1. INFORMATION SUMMARY

THIS IS A SUMMARY OF THE SALIENT INFORMATION IN THE PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS CAREFULLY BEFORE YOU DECIDE TO INVEST IN OUR SHARES.

1.1 HISTORY, PRINCIPAL ACTIVITIES AND GROUP STRUCTURE

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 30 December 2005 as a public limited company under the name of "BHS Industries Corporation Berhad". On 22 February 2006, we changed our name to "BHS Industries Berhad" and have assumed this present name since.

Our Company is principally engaged in investment holding and provision of management services, and through our subsidiaries, we are engaged in commercial printing and publishing of educational books.

Our Group was founded in 1974 with the establishment of System Educational Company (now known as Sistem) as a partnership between Heng Song Khoon and Liew Sai Ying. We were initially involved in the publication of educational books, particularly examination guide books. In 1982, upon securing the printing licence, BBP (then known as Percetakan Ban Huat Seng Sdn Bhd) was incorporated with the aim of providing printing and binding services to Sistem and Yakin. In 1986, both Sistem and Yakin were awarded contracts by the MOE to publish various school textbooks. Since then, Sistem and Yakin have been securing numerous contracts from the MOE to publish textbooks for secondary schools.

Having gained experience in printing books, BBP continued its expansion into commercial printing, providing a wide range of services such as printing of magazines, annual reports, directories and prospectuses. Since then, new publications were also launched to align with the evolving school syllabus. Our Group has also successfully published other educational books, such as English language course books, library books, children's story books and children's dictionaries through Sistem, Yakin and SPH.

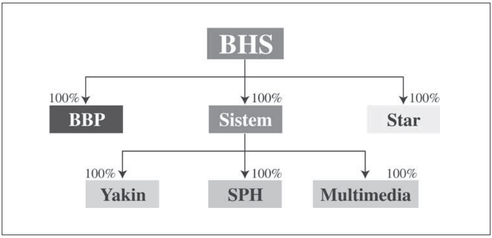
Under our founders' leadership, our Group has expanded to become one of the leading printers in the industry with the capability to carry out high-volume print-runs at high speed using some of the most up-to-date web-offset printing machines around *(Source: D&B Malaysia).* Furthermore, under the names of "Sistem" and "Yakin", our Group has an established reputation in the publishing industry. Our publications of quality examination guide books for both primary and secondary schools have been widely used and popular not only among students, but also among school teachers.

Our Group has also carved for itself a market niche by being one of the few Malaysian companies that boast a fully-integrated one-stop printing and publishing facility *(Source: D&B Malaysia)*. We are capable of providing the entire process of publishing and printing starting from publishing (such as editing and typesetting) to pre-press services (such as content processing and input, page design and layout services), printing and through to post-press services (such as folding and binding). As a testimony of our performance and achievement in the industry, we are the only commercial web-offset printer from Malaysia to win an award at the prestigious 4th Asian Print Awards 2006 and the National Productivity Corporation's Productivity Achiever Award 2005.

With our commitment to creating value for our customers and to delivering high volumes of quality prints in a timely manner at competitive prices, our Group has established its reputation in the printing and publishing industry.

1. INFORMATION SUMMARY *(cont'd)*

An overview of our Group structure is as follows:



The details of our subsidiaries are as follows:

Subsidiary	Date of Incorporation in Malaysia	Issued and paid-up share capital (RM)	Effective equity interest (%)	Principal activities
Sistem	12.10.1978	3,618,890	100	Book publisher
BBP	31.12.1982	3,950,000	100	Book and magazine printer
Star	04.10.1989	150,000	100	Book binder
Subsidiary companies of Sistem				
Yakin	18.05.1983	491,382	100	Book publisher
SPH	23.06.1989	20,000	100	Book publishing and trading in books
Multimedia	21.08.2000	902,000	100	Book publisher using information and communication technology

Further details on the history and business of our Group are set out in Section 4 of this Prospectus.

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1. INFORMATION SUMMARY *(cont'd)*

1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

The shareholdings of the promoters, substantial shareholders, Directors and key management of our Group before and after the Public Issue are as follows:

		No. of Shares Held in BHS							
		Before the Public Issue ^				After the Public Issue #~			
Name	Designation	Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Promoters									
Harta	–	31,649,543	52.75	–	–	31,649,543	39.56	–	–
Heng Song Khoon	Executive Chairman / Managing Director	5,482,161	9.14	31,649,543[(1)]	52.75	5,982,161	7.48	31,649,543[(1)]	39.56
Liew Sai Ying	Executive Director	3,268,296	5.45	31,649,543[(2)]	52.75	3,768,296	4.71	31,649,543[(2)]	39.56
Substantial Shareholders									
Harta	–	31,649,543	52.75	–	–	31,649,543	39.56	–	–
Datuk Hj. Zainal bin Hj. Shamsudin*	–	10,332,000	17.22	–	–	10,332,000	12.92	–	–
Heng Song Khoon	Executive Chairman / Managing Director	5,482,161	9.14	31,649,543[(1)]	52.75	5,982,161	7.48	31,649,543[(1)]	39.56
Liew Sai Ying	Executive Director	3,268,296	5.45	31,649,543[(2)]	52.75	3,768,296	4.71	31,649,543[(2)]	39.56
Directors									
Heng Song Khoon	Executive Chairman / Managing Director	5,482,161	9.14	31,649,543[(1)]	52.75	5,982,161	7.48	31,649,543[(1)]	39.56
Liew Sai Ying	Executive Director	3,268,296	5.45	31,649,543[(2)]	52.75	3,768,296	4.71	31,649,543[(2)]	39.56
Heng Boon Seng[(3)]	Executive Director	–	–	–	–	1,000,000	1.25	–	–
Chew Yuit Yoo[@]	Independent Non-Executive Director	–	–	–	–	100,000	0.13	–	–
Shamsudin @ Samad bin Kassim[@]	Independent Non-Executive Director	–	–	–	–	200,000	0.25	–	–

1. INFORMATION SUMMARY *(cont'd)*

Name	Designation	No. of Ordinary Shares Held in BHS							
		Before the Public Issue ^				After the Public Issue #~			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Key Management									
Yat Mei Kean(4)	Senior Manager, Operations	–	–	–	–	500,000	0.63	–	–
Koo Thiam Yen@	Financial Controller	–	–	–	–	300,000	0.38	–	–
Thirugnana Sambanthan@	Senior Sales Manager	–	–	–	–	800,000	1.00	–	–
Liew Yew Foong@	Personal Assistant to Managing Director	–	–	–	–	600,000	0.75	–	–
Premah A/P Rasamanie@	Managing Editor	–	–	–	–	100,000	0.13	–	–
Ajmi bin Mokhtar@	Store & Logistics Manager	–	–	–	–	100,000	0.13	–	–

Notes:

- \# *Including their respective entitlements for the pink form share allocation pursuant to the Public Issue.*
- ^ *Based on the issued and paid-up share capital of 60,000,000 Shares before the Public Issue.*
- ~ *Based on the enlarged issued and paid-up share capital of 80,000,000 Shares after the Public Issue.*
- @ *The shareholdings of these Directors/key management are based entirely on their respective entitlements for the pink form share allocation pursuant to the Public Issue.*
- * *Assuming that he fully subscribes for the 10,332,000 BHS Shares allocated and approved by the MITI pursuant to the placement of BHS Shares to Bumiputera investors to comply with the NDP requirements.*
- (1) *Deemed interest by virtue of the shares held by him and his spouse, Liew Sai Ying in Harta.*
- (2) *Deemed interest by virtue of the shares held by her and her spouse, Heng Song Khoon in Harta.*
- (3) *Heng Song Khoon and Liew Sai Ying are the parents of Heng Boon Seng.*
- (4) *Yat Mei Kean is the sister in law of Liew Sai Ying.*

Details of our Promoters, substantial shareholders and Directors are set out in Section 5 of this Prospectus.

1. INFORMATION SUMMARY *(cont'd)*

1.3 FINANCIAL HIGHLIGHTS

This proforma consolidated income statements is prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Proforma Consolidated Financial Information and Accountants' Report set out in Sections 9.10 and 10 of this Prospectus respectively.

