Sum Kown Cheek and Fang Mei Sin are mere partners and are not actively involved in the management activities of the partnership concern, namely Pusat Tuisyen Seri Pelangi.

**6.6 Recurrent Related Party Transaction Of A Revenue Or Trading Nature**

Pursuant to Paragraph 10.09 of the MSEC Listing requirements, a listed issuer may seek the shareholders' mandate in respect of related party transactions involving recurrent transactions of revenue or trading in nature subject to the following: -

## 6. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST (Cont'd)

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year; and
- (c) in a meeting to obtain shareholders' mandate, the interested director, interested substantial shareholder or interested person connected with a director or substantial shareholder; and where it involves the interest of an interested person connected with a director or substantial shareholder, such director or substantial shareholder, must not vote on the resolution approving the transactions. An interested director or interested substantial shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

In anticipation that the Company would, in the ordinary course of its business, enter into transactions, including but not limited to the transactions described in Related Party Transactions set out in Section 6 of this Prospectus, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirement. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Under Chapter 10 of the Listing Requirement, a listed company may seek a shareholders' mandate for recurrent transactions of a revenue or trading nature or those necessary for its day to day operations such as supplies and materials, which may be carried out with the listed company's interested persons, but not for the purchase or sale of assets, undertakings or businesses.

Due to the time-sensitive nature of commercial transactions, the Shareholders Mandate will enable the Company, in its normal course of business, to enter into the categories of Related Party Transactions, provided such interested person transactions are made at arm's length and on normal commercial terms. Approval from the shareholders of the Company for the Shareholders Mandate will be sought at each Annual General Meeting or as such time as permitted by the MSEC Listing Requirements.

Transactions, which do not fall within the ambit of the Shareholders' Mandate, shall be subject to the relevant provisions of the MSEC Listing Requirements.

### 6.7 Declaration of the Advisers

AmMerchant Bank hereby confirms that, as at the date of Prospectus, there are no existing or potential conflicts of interest in its capacity as the Adviser to Pelangi Publishing for the IPO.

Messrs Abdul Raman Saad & Associates has given its confirmation that there are no existing or potential conflict of interest in its capacity as the Solicitor to Pelangi Publishing for the IPO.

Messrs Ernst & Young has given its confirmation that there are no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to Pelangi Publishing for the IPO.

Infocredit D&B (Malaysia) Sdn Bhd has given its confirmation that there are no existing or potential conflict of interest in its capacity as the Marketing and Research Consultant to Pelangi Publishing for the IPO.

## 7. OTHER INFORMATION CONCERNING THE GROUP

### 7.1 Summary of Landed Properties

The landed properties owned by the Pelangi Publishing Group are set out below:-

Registered Owner	Title/Location	Description	Restriction in Interest	Existing use	Land area ( sq.ft.) / Built-up area (sq. ft.)	Tenure	Approximate Age of Building (years)	Net Book Value As at 30 September 2003 (RM)
PPSB	HS (D) 40328 PTD 18339 Mukim of Plentong, Daerah of Johor Bahru, Johor	A 3 Storey Shophouse (intermediate) 66, 66A & 66B, Jalan Pingai, Taman Pelangi 80400 Johor Bahru Johor  Encumbrance : Nil Date of certificate of fitness : 12/03/1981	i) In the event that the ownership of the land is changed to a bumiputera, it shall not thereafter, be sold, charged or transferred to a non-bumiputera without the consent of the Authorities.  ii) The land shall not be sold or transferred in whatsoever manner to a non-citizen without the consent of the Authorities	Commercial (office and publishing house)	1,920 sq.ft. / 5,760 sq.ft.	Freehold	23	177,831
	HS (D) 40327 PTD 18338 Mukim of Plentong, Daerah of Johor Bahru, Johor	A 3 Storey Shophouse (intermediate) 64, 64A & 64B, Jalan Pingai, Taman Pelangi 80400 Johor Bahru Johor  Encumbrance : Nil Date of certificate of fitness : 12/03/1981	Nil	Commercial (office and publishing house)	1,920 sq.ft. / 5,760 sq.ft.	Freehold	23	173,637
	HS (D) 14840 PTD 11822 Mukim of Plentong, Daerah of Johor Bahru, Johor	A Double Storey Terrace House (Corner) 2, Jalan Ungu 5, Taman Pelangi 80400 Johor Bahru Johor  Encumbrance : Nil Date of certificate of fitness : 11/01/1986	In the event that the ownership of the land is changed to a bumiputera, it shall not thereafter, be sold, charged or transferred to a non-bumiputera without the consent of the authorities.	Residential (staff hostel)	3,558 sq.ft. / 1,980 sq. ft.	Freehold	24	136,251