The following table sets out a summary of the proforma consolidated income statements of our Group for the past three (3) financial years ended 30 June 2004 to 2006 and for the ten (10) months financial period ended 30 April 2007 based on the audited results of our Company and subsidiaries. The proforma consolidated income statement for the ten (10) months financial period ended 30 April 2006 has not been audited and has been prepared for illustrative purposes only as a comparison to the proforma consolidated income statement for the ten (10) months financial period ended 30 April 2007.

	Audited financial year ended 30 June			Unaudited ten (10) months FPE 30 April	Audited ten (10) months FPE 30 April
	2004 (RM'000)	2005 (RM'000)	2006 (RM'000)	2006 (RM'000)	2007 (RM'000)
Revenue	29,038	34,471	35,784	31,225	31,481
Gross Profit	9,125	9,580	10,316	9,426	8,220
EBIDTA	6,384	8,023	8,882	8,084	7,214
Interest expense	(526)	(407)	(555)	(434)	(313)
Depreciation	(1,704)	(1,828)	(1,917)	(1,359)	(1,486)
PBT	4,154	5,788	6,410	6,291	5,415
Taxation	(543)	(964)	(1,526)	(1,521)	(875)
PAT	3,611	4,824	4,884	4,770	4,540
No. of ordinary shares assumed in issue ('000) #	60,000	60,000	60,000	60,000	60,000
Gross EPS (sen) @	6.92	9.65	10.68	12.58	10.83
Net EPS (sen) @	6.02	8.04	8.14	9.54	9.08
Gross profit margin (%)	31.42	27.79	28.83	30.19	26.11
Net profit margin (%)	12.44	13.99	13.65	15.28	14.42

Notes:

(i) *The financial statements used in the preparation of the proforma consolidated results were prepared in accordance with applicable Financial Reporting Standards in Malaysia and presented on a basis consistent with the accounting policies normally adopted by our subsidiaries.*

(ii) *There were no amortisation, share of profits of associated corporations and joint ventures, minority interests, extraordinary or exceptional items during the financial years and period under review.*

\# *Being the number of BHS Shares assumed in issue after the Acquisitions, Capitalisation of Advances, Rights Issue and Offer for Sale but before the Public Issue.*

@ *The gross and net EPS of our Group are computed based on annualised PBT and PAT respectively, and the number of BHS Shares assumed in issue after the Acquisitions, Capitalisation of Advances, Rights Issue and Offer for Sale but before the Public Issue.*

The financial statements of our Group for the past three (3) financial years ended 30 June 2004 to 2006 and for the audited ten (10) months FPE 30 April 2007 have been reported without any audit qualification.

Further details on our financial highlights are set out in Section 9 of this Prospectus.

1. INFORMATION SUMMARY *(cont'd)*

1.4 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 APRIL 2007

The following is a summary of the proforma consolidated balance sheets of our Group prepared for illustrative purposes only and is based on the audited balance sheet of BHS and our subsidiaries as at 30 April 2007, to show the effects on the balance sheet of BHS, had the Flotation Exercise been effected on that date. The proforma consolidated balance sheets should be read together with the accompanying notes and assumptions included in the full set of the proforma consolidated balance sheets set out in Section 9.1 of this Prospectus.

	Company Audited as at 30 April 2007 (RM'000)	< ------- Group ------- > Proforma I (RM'000)	Proforma II (RM'000)	Proforma III (RM'000)	Proforma IV (RM'000)
Non Current Assets	-	17,348	17,348	17,348	17,348
Current Assets	628	24,771	24,771	29,146	41,046
Current Liabilities	639	18,635	13,715	13,715	13,715
Net Current (Liabilities)/ Assets	(11)	6,136	11,056	15,431	27,331
	(11)	23,484	28,404	32,779	44,679
Share Capital	*	20,705	25,625	30,000	40,000
Share Premium	-	-	-	-	1,900
(Accumulated Losses)/ Retained Profits	(11)	** 1,096	** 1,096	** 1,096	** 1,096
	(11)	21,801	26,721	31,096	42,996
Deferred and Long Term Liabilities	-	1,683	1,683	1,683	1,683
	(11)	23,484	28,404	32,779	44,679
(NL)/NTA	(11)	21,053	25,973	30,349	42,249
No. of Shares in issue	4	41,409,543	51,249,543	60,000,000	80,000,000
(NL)/NTA per Share (RM)	(2,649)	0.51	0.51	0.51	0.53

Notes:

*	-	*Represents RM2 comprising four (4) Shares.*
**	-	*After allowance for doubtful debts amounting to RM0.688 million made in connection with the condition imposed on the BHS Group that all trade debtors which have been outstanding for more than six (6) months be provided for.*
Proforma I	-	*Based on the assumptions that the Acquisitions have been effected.*
Proforma II	-	*Incorporates Proforma I and the Capitalisation of Advances.*
Proforma III	-	*Incorporates Proforma II, the Rights Issue and Offer for Sale.*
Proforma IV	-	*Incorporates Proforma III and the Public Issue.*

Detailed Proforma Consolidated Balance Sheets and the Reporting Accountants' letter thereon are set out in Sections 9.1 and 9.10 of this Prospectus respectively.

1. INFORMATION SUMMARY *(cont'd)*

1.5 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

The following principal statistics relating to the Public Issue are derived from the full text of the Prospectus and should be read in conjunction with the full text of this Prospectus:

	No. of Shares	Share Capital (RM)
AUTHORISED SHARE CAPITAL	200,000,000	100,000,000
EXISTING ISSUED AND FULLY PAID-UP SHARE CAPITAL	60,000,000	30,000,000
• New Shares to be issued pursuant to Public Issue	20,000,000	10,000,000
ENLARGED SHARE CAPITAL	80,000,000	40,000,000
ISSUE PRICE PER SHARE		0.68
PROFORMA CONSOLIDATED NTA		
• Proforma consolidated NTA as at 30 April 2007 *(after the Public Issue and deducting the estimated listing expenses of RM1.7 million)*		42,248,568
• Proforma consolidated NTA per Share *(based on the enlarged issued and paid-up share capital of 80,000,000 Shares after the Public Issue and deducting the estimated listing expenses of RM1.7 million)*		0.53
MARKET CAPITALISATION OF BHS *(based on the Issue Price and enlarged share capital after the Public Issue)*		54,400,000

Further details on the Public Issue and the proforma consolidated NTA of our Company are set out in Section 2 and Section 9.1 of this Prospectus.

1.6 PROFIT AND DIVIDEND RECORD

CONSOLIDATED PROFIT ESTIMATE AND FORECAST

Financial Year Ended/ Ending 30 June	**Estimate 2007 (RM'000)**	**Forecast 2008 (RM'000)**
Consolidated PAT	* 4,669	6,510
Enlarged issued share capital ('000)	80,000	80,000
Gross EPS (sen) (1)	6.97	10.01
Net EPS (sen) (2)	5.84	8.14
Gross PE Multiple (times) (1 and 3)	9.76	6.79
Net PE Multiple (times) (2 and 3)	11.64	8.35

Notes:

* *After allowance for doubtful debts amounting to RM 0.688 million made in connection with the condition imposed on the BHS Group that all trade debtors which have been outstanding for more than six (6) months be provided for.*

(1) Computed based on the consolidated PBT.
(2) Computed based on the consolidated PAT.
(3) Based on the Public Issue Price of RM0.68 per Share.

1. INFORMATION SUMMARY *(cont'd)*

DIVIDEND FORECAST

Our Board does not intend to recommend any dividend for the FYE2007 and FYE2008.

Further details on the consolidated profit forecast of our Group and the Reporting Accountants' letter thereon and the dividend forecast of our Company are set out in Sections 9.5, 9.6 and 9.9 of this Prospectus.

1.7 USE OF PROCEEDS

The Rights Issue and the Public Issue are expected to raise gross proceeds of approximately RM18.0 million which shall accrue to us.

We intend to use the proceeds raised for the following purposes:

(i) Expansion plans;

(ii) Working capital; and

(iii) Defray estimated listing expenses.

Further details of the use of proceeds are set out in Section 2.9 of this Prospectus.

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1.8 SUMMARY OF MATERIAL RISK FACTORS

In evaluating an investment in us, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:

Risks relating to our Group or the industry

i) Business Risks;
ii) Fluctuations in Prices of Raw Materials;
iii) Seasonal Demand;
iv) Financial Risks;
v) Foreign Currency Risk;
vi) Dependence on Key Personnel;
vii) Insurance Coverage on Assets;
viii) Breakout of Fire, Flood, Energy Crisis and Other Natural Calamities;
ix) Technological Changes;
x) Competitive Risks;
xi) Dependence on Particular Geographical Location;
xii) Intellectual Property;
xiii) Control by Promoters;
xiv) Political, Economic and Regulatory Considerations;
xv) Material Litigation/Legal Uncertainties;
xvi) Availability of Skilled Labour;
xvii) Environmental Concerns;
xviii) Related Party Transactions/ Conflict of Interest;
xix) Absence of Long Term Contractual Agreements with Customers;
xx) Unexpected Repair Costs; and
xxi) Costs of Regulatory Compliance.

Risks relating to investment in our Shares

i) No Prior Market for our Shares;
ii) Failure/Delay In the Listing;
iii) Termination of Underwriting Agreement;
iv) Capital Market Risk; and
v) Realisation of Dividends from Subsidiaries.

Risks relating to future information

i) Achievability of Estimates and Forecasts; and
ii) Disclosure Regarding Forward-Looking Statements.

Further details of the material risk factors are set out in Section 3 of this Prospectus.

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2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE

This Prospectus is dated 29 October 2007.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Forms, has also been lodged with the ROC who takes no responsibility for its contents.

The approval from the SC for the Offer for Sale and Public Issue obtained via its letter dated 2 July 2007, shall not be taken to indicate that the SC recommends the Offer for Sale and Public Issue. You should rely on your own evaluation to assess the merits and risks of the Offer for Sale and Public Issue.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed our Shares as a prescribed security. In consequence thereof, the Shares offered through this Prospectus will be deposited with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Approval-in-principle has been obtained from Bursa Securities for the admission to the Official List of Bursa Securities and the listing and quotation of our entire enlarged issued and paid-up share capital on the Second Board of Bursa Securities, via its letter dated 11 October 2007. Our Shares will be admitted to the Official List of Bursa Securities and the official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the Application will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for our entire enlarged issued and paid-up ordinary shares on the Second Board of Bursa Securities. Accordingly, all monies paid in respect of any application accepted from you will be returned in full without interest if the said permission for the 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 we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If any such monies are not repaid within 14 days after we become liable to repay it, the provision of sub-section 243(2) of the Capital Markets and Services Act 2007 shall apply accordingly.

Pursuant to the Listing Requirements, at least 25% of the total number of shares in which listing is sought must be held by 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 requirement is not met pursuant to the Offer for Sale and Public Issue, we may not be allowed to proceed with our listing on the Second Board of Bursa Securities. In such an event, monies paid in respect of all applications will be returned in full without interest.

You must have a CDS account when applying for the Offer Shares and Public Issue Shares. In the case of an application by way of Application Form, you should state your CDS account in the space provided in the Application Form. If you do not presently have a CDS account, you should open a CDS account at an ADA prior to making an application for our Offer Shares and Public Issue Shares. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institutions by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

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

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation to subscribe for any Offer Shares and 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 an offer or invitation. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus is subject to Malaysian laws and we take no responsibility for the distribution of this Prospectus outside Malaysia.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinion or reports expressed in this Prospectus. Admission to the Official List of the Second Board of Bursa Securities is not to be taken as an indication of the merits of our Company or our Shares.

You should rely on your own evaluation to assess the merits and risks of the Offer for Sale and Public Issue and an investment in us. In considering the investment, if you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2.1 CRITICAL DATES OF THE OFFER FOR SALE AND PUBLIC ISSUE

The indicative timing of events leading up to the Listing is as follows:

Events	Tentative Date
Opening date of the application	29 October 2007
Closing date of the application *	5 November 2007
Tentative date for balloting of applications	7 November 2007
Tentative date for despatch of notices of allotment to successful applicants	19 November 2007
Tentative Listing date	20 November 2007

Note:

***** *The Closing Date of the Offer for Sale and Public Issue may be extended for further period or periods as our Directors together with the Managing Underwriter in their absolute discretion may mutually decide. In the event of any changes to the closing date of the application, such date would be published in a widely circulated daily English and Bahasa Malaysia newspapers within Malaysia. Should the closing date of the application be extended, the dates for the balloting, allotment and listing of our entire issue and paid-up share capital on the Second Board of Bursa Securities would be extended accordingly.*

2.2 OPENING AND CLOSING OF APPLICATION

The application period for the Offer for Sale and Public Issue will open at 10.00 a.m. on Monday, 29 October 2007 and will remain open until 5.00 p.m. on Monday, 5 November 2007 or such further period or periods as our Directors together with the Managing Underwriter in their absolute discretion may mutually decide. Late applications will **NOT** be accepted.

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

2.3 PURPOSES OF THE OFFER FOR SALE AND PUBLIC ISSUE

The purposes of the Offer for Sale and Public Issue are as follows:

i) To facilitate the listing of and quotation for our entire issued and fully paid-up share capital of RM40,000,000 on the Second Board of Bursa Securities;

ii) To provide an opportunity for Malaysian investors and institutions, and the eligible Directors and employees, and/or business associates of our Group, to participate in the equity and continuing growth of our Group;

iii) To comply with the NDP requirements in respect of Bumiputera equity participation in our Group;

iv) To raise funds for use in the operations of our Group, details of which are elaborated in Section 2.9;

v) To enable our Group to gain recognition and certain stature through our listing status and further enhance our corporate reputation and assist our Group in expanding our customer base; and

vi) To enable our Group to gain access to the capital markets for funds, for its future expansion and continued growth.

2.4 SHARE CAPITAL

	Number of Shares	Share capital (RM)
AUTHORISED SHARE CAPITAL	200,000,000	100,000,000
EXISTING ISSUED AND FULLY PAID-UP SHARE CAPITAL	60,000,000	30,000,000
• **New Shares to be issued pursuant to Public Issue**	20,000,000	10,000,000
ENLARGED SHARE CAPITAL	80,000,000	40,000,000

The Offer Price and Issue Price are RM0.68 per ordinary share payable in full upon application, subject to the terms and conditions of this Prospectus.

We only have one (1) class of shares, namely, ordinary shares of RM0.50 each, all of which rank *pari passu* with one another. The Offer Shares and Public Issue Shares will rank *pari passu* in all respects with our other existing issued ordinary shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attaching to any shares which we may issue in the future, the holders of our Shares 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 us as dividends and other distributions and the whole of any surplus in the event of the our liquidation, in accordance with our Articles of Association.

Subject to our Articles of Association, each ordinary shareholder shall be entitled to vote at any of our general meeting in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative 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 representative shall have one vote for each ordinary share held.

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

2.5 BASIS OF ARRIVING AT THE PRICE OF THE OFFER SHARES AND PUBLIC ISSUE SHARES

The price of RM0.68 per Offer Share and Public Issue Share was determined and agreed upon by us and PIVB as the Adviser, Managing Underwriter, Underwriter and Placement Agent based on various factors including the following:

(i) Our Group's financial performance history as outlined in Sections 9.1 and 9.2 of this Prospectus;

(ii) The prospects of the industry in which our Group operates as outlined in Section 4.6 of this Prospectus;

(iii) The forecast net PE Multiple for the FYE2008 of 8.35 times based on the forecast net EPS of 8.14 sen based on our enlarged issued and paid-up share capital of 80,000,000 Shares;

(iv) The Proforma Consolidated NTA of our Company as at 30 April 2007 of RM0.53 per Share based on our enlarged issued and paid-up share capital of 80,000,000 Shares; and

(v) Our future plans, strategies and prospects as set out in Section 4.7 of this Prospectus.