## 7. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

Registered Owner	Title/Location	Description	Restriction in Interest	Existing use	Land area ( sq.ft) / Built-up area (sq. ft.)	Tenure	Approximate Age of Building (years)	Net Book Value As at 30 September 2003 (RM)
	Grant 87051 (formerly held under Grant 17305) Lot 2268 Town of Johor Bahru, Daerah of Johor Bahru, Johor	A Bungalow Land 74, Batu 4, Jalan Skudai Johor Bahru, Johor  Encumbrance : Nil Date of certificate of fitness : N/A	Nil	Vacant land (future expansion)	Land area : 12,061 sq.ft.	Freehold	-	97,291
	HS (D) 40405 PTD 18416 Mukim of Plentong, Daerah of Johor Bahru, Johor	A Double Storey Terrace House (intermediate) No. 28, Jalan Kuning Muda 5, Taman Pelangi 80400 Johor Bahru Johor  Encumbrance : Nil Date of certificate of fitness : 03/04/2001	In the event that the ownership of the land is changed to a non-bumiputera, it shall not thereafter, be sold, charged or transferred to a non-bumiputera without the consent of the Authorities.	Residential (staff hostel)	1,760 sq.ft. / 2,070 sq. ft.	Freehold	19	317,310
	HS (M) 18909 PT 14671 Lot 191 Mukim of Petaling, Daerah of Petaling, Selangor	A Double Storey Terrace House (intermediate) 28, Jalan SR 8/12 Taman Putra Indah Seri Kembangan, Selangor  Encumbrance : Nil Date of certificate of fitness : 15/09/1993	The land shall not be transferred, leased or charged other than with the consent of the Authorities	Residential (staff hostel)	1,300 sq.ft. / 1,760 sq. ft.	99 Years Leasehold Expiring on 23-09-2090	9	109,375

## 7. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

Registered Owner	Title/Location	Description	Restriction in Interest	Existing use	Land area ( sq.ft) / Built-up area (sq. ft.)	Tenure	Approximate Age of Building (years)	Net Book Value As at 30 September 2003 (RM)
	Lot 73 HS (D) 52806 PT 40955 Mukim of Bandar Baru Bangi, Daerah of Ulu Langat, Selangor	A 1½ Storey Terrace Factory (intermediate) No. 7, Jalan P/18 Taman Industri Selaman Seksyen 10, Bandar Baru Bangi, 43650 Bangi, Selangor	Ownership of this land shall not be transferred, leased or charged other than with the consent of the Authorities	Industrial (warehouse and office)	3,998 sq.ft. / 4,955 sq.ft.	99 Years Leasehold Expiring on 19-08-2098	6	499,297
		Encumbrance : Nil Date of certificate of fitness : 28/08/1997						
	Lot 74 HS (D) 52805 PT 40954 Mukim of Bandar Baru Bangi, Daerah of Ulu Langat, Selangor	A 1½ Storey Terrace Factory (intermediate) No. 5, Jalan P/18 Taman Industri Selaman Seksyen 10, Bandar Baru Bangi 43650 Bangi, Selangor	Ownership of this land shall not be transferred, leased or charged other than with the consent of the Authorities	Industrial (warehouse and office)	3,998 sq.ft. / 4,955 sq.ft.	99 Years Leasehold Expiring on 19-08-2098	6	499,297
		Encumbrance : Nil Date of certificate of fitness : 28/08/1997						
	Lot 82 HS (D) 52815 PT 40964 Mukim of Bandar Baru Bangi, Daerah of Ulu Langat, Selangor	A 1½ Storey Terrace Factory (intermediate) No. 8, Jalan P/18 Taman Industri Selaman Seksyen 10, Bandar Baru Bangi 43650 Bangi, Selangor	Ownership of this land shall not be transferred, leased or charged other than with the consent of the Authorities	Industrial (warehouse and office)	3,998 sq.ft. / 5,059 sq.ft.	99 Years Leasehold Expiring on 19-08-2098	4	543,624
		Encumbrance : Nil Date of certificate of fitness : 28/08/1997						