Our Directors and Promoters and PIVB are of the opinion that the price of the Offer Shares and Public Issue Shares is fair and reasonable after careful consideration of the abovementioned factors.

However, you should also note that the market price of our Shares upon and subsequent to the listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the price of our Shares when traded. You should form your own view of the valuation of our securities and the reasonableness of the bases used and also bear in mind the risk factors set out in Section 3 of this Prospectus before deciding to invest in the Offer Shares and Public Issue Shares.

2.6 DETAILS OF THE OFFER FOR SALE

The Offer for Sale of 19,600,000 BHS Shares at an offer price of RM0.68 per Share payable in full on application will be allocated to Bumiputera investors approved by MITI to comply with the NDP requirements.

The Offer Shares are not underwritten as irrevocable undertakings have been obtained from Bumiputera investors identified for subscription of the Offer Shares.

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2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

2.7 DETAILS OF THE PUBLIC ISSUE

Public Issue

The Public Issue of 20,000,000 new BHS Shares at an issue price of RM0.68 per Share 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) Malaysian Public

6,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

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

6,000,000 Public Issue Shares will be reserved for the eligible Directors and employees of our Group as well as our business associates (which include the suppliers, sales agents and customers).

The shares have been allocated to 76 eligible Directors and employees of our Group based on the following criteria as approved by our 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.

Details of our Directors' pink form allocations are as follows:

Name of Directors	Designation	Pink Form Allocation
Heng Song Khoon	Executive Chairman/ Managing Director	500,000
Liew Sai Ying	Executive Director	500,000
Heng Boon Seng	Executive Director	1,000,000
Chew Yuit Yoo	Independent Non - Executive Director	100,000
Shamsudin @ Samad bin Kassim	Independent Non - Executive Director	200,000
Total		**2,300,000**

A total allocation of 850,000 Public Issue Shares has been allocated to 11 business associates of our Group. The allocation criteria for the Public Issue Shares to the business associates of our Group, as approved by our Board, takes into consideration, amongst others, their contribution to our Group and the length of their relationships with our Group.

(iii) Private Placement

3,600,000 Public Issue Shares are reserved for private placement to investors, which have been identified (who are deemed public).

(iv) Bumiputera Investors

4,400,000 Public Issue Shares will be allocated to Bumiputera investors approved by the MITI.

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

In summary, the Public Issue Shares will be allocated and allotted in the following manner:

	Public Issue Shares	% of Enlarged Share Capital
Malaysian public	6,000,000	7.50
Eligible Directors, employees and/or business associates of the Group	6,000,000	7.50
Placees	3,600,000	4.50
Bumiputera investors	4,400,000	5.50
Total	**20,000,000**	**25.00**

There is no minimum subscription amount to be raised from the Public Issue. All the Public Issue Shares available for application by the Malaysian public have been fully underwritten by the Underwriters. 1,000,000 Public Issue Shares available for application by the eligible employees and/or business associates of the Group have been fully underwritten ("Underwritten Pink Form Shares") by the Underwriters. The balance 5,000,000 Public Issue Shares available for application by our Directors as listed in (ii) above and by the six (6) key management and two (2) business associates are not underwritten as irrevocable undertakings to subscribe for the Public Issue Shares have been obtained from them.

The Offer Shares and Public Issue Shares available for application by Bumiputera investors approved by MITI are not underwritten as irrevocable undertakings to subscribe for the Offer Shares and Public Issue Shares have been obtained from the Bumiputera investors. The Public Issue Shares available for Private Placement are not underwritten. Irrevocable undertakings have been obtained from the placees to subscribe for the Public Issue Shares under placement.

Any portion of the Underwritten Pink Form Shares which are not subscribed by the eligible employees and/or business associates of the Group will be made available for subscription by the Malaysian public. Thereafter, any Public Issue Shares not subscribed for in respect of paragraph (i) and any Underwritten Pink Form Shares not subscribed for will be made available for subscription by the placees referred to in paragraph (iii) above. Any further Public Issue Shares not subscribed for will be made available for subscription by the Underwriters in the proportions specified in the Underwriting Agreement dated 13 September 2007.

The basis of allocation to be determined shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of our Company to meet the public shareholding spread requirement and to establish a liquid and adequate market for our Shares.

2.8 MARKET CAPITALISATION UPON LISTING

Our Company's market capitalisation upon listing, based on the Offer/Issue Price and the enlarged issued and paid-up share capital after the Public Issue of 80,000,000 Shares amounts to RM54.4 million.

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

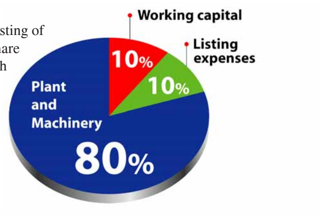
2.9 USE OF PROCEEDS

The Rights Issue and Public Issue are expected to raise gross proceeds of approximately RM18.0 million which shall accrue to us.

We intend to use the proceeds raised in the following manner:

	Amount (RM'000)	Forecast timeframe for utilisation
Expansion Plan	15,000	Within 24 months from the date of Listing
Working capital	1,275	Immediate
Defray estimated listing expenses	1,700	Immediate
Total proceeds	**17,975**	

We will bear all expenses and fees incidental to the listing of and quotation for our entire issued and paid-up share capital on the Second Board of Bursa Securities, which include underwriting commission, placement fees, brokerage, professional fees, authorities fees, advertising and other fees the aggregate of which is estimated to be RM1.7 million.



Brief details on the use of proceeds are as follows:

(i) Expansion Plan

The BHS Group intends to utilise RM15.0 million of the gross proceeds to part finance the purchase of new machineries. Today, customers expect better print quality and shorter turnaround time. Therefore, to fulfill the customers expectations and to differentiate ourselves from our competitors, the BHS Group intends to utilise RM15.0 million of the gross proceeds from the Rights Issue and Public Issue to finance its expansion plan by partially paying for the purchase of (a) one unit of new 8-colour perfector sheet-fed printing machine and (b) one unit of new 8-colour commercial web-offset printing machine.

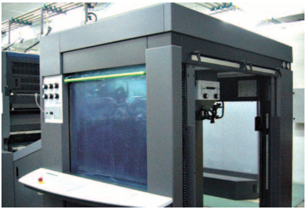
(a) One new unit of 8-colour perfector sheet-fed printing machine
(approximately RM8.0 million for full specifications which includes a Technotrans ink pump system, Wash Star, Auto Plate and Image Control)

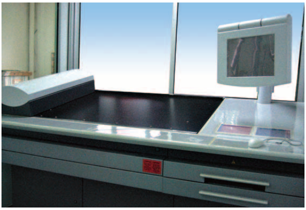
The Group had recently purchased a new 8-colour perfector sheet-fed offset printing machine which is meant to replace the existing two sheet-fed offset printing machines (1 unit of 5-colour and 1 unit of 4-colour). The proceeds from the listing exercise will be used to part finance the purchase of this printing machine.

The new machine Heidelberg SM-102-8P, is equipped with the latest perfecting jackets which enables one-pass printing of 8-colour (4 colour on top and 4 colour on bottom of the paper) at a speed of 13,000 sheets per hour while maintaining the print quality.

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

Heidelberg SM-102-8P (8-colour perfector sheet-fed printing machine)





This means that it would allow the printing of 4-colour jobs in a single pass as compared to the existing straight sheet-fed presses which require the sheets to be turned after printing on one side and re-fed into the press for printing on the reverse side of the sheet. The benefits of this perfecting technology are increased productivity, faster delivery time and reduction in work-in-progress space.

This machine also allows one side printing of 5, 6, 7 or 8 colours in the straight mode. This will be useful as some magazine covers demand 5 or 6-colour printing.

The features of the machine which amongst others are, paper sheet size preset, automatic plate change, automatic roller and blanket wash as well as the new technology of CIP4 (International Cooperation for Integration of Prepress, Press and Post-press) contribute to the increase in productivity. All the above mentioned features require manual operation in the existing machines. With the existing machine, it takes about 45 to 60 minutes to set up a job but the new machine would take approximately 15 to 20 minutes.

The new machine would also enhance print quality. It would increase the Group's sheet-fed printing capacity by about 20% to 30% compared to the existing presses. The new machine requires only two (2) persons to operate it, thus cutting the manpower requirement by half. It has an operational printing speed of up to 13,000 sheets per hour (both sides) compared to the existing 8,000 per hour (1 side only).

(b) One new unit of 8-colour commercial web-offset printing machine
(estimated price of RM15.0 million depending on the brand, specifications and currency exchange rate)

The Group plans to strengthen its web-offset capability (in terms of quality and capacity) with the purchase of an additional new commercial web-offset press. At present, the Group has identified two (2) brands – Goss M600 (formerly known as Heidelberg M600) and Komori System 38S. The machine would be equipped with automation features such as Auto Plate Change, Auto Registration, Auto Web-Guide, CIP4 and Automatic Blanket Wash. The benefit of the new machine would be improved quality and productivity as well as increased capacity. The Group also intends to purchase a smaller cut-off size of either 578mm or 598mm. This will reduce paper wastage compared to the cut-off size on the existing machine of 625mm.

The addition of this new machine would enhance the Group's web-offset capability and provide the Group a distinct competitive advantage to its competitors.

The Group intends to utilise the proceeds to purchase these new machines within 24 months from the date of Listing.

(ii) Working Capital

Approximately RM1.3 million of the gross proceeds will be reserved as general working capital for our Group for payment of creditors, salaries, purchase of raw materials/stock and operating expenses.

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

(iii) Defray Estimated Listing Expenses

The estimated listing expenses for the listing of and quotation for our enlarged share capital of 80,000,000 Shares on the Second Board of the Bursa Securities are as follows:

Estimated listing expenses	Amount (RM'000)
Professional fees	800
Underwriting commission and placement fees	230
Printing of Prospectus and advertising fees	300
Fees to the authorities and issuing house	200
Miscellaneous	170
Total	**1,700***

Note:

* *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

2.10 FINANCIAL IMPACT FROM USE OF PROCEEDS

The use of the Rights Issue and Public Issue proceeds by our Group is expected to have a financial impact on our Group as follows:

(i) Increased production capacity

Part of the proceeds of RM15.0 million is earmarked for acquisition of machineries which in turn would increase production capacity. Our Directors believe that these advanced machineries will boost our Group's printing capacity by approximately 20% to 30% This would enable our Group to undertake more business and increase its revenue, as well as capitalise on the economies of scale.

(ii) Increased productivity in operations

With the employment of new machineries with faster production speed, higher capacity and more automation, it would increase our Group's productivity as job turnaround time will be faster, less people will be required to operate the same machine and there will be less breakdown /maintenance time.

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2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

2.11 BROKERAGE, PLACEMENT AND UNDERWRITING COMMISSION

(i) Brokerage

We will pay a brokerage fee in respect of the Public Issue made available for application by the Malaysian public at the rate of 1.0% of the Issue Price of RM0.68 per Share in respect of successful applications which bear the stamp of PIVB, participating organisations of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or MIH.

(ii) Placement fees

The placement fee in respect of the Public Issue is payable by us to the Placement Agent at a rate of 2.0% of the Issue Price in respect of the number of Shares successfully placed out. The Offerors will pay a placement fee to the Placement Agent at a rate of 2.0% of the Offer Price multiplied by the number of Offer Shares described in Section 2.6 of this Prospectus.

(iii) Underwriting Commission

Further to Section 2.7, we have entered into a conditional underwriting agreement with PIVB and OSK on 13 September 2007 to underwrite the 7,000,000 Public Issue Shares to be issued to the Malaysian public, the eligible employees and/or business associates of our Group. We will pay an underwriting commission in respect of the Public Issue at the rate of 2.0% of the total underwritten shares of 7,000,000 at the Issue Price to the Underwriters.

The managing underwriter's fee of 0.5% of the Issue Price multiplied by the total number of Public Issue Shares underwritten is also payable by us.

2.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The following are some of the extracted Clauses of the Underwriting Agreement dated 13 September 2007 ("Agreement"). The capitalised terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement.

3. Warranties and Conditions

3.1 As a condition of the Agreement by the Managing Underwriter and the Underwriters to underwrite the Underwritten Shares and in consideration thereof, the Company represents, warrants and undertakes to the Underwriters as follows:

(a) that the Issue Documents shall be in form and substance satisfactory and acceptable to and approved by the SC, the ROC and other relevant authorities and will contain all information which is material in the context of the Public Issue and the listing of and quotation for the entire enlarged issued and paid-up share capital of the company on the Second Board of Bursa Securities, such information to be contained in the Issue Documents will be true, complete and accurate in all material respects and the Issue Documents will not omit to state any material fact required or necessary to be stated therein with regard to the Public Issue and the listing of and quotation of the entire enlarged issued and paid-up share capital of the Company on the Second Board of Bursa Securities and in light of the circumstances under which they are made, not misleading in any respect and that the Directors have made enquiries to ascertain all facts material for the Issue Documents and have verified the completeness and accuracy of all such information and that no material fact has been omitted therein;

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

(b) that the Company will apply and obtain the approval-in-principle of Bursa Securities for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company and shall at all times promptly furnish and deliver all documents, instruments, information, certificates and undertakings as may be necessary or advisable in order to obtain such permission and quotation;

(c) that the Company has or will have on or prior to the date of the Issue Documents, obtained all consents, approvals, authorisations or other orders required by the Company under the laws of Malaysia for or in connection with the Public Issue and the execution of this Agreement; and that as at the Closing Date all such consents, approvals, authorisations and other orders shall be and remain in force and effect and further that all other action will be taken by the Company to comply with all legal and other requirements necessary to ensure that the execution of this Agreement will not infringe any existing laws or the terms of any such consents approvals authorisations or other orders;

(d) that the authorisation of the Public Issue on the terms and conditions of the Issue Documents, the issue of the Issue Documents and the compliance by the Company with the terms and conditions of this Agreement:

(i) are in accordance, where applicable, with the Memorandum and Articles of Association of the Company;

(ii) do not and up to and on the Closing Date, will not infringe the terms of, or constitute a default under any trust deed, agreement or other instrument or obligation to which the Company is a party or by which it is bound;

(iii) do not and will not conflict with, or result in a breach of any of the terms or provisions of any existing law, regulation or listing requirements applying to or affecting the Company;

(iv) do not and will not infringe the terms of, or constitute a default under any law, judgment, order, license, permit, consent, trust deed, agreement or other instrument or obligation to which the Company is a party or by which it or any part of its undertaking, assets, property or revenues is bound or affected; and

(v) and the execution and issue or delivery by the Company of this Agreement, the Issue Documents, the Underwritten Shares and the performance of the obligations to be assumed thereunder will constitute valid and legally binding obligations on the Company;

(e) that the Company has or will have obtained on or before the date of each of the foregoing acts or events all necessary corporate and shareholders' approvals and shall have taken all other actions thereof and in connection therewith;

(f) to comply with all the conditions, if any, imposed by the SC and Bursa Securities for the listing of and quotation of the entire enlarged issued and paid-up share capital of the Company on the Second Board of Bursa Securities;

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

(g) that the Company shall comply with all the requirements and provisions, inclusive of any amendments to the Companies Act, the Securities Commission Act, 1993, the SC Guidelines and the Listing Requirements in relation to the Public Issue and all other relevant and applicable laws of Malaysia unless exempted therefrom by the relevant authorities;

(h) that save and except for litigation, winding up, arbitration or legal proceedings as may be disclosed in the Issue Documents, neither the Company nor any of its Subsidiaries is a party to any litigation arbitration or any other legal proceedings of a material nature, current or pending or to the knowledge of the Company, threatened or otherwise, in Malaysia or elsewhere which has a material adverse effect on the financial condition or otherwise on the earnings, affairs or business prospects of the Company and its Subsidiaries, and further that the Company is unaware of any evidence information or facts likely to give rise to any such litigation, winding up, arbitration or legal proceedings;