## 7. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

Registered Owner	Title/Location	Description	Restriction in Interest	Existing use	Land area ( sq.ft) / Built-up area (sq. ft.)	Tenure	Approximate Age of Building (years)	Net Book Value As at 30 September 2003 (RM)
	Mukim of Kajang* Daerah Hulu Langat Selangor	A Double Storey Terrace House (Corner Lot) Unit No. M066 Type – Impian, Seksyen 8 Bandar Baru Bangi Selangor  Encumbrance : Charged to Public Bank Berhad Date of certificate of fitness : 13/11/2003	*	Residential (staff hostel)	3,197 sq.ft. / 1,680 sq. ft.	-*	Newly completed	122,920
	Mukim of Kajang* Daerah Hulu Langat Selangor	A Double Storey Terrace House (intermediate) Unit No. M068 Type – Impian, Seksyen 8, Bandar Baru Bangi Selangor  Encumbrance : Charged to Public Bank Berhad Date of certificate of fitness : 13/11/2003	*	Residential (staff hostel)	1,300 sq.ft. / 1,680 sq. ft.	-*	Newly completed	264,040
	Master Title GRN 42506 Lot 1193 Town of Kuala Lumpur, Daerah Kuala Lumpur Kuala Lumpur	A 3-room unit condominium A23-05, Block A Menara Kenanga, Kuala Lumpur  Encumbrance : Charged to Malayan Banking Berhad by developer Date of certificate of fitness : 18/10/2000	*	Residential (staff hostel)	Built-up area : 859.5 sq.ft.	Freehold	6	184,960

\* Pending issuance of title

**7. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)**

Registered Owner	Title/Location	Description	Restriction in Interest	Existing use	Land area ( sq.ft) / Built-up area (sq. ft.)	Tenure	Approximate Age of Building (years)	Net Book Value As at 30 September 2003 (RM)
	HS (M) 31435 PT 34544 Lot 45 Mukim of Kuala Kuantan, Daerah Kuantan Pahang	A Double Storey Terrace House (intermediate) No. 9, Lorong Seri Setali 10 Taman Sri Galing 25300 Kuantan, Pahang  Encumbrance : Nil Date of certificate of fitness : 05/08/1997	Nil	Residential (staff hostel)	1,539 sq.ft. / 1,628 sq. ft.	Freehold	5	111,424
	Geran 31252 Lot 18369 Mukim of Sungai. Pasis, Daerah Kuala Muda, Kedah	A Single Storey Medium Cost Terrace House (intermediate) G319, Lorong 29 Taman Sejati Indah 08000 Sungai Petani, Kedah  Encumbrance : Nil Date of certificate of fitness : 23/02/1993	Nil	Residential (staff hostel)	1,302 sq.ft. / 900 sq. ft.	Freehold	5	72,715
							<b>Sub-Total:</b>	<b>3,309,972</b>
<b>SCSB</b>	H.S.(D) 52696 PT 40845 Mukim Bandar Baru Bangi Daerah Hulu Langat, Selangor	A four storey office with a single storey warehouse  Encumbrance : Charged to United Overseas Bank (Malaysia) Bhd Date of certificate of fitness : Nil^	The land shall not be transferred, leased or charged unless the consent is given by the State Authority	Vacant warehouse and office	294,069 sq.ft. / 80,000 sq.ft.	99 Years Leasehold Expiring date on 19-08-2098	Newly completed	10,555,086
							<b>Sub-Total:</b>	<b>10,555,086</b>