(i) that, except as may be disclosed in the Issue Documents, neither the Company nor any of its Subsidiaries:

(i) is in default under any material contract, deed, agreement, document or other instrument to which they have entered into or may be bound;

(ii) is in default of any material contract, deed, agreement, document or other instrument to which their respective assets are or may be bound; or

(iii) have entered into any contracts or commitments of an unusual, long term (not in the ordinary course of business) and onerous nature;

(j) that save and except as may be disclosed in the Issue Documents, no circumstances or situations have arisen which are or are likely to adversely affect the condition (financial or otherwise) of the Company or any of its Subsidiaries or the earnings, affairs or business prospects of the Company or any of its Subsidiaries or to so affect the success of the Public Issue and that no material information has been withheld from the Underwriters which may in any way affect their decision to underwrite the Underwritten Shares;

(k) that the Company will promptly and without any delay whatsoever notify the Managing Underwriter (who shall thereupon inform the Underwriters) of any of the representations, warranties or undertaking of any facts, information, situations or circumstances which it believes may materially and adversely affect the Public Issue and in particular but without prejudice to the generality of the foregoing, of any material change affecting any of the aforesaid representations, warranties or undertakings at any time prior and up to the Closing Date and take such steps as may reasonably be required by the Underwriters to remedy and/or publicise the same;

(l) that all information supplied or to be supplied to the Underwriters for the purpose of or in connection with the Public Issue is true, complete and accurate in all respects and where such information relates to opinions or expectations, the basis of such opinions, expectations or intention (including any profit or other forecast) are considered by the Directors of the Company based on relevant considerations and facts then made;

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

(m) that the Company will give to the Underwriters any or all information which the Underwriters may reasonably require in respect of the accounts or affairs of the Company or its Subsidiaries or in connection with the Public Issue or the other proposals contained in the Issue Documents;

(n) that each of the Company and its Subsidiaries 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 its 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 companies or of any of its assets or undertakings;

(o) that the accounts of the Company and its Subsidiaries 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 its Subsidiaries as a whole for the ten (10) months financial period ended 30 April 2007 and (so far as are material for disclosure for the purposes of the accounts) have made adequate provision for appropriate disclosures for all known material liabilities whether actual or contingent, of the Company and its Subsidiaries as a whole as at such date and have complied in all material respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since 30 April 2007 there has been no material adverse change in the financial position of the Company and any of its Subsidiaries or as a group in whole, save as may be disclosed in the Issue Documents, any public announcement or publicly available document or disclosed to the Underwriters prior to the date of this Agreement;

(p) that every statement of estimate and forecast, expressions of opinion, intention and expectation which have been disclosed in the listing applications and in the Prospectus in connection with the Public Issue are or will when given be fairly, truly, 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;

(q) that other than the indebtedness contested in good faith by the Company as disclosed in the Issue Documents, no outstanding indebtedness of the Company and its Subsidiaries has become payable by reason of default by the Company and its Subsidiaries and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time or the fulfilment of any condition or the giving of notice may result in any such indebtedness becoming so payable;

(r) that all taxes (whether income tax, property tax or otherwise) of the Company or all taxes which are material in the context of the Public Issue, for which it is liable or which ought to have been paid have been duly paid or adequately provided for; all the returns notices of information which are made or given by it for taxation are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant and appropriate authorities and there are no present circumstance (of which the Company is or ought reasonable to be aware) which are likely to give rise to any such dispute;

(s) that the records, statutory books and books of accounts of the Company and its Subsidiaries are duly entered upon 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 all records and documents (including documents of title) which are their respective property are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the ROC have been duly and correctly delivered or made;

(t) that all the assets of the Company and its Subsidiaries 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;

(u) that the Company will pay all and any stamp and other documentary taxes or duties, including any interest and penalties resulting from delay or omission on the part of the Company, payable on, or in connection with the Public Issue or the execution of this Agreement;

(v) that the Company and its Subsidiaries 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;

(w) that except as disclosed in the Issue Documents, the Company and its Subsidiaries have not entered into any contract or commitment of an unusual or onerous nature, which in the context of the Public Issue, might be material for disclosure;

(x) that the Company will give to the Underwriters any or all information which the Underwriters may reasonably need or require affecting the Public Issue, accounts or affairs of the Company and its Subsidiaries;

(y) to fix the Closing Date together with the Underwriters;

(z) to do all other things and sign or execute such documents as may be required in order to complete the Public Issue; and

(aa) that the Issue Shares shall be allotted free from any claims, liens, charges, encumbrances and equities whatsoever.

3.2 The commitment of the Underwriters to underwrite the Underwritten Shares are being made on the basis of the Warranties and with the intention that such Warranties shall remain true and accurate in all material respects up to and including the Closing Date, the Company undertakes with the Underwriters that it shall :

(i) hold and keep the Underwriters fully and effectively indemnified and harmless against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands (including but not limited to all costs, charges and expenses, including legal fees on a solicitor and client basis, paid or incurred in disputing or defending any such claim or action) which the Underwriters may incur 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 issue and deliver to the Underwriters or Bursa Depository for the credit of the Securities Account of the Underwriters, the certificates in respect of the Underwritten Shares allotted to the Underwriters or its nominee(s) pursuant to Clause 11 (unless the Underwriters shall have been advised of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to item (ii) below and the Underwriters shall have elected not to terminate this Agreement notwithstanding such advice);

(ii) at any time prior to the Closing Date, forthwith notify the Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect in any material respect any of its representations, warranties or undertakings but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;

(iii) if this Agreement is terminated by the Underwriters in accordance with the provisions of Clause 16, indemnify the Underwriters against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands which it may sustain or incur as a result of such termination; and

(iv) not publish any amendment or supplement to the Issue Documents of which the Underwriters have not previously been advised or to which the Underwriters or its legal advisers shall reasonably object.

3.3 If any action, proceeding, claim or demand shall be brought or asserted against the Underwriters in respect of which indemnity be sought from the Company, the Underwriters shall notify the Company in writing, and the Company shall assume the defence thereof, including the employment of legal advisers selected by the Company with the prior approval of the Underwriters subject to the payment by the Company of all fees and expenses of such employment. The Underwriters shall have the right to select separate legal advisers to assume such legal defences and otherwise to participate in the defence of such action, proceeding, claim or demand on behalf of the Underwriters but the fees and expenses of such legal adviser shall be borne solely by the Company.

3.4 Before the Closing Date, the Company shall at the request of the Underwriters furnish or deliver to the Underwriters all information and documents which the Underwriters may reasonably request for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained herein.

3.5 The Company undertakes and agrees not to cause, and to use its best endeavours not to permit, any Specified Event to occur before the Closing Date. If any Specified Event shall occur or come to the knowledge of the Company prior to the Closing Date, the Company shall forthwith give notice to the Underwriters of the same.

3.6 The Warranties and Undertakings furnished by the Company to the Managing Underwriter or Underwriters shall be deemed to be repeated on and as of the Closing Date and shall continue in full force and effect notwithstanding completion of the Public Issue or any investigation by or on behalf of the Underwriters.

3.7 In the event of any material breach of the Warranties or any material failure by the Company to perform any of the Warranties or any change rendering any of the Warranties inaccurate or not complied with in any material respect coming to the notice of the Underwriters (or any of them) prior to the Closing Date, each Underwriter shall be entitled (but not obliged) by notice to the Company and the Managing Underwriter to elect to treat such breach, failure or change as releasing and discharging it from its obligations hereunder Provided That the Company shall remain liable for the payment of the costs and expenses referred to in Clause 14 hereof which are incurred prior to or in connection with such release and discharge And Provided That failure to make such election as aforesaid shall be without prejudice to the right of the Underwriters or the Underwriter concerned to treat any failure or other breach, failure or change as releasing and discharging the Underwriters or the Underwriter concerned from its obligations as aforesaid.

3.8 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 the Securities Accounts (as defined under the Securities Industry (Central Depositories) Act, 1991) maintained by the Underwriters or its designated nominees are credited in accordance with Clause 11 hereof as if made at each such day with reference to the facts and circumstances existing at each such day.

6. Conditions Precedent

6.1 The several obligations of the Underwriters under this Agreement shall further be conditional upon:

(a) Bursa Securities having agreed in principle on or prior to the date of the Issue Documents to the listing of and quotation of the entire enlarged issued and paid-up share capital of the Company;

(b) the registration and lodgement with the SC and the ROC of the Issue Documents and accompanying documents on or before their issue, circulation or distribution thereof for and in connection with the Public Issue;

(c) there not having been, on or prior to the Closing Date any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial or otherwise) of the Company or any of its Subsidiaries from that as set out in the Issue Documents which is material in the context of the Public Issue or in the opinion of the Underwriters or Underwriter concerned would adversely affect the success of the Public Issue thereunder or any occurrence of any event rendering untrue or incorrect or not complied with, to an extent which is material as aforesaid, any of the Warranties as though given or made on such date; and

(d) no material variation in the Issue Documents shall be made without the consent of the Underwriters (which consent shall not be unreasonably withheld) with regard to the matters following, namely:

(i) the constitution of the Board of Directors of the Company;

(ii) the authorised and issued share capital of the Company;

(iii) the number of Issue Shares comprised in the Public Issue and the price thereof;

(iv) the statement as to any litigation, arbitration or other legal proceedings of a material nature in which the Company and its Subsidiaries is presently involved or pending;

(v) the statement as to any contingent liabilities and capital commitments of the Company and its Subsidiaries;

(vi) the business of the Company and its Subsidiaries;

(vii) the profit estimate and forecast of the Company;

(viii) the utilisation of proceeds from the Public Issue; and

(ix) the Closing Date.

*6.2 If any of the conditions stated in Clause 6.1 is not satisfied, an Underwriter (**"Withdrawing Underwriter"**) shall be entitled to terminate this Agreement by notice in writing delivered to the Company and the Managing Underwriter and in such event the Withdrawing Underwriter and the Company shall be released and discharged from its obligations hereunder Provided That in such event the Company shall remain liable for the payment of the costs and expenses referred to in Clause 14 which are incurred prior to or in connection with such termination and such release and discharge. However, the Underwriter may at its discretion and subject to such conditions as it may impose, waive compliance with any of the provisions of Clause 6.1.*

16. Termination

16.1 Notwithstanding anything herein contained, the Underwriters may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw their commitment to underwrite the Unsubscribed Underwritten Shares if:

(a) there is any material breach by the Company of any of the Undertakings or Warranties, which, if capable of remedy, is not remedied within such number of days as may be stipulated in the notice of breach given to the Company 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 and its Subsidiaries or the success of the Public Issue;

(b) if the Company withholds information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as may be stipulated in the notice of breach given to the Company, 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 and its subsidiaries or the success of the Public Issue;

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

(c) if the Company or its own volition withdraws, terminates or cancels the Public Issue;

(d) if the approval-in-principle of Bursa Securities for the admission of the Company in the Official List of Bursa Securities, SC or FIC for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of Bursa Securities is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriters;

(e) there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company and its Subsidiaries;

(f) there shall have occurred, happened or come into effect any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (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 the occurrence of any combination of any of the foregoing;

(g) 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 but not limited to acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage or acts of war), which would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company and its Subsidiaries or the success of the Public Issue, or which is likely to have the effect of making any material part of this Agreement incapable of performance with its terms pursuant to the underwriting thereof;

(h) if in the reasonable opinion of the Underwriters that the success of the initial public offering is seriously and/or materially jeopardised by the Composite Index of Bursa Securities falling below 1000 points;

(i) the approval-in-principle of Bursa Securities for the admission of BHS to the Official List of Bursa Securities and the listing of and quotation for the entire issued and paid-up share capital of BHS and its Subsidiaries on the Second Board of Bursa Securities is withdrawn, modified and/or subject to terms and conditions as may be imposed by SC, FIC or Bursa Securities which are not acceptable to the Underwriters.

16.2 Upon such notice being given under Clause 16.1, the Underwriters shall be released and discharged of their obligations without prejudice to its 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, except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 14 for the payment of the costs and expenses already incurred up to the date on which such notice was given, any antecedent breach and the underwriting Commission which shall be paid by the Company to the Underwriters within Fourteen (14) Market Days from the receipt of such notice.

2. PARTICULARS OF THE OFFER FOR SALE AND PUBLIC ISSUE *(cont'd)*

17. Notice

17.1 Any notice required to be given by a Party to the other shall be addressed to the addressee at the addresses set out in the first column of Schedule 1 hereto and personally delivered or sent by facsimile transmission or by registered post.

17.2 All notices to be given to any Party pursuant to this Agreement shall be in writing and in the English language and shall be valid and sufficient if dispatched by personal delivery, transmitted by way of facsimile or by registered post. Any notice:

(a) if personally delivered, shall be deemed to have been delivered and received at the time of such delivery;

(b) if transmitted by way of facsimile, shall be deemed to have been delivered and received on the day it is transmitted if transmitted on a day which is a Market Day and if transmitted on a day which is not a Market Day, on the immediate following Market Day provided that the transmission has been recorded in a transmission report from which the facsimile was sent in its entirety to the facsimile number stated therein; or

(c) if sent by registered post, shall be deemed to have been delivered and received ninety-six (96) hours after posting.

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3. RISK FACTORS

In evaluating an investment in the Offer Shares and Public Issue Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:

RISKS RELATING TO OUR GROUP OR THE INDUSTRY

3.1 BUSINESS RISKS

Companies involved in the printing and publishing industry such as our Group face certain risks that are inherent within the industry. These risks include, but are not limited to, shortages of raw materials and skilled workforce, fluctuations in raw material prices, increase in cost of workforce and operating cost, changes in general economic, government policies, business and credit conditions and unforeseen changes in operating conditions.

Our Group has taken steps to mitigate these risks by implementing various strategies such as sourcing directly from the agents of paper mills overseas to reduce the impact of fluctuation in raw material prices, embracing new technology to continuously improve our production and operational efficiency, providing better incentives and benefits to motivate and retain staff and expanding customer base such as printing of mailers/leaflets for hypermarket (e.g. The Store Corporation Bhd. in 2006), product brochures (e.g. Sony Malaysia Sdn. Bhd. in 2006) and books for overseas (e.g. France). Our Group also intend to print coffee books for overseas publisher. However, no assurance can be given that such measures will completely eliminate our Group's business risks.

3.2 FLUCTUATIONS IN PRICES OF RAW MATERIALS

We are exposed to the risk of fluctuations in prices of raw materials especially on the paper price as it is the main raw material used in our Group's operation. Prices of paper are determined by the prices of the primary raw materials, namely pulp and waste paper. Being industrial commodities, waste paper and pulp are subject to fluctuation in prices. For the ten (10) months FPE 30 April 2007, paper accounted for approximately 56% of the total purchases of our Group. Apart from paper, the next largest proportion of raw materials purchased are printing inks, which accounts for 7% of the total purchases of our Group for the ten (10) months FPE 30 April 2007. Ink prices are related to the costs of chemicals, fuel, environmental compliance and transportation.

In general the Group has been able to pass on any price increase to most of our customers or having the customers supply the paper themselves. However, there is no guarantee that in all situations our Group is able to fully pass on any increase in the price of raw materials to customers. This could potentially impact on our profit margins and affect the price competitiveness of our Group.

3.3 SEASONAL DEMAND

Our Group's publications, particularly the school textbooks and examination guide books are subject to seasonal variation. This can be evidenced by the surge in demand for textbooks towards the fourth quarter of each calendar year in preparation for the start of the new school session in January, whereas the demand for examination guide books mostly fall on the first and second quarter of each calendar year in preparation for the national examinations. However, this is mitigated by the fact that our Group's publications only constitute 17% of the total revenue of our Group for the ten (10) months FPE 30 April 2007.

Our Group commercial printing services which cover printing of magazines, periodicals, general/ hobby books are not subjected to seasonal or cyclical demand as they are printed on a regular basis which is usually monthly, bi-monthly or yearly.