^ Under Construction

**7. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)**

Registered Owner	Title/Location	Description	Restriction in Interest	Existing use	Land area ( sq.ft.) / Built-up area (sq. ft.)	Tenure	Approximate Age of Building (years)	Net Book Value As at 30 September 2003 (RM)
TPSB	HS (D) 40329 PTD 18340 Mukim of Plentong, Daerah Johor Bahru Johor	A 3 Storey Shophouse (intermediate) 68, 68A & 68B, Jalan Pingai, Taman Pelangi 80400 Johor Bahru Johor  Encumbrance : Charged to Malayan Banking Bhd Date of certificate of fitness : 12/03/1981	Nil	Building (office and publishing house)	1,920 sq.ft. / 5,760 sq. ft.	Freehold	23	1,164,819
	HS (D) 85916 PTD 48344 Mukim of Plentong, Daerah Johor Bahru Johor	A 1 ½ Terrace Factory (intermediate) 10, Jalan Ros Merah ¼ Taman Johor Jaya 81000 Johor Bahru, Johor  Encumbrance : Nil Date of certificate of fitness : 17/02/1994	Nil	Building (office and factory)	4,800 sq.ft. / 3,000 sq. ft.	Freehold	10	318,894
	Master Title HS(D) 6413, 6414, PTD 1152, 1153 Mukim of Kajang, Daerah Ulu Langat Selangor	A 3-room unit condominium Kenaria Condominium K-08-25, Taman Sri Kenari Fasa 2, Kajang, Selangor  Encumbrance : * Date of certificate of fitness : 09/06/2000	*	Residential (staff hostel)	Built-up area : 850 sq.ft.	99 Years Leasehold Expiring on 11-04-2099	3	101,570
	Lot 81 HS(D)52816 PTD40965 Mukim of Bandar Baru Bangi, Daerah Ulu Langat, Selangor	A 1 ½ Terrace Factory (intermediate) Lot 81, 10 Jalan P/18 Taman Industri Selaman Seksyen 10, Bandar Baru Bangi 43650 Selangor  Encumbrance : Charged to Public Bank Berhad Date of certificate of fitness : 28/08/1997	The land cannot be transferred, leased or charged other than with the consent of the State Authorities	Industrial (warehouse and office)	3,998 sq.ft. / 5,060 sq.ft.	99 Years Leasehold Expiring on 19-08-2098	6	513,367
<b>Sub-Total:</b>								<b>2,098,650</b>

\* Pending issuance of title

## 7. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)

Registered Owner	Title/Location	Description	Restriction in Interest	Existing use	Land area ( sq.ft) / Built-up area (sq. ft.)	Tenure	Approximate Age of Building (years)	Net Book Value As at 30 September 2003 (RM)
<b>ECSB</b>	HS (D) 196839 PTD 109167 Mukim of Plentong, Daerah Johor Bahru Johor	Vacant Land Lot No 1 Jalan Bukit 4 81750 Johor Bahru Johor Kawasan MIEL Bandar Baru Seri Alam Phase VIII  Encumbrance : Nil Date of certificate of fitness : N/A	Nil	Industrial (future expansion)	Land area : 77,511 sq.ft.	Freehold	-	1,952,980
							<b>Sub-Total:</b>	<b>1,952,980</b>
<b>TCP</b>	Lot Nos: 31081 PM No. 850, 31082 PM No. 849 & 31083 PM No. 848 Mukim of Petaling, Daerah Petaling Selangor	3 adjoining units of a 1 ½ Storey Terrace Factories (intermediate) No 4, 6 & 8, Jalan SR 4/18 Taman Serdang Raya 43300 Seri Kembangan Selangor  Encumbrance : Charged to Malayan Banking Berhad Date of certificate of fitness : 02/07/1987	The land shall not be sold, leased, charged or transferred unless the consent is given by the State Authority	Commercial (printing operation and office)	2,701 sq.ft. / 3,600 sq.ft.	99 Year Leasehold Expiring on 13-10-2086	18	1,116,503
							<b>Sub-Total:</b>	<b>1,116,503</b>
<b>CMSB</b>	HS (D) 85917 PTD 48345 Mukim of Plentong, Daerah Johor Bahru Johor	A 1 ½ Terrace Factory (intermediate) 8, Jalan Rosmerah ¼ Taman Johor Jaya 81100 Johor Bahru, Johor  Encumbrance : Charged to Public Bank Berhad Date of certificate of fitness : 17/02/1994	Nil	Industrial (office and factory)	4,800 sq.ft. / 3,000 sq.ft.	Freehold	10	331,915
							<b>Sub-Total:</b>	<b>331,915</b>

**7. OTHER INFORMATION CONCERNING THE GROUP (Cont'd)**

Registered Owner	Title/Location	Description	Restriction in Interest	Existing use	Land area ( sq.ft) / Built-up area (sq. ft.)	Tenure	Approximate Age of Building (years)	Net Book Value As at 30 September 2003 (RM)
<b>PFSB</b>	HS (D) 196765 PTD 109093 Mukim of Plentong, Daerah Johor Bahru Johor	A 2 storey Half Duplex Factory 16, Jalan Bukit 2 Kawasan MIEL, Seri Alam 81750 Masai Johor  Encumbrance : Charegd to Malaysian Industrial Development Finance Berhad Date of certificate of fitness : 03/08/1996	Nil	Industrial (office and factory)	19,800 sq.ft. / 8,624 sq.ft.	Freehold	3	1,006,254
							<b>Sub-Total:</b>	<b>1,006,254</b>
							<b>Grand-Total:</b>	<b>20,371,360</b>