Notwithstanding this, our Group will continue to review our marketing strategies in response to the ever-changing market demands in order to maintain our close relationships with our existing customers and to expand our customer base. Nonetheless, there is no assurance that any of these seasonal factors would not have any material adverse impact on our Group's business.

3.4 FINANCIAL RISKS

Save as disclosed in Section 9.4 of this Prospectus, our Group does not have any other borrowings and indebtedness in the form of borrowings, including amongst others, term loans, bank overdrafts and hire purchases. Our Group may, from time to time, obtain credit facilities from banks and financiers to finance its operations and business activities. Interest may be charged on these credit facilities by the banks and financiers. As all the borrowings of our Group are interest bearing, hence any fluctuation in interest rates could have a material effect on our Group's profitability, with regards to the interest and principal repayment of the borrowings, depending on the total amount outstanding at that point in time.

These credit facilities may also be subject to terms and conditions which may limit our Group's operating and financial flexibility. Any act or omission by our Group that breaches such terms and conditions may give rise to rights by the banks or financiers to terminate the relevant credit facilities and/or enforce any security granted, in relation to those credit facilities, and which may also cause cross-defaults of other facilities. Our Group is not presently in breach of any such term or condition of any credit facility, and will at all times take all reasonable efforts to observe such terms and conditions. There can be no assurance that such breaches will not have any adverse impact on our Group's operational and financial results. Nevertheless, our Directors are aware of such terms and conditions and shall take all precautions necessary to prevent any such breach.

Our Directors are confident that our Group would be able to meet our commitments when they become due and payable with internally generated funds and/or external borrowings, and therefore, the commitments would not adversely affect the financial performance of our Group. Furthermore, the financial impact on the Group in relation to the fluctuation in interest rates is expected to be minimal due to our low borrowings and gearing level. As at 24 September 2007, (being the latest practicable date prior to the printing of this Prospectus), our Group's total borrowings amounted to approximately RM7.8 million, of which approximately RM0.3 million is in the form of long-term borrowings and approximately RM7.5 million is in the form of short-term borrowings. Our gearing level is expected to be 0.1 times upon completion of the Listing (based on the proforma consolidated balance sheet as at 30 April 2007). Consequently, unless our Group increases the gearing level, any adverse changes in the interest rates is not expected to significantly impact our financial performance.

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3.5 FOREIGN CURRENCY RISK

Our Group is exposed to foreign currency risk as part of our revenue and cost of sales are denominated in USD. Our Group import paper from overseas in USD and export printed books in USD and Euro. For the ten (10) months FPE 30 April 2007, approximately 15% of our Group's sales were transacted in USD and Euro, whereas 53% of our Group's total purchases were transacted in USD.

Our Group does not use derivative financial instruments to hedge its foreign currency risk. Any significant fluctuations in the exchange rates may have a material impact on our Group's financial performance.

The exposure to the abovementioned risk is partly mitigated by using the USD in our USD account received from our overseas customers to pay for our purchases which are in USD. Our management is constantly monitoring our Group's foreign exchange exposure and will take necessary steps to minimise the exchange rate exposure if needed. However, there is no assurance that any future significant exchange rate fluctuations or changes in foreign exchange control regulations will not have a material and adverse impact on our financial position.

3.6 DEPENDENCE ON KEY PERSONNEL

Our Group acknowledges that our business sustainability and success will depend on the continued efforts of our Directors and key management personnel. The loss of our Managing Director, Executive Director or key management may adversely affect our Group's ability to compete.

Nevertheless, to ensure a smooth succession planning, our Group has taken steps to promote long term commitment among our key personnel by offering attractive remunerations and opportunities for career development within our Group. Furthermore, effort is made by our Group to provide training and development of the key management personnel and employees as well as rotation of new management staff between the various departments enabling them to understand our Group's overall operations.

Heng Song Khoon, the Executive Chairman and Managing Director cum Promoter of our Group, has considerable experience in the printing and publishing industry with over thirty (30) years of industry exposure. He is supported by a team of experienced senior management, majority of which has more than twenty (20) years of experience in the printing and publishing industry.

By having a pool of skilled, experienced and committed staff, a structured organisation and an established system of operation in place, our Directors are of the view that disruptions to our operations will be minimal in the event of any departure of our Managing Director, Executive Director or key management.

Please refer to Section 5.5.4 for further details on our Group's management succession plan to ensure business continuity.

3.7 INSURANCE COVERAGE ON ASSETS

Our Group is aware of the adverse consequences arising from inadequate insurance coverage that could be detrimental to our business operation. In ensuring such risks are maintained to the minimum, our Group reviews and ensures adequate coverage for our assets on a continuous basis. As at 24 September 2007, our Group has a total sum insured of approximately RM24.0 million for our assets such as plant and machineries, inventories and office equipment against fire and lightning and other relevant risks. Although our Group has taken necessary measures to ensure that our plants and machineries and all our other material assets including raw materials and finished products are adequately covered by insurance, there is no assurance that the insurance coverage would be adequate for the replacement cost of those assets.

Furthermore, our Group continues to be exposed to the risk of damage resulting from riot, general strike, acts of terrorism and any other risks which cannot be reasonably or capable of being insured against.

3.8 BREAKOUT OF FIRE, FLOOD, ENERGY CRISIS AND OTHER NATURAL CALAMITIES

A fire, flood or other natural calamity may result in significant damage to our paper inventory and machineries which in turn may cause major disruptions to our operations, thus our business and financial results. For example, damage to our paper inventory may result in high inventory write-offs and delay our production if we are unable to obtain timely supply of paper. As at 30 April 2007, our paper inventory balance accounted for approximately 73% of our Group's inventory.

Our Group has taken initiatives to minimise this risk. For example, as mentioned in Section 3.7 above, our Group has adequately provided fire and other relevant insurance coverage for all assets such as plant and machineries, inventories and office equipment. Our drainage system is checked and cleared regularly to prevent flood from occurring. If our inventories, most importantly our stock of paper are not in the need of use for immediate printing, then the stock of paper as well as our finished products are kept separately in different lots away from where our machineries are operating to prevent fire from spreading. Furthermore, a fire alarm system has been installed and fire extinguishers are placed at appropriate locations within our premises.

Our Group uses Uninterruptible Power Supply (UPS) for all our computers. This will help to prevent sudden power loss, which will result in loss of data in all computers. For power supply to its machinery, the Group employs the services of Central Capacitor Sdn. Bhd. on a monthly inspection basis to ensure that all the electrical components at the power supply boards are in good working condition. This will minimise risk of power supply failure due to faulty electrical components. In the event of any localised electrical interruption to its lighting system, the Group uses emergency lighting system that would allow production to carry on until the fault is rectified. All electrical disruptions (usually not more than 6 hours) by Tenaga National Berhad are made known to the Group in writing at least 1 week prior to the disruption. This would allow adequate time for production planning team to take any preventive measure and cater to the power disruption.

Nonetheless, our Group has not experienced any fire breakouts, floods, energy crisis and any natural calamities which could jeopardise our Group's operations as at 24 September 2007, being the latest practicable date prior to the printing of this Prospectus. Despite the measures taken, there is no assurance that any of the above crises may not cause any interruptions in our Group's operations in the future and our insurance coverage will be sufficient to cover all our potential losses.

3.9 TECHNOLOGICAL CHANGES

The printing and publishing industry has been undergoing rapid technological changes. A wide variety of technological and machinery advancements are being developed to increase the efficiency and productivity of printing and publishing. Our Group's future thus depends substantially upon our ability to address the increasingly sophisticated needs of our customers by maintaining and enhancing our technological capabilities and successfully anticipating or responding to the technological changes.

Capital for investment in technological changes is limited by declining profits, and alternative media are taking the place of printed output in some markets. Printing machinery and equipment are very expensive, resulting in the industry being very capital intensive. Thus unless companies are profitable and financially strong, they will not be able to upgrade to the latest machinery. Our Group is well-equipped to handle large print runs that produce high-quality results and the management of our Group has plans to continue its investments in the latest printing technology.

Our Group is confident that we will be able to keep abreast with the rapid technological changes in the printing and publishing industry through our on-going staff training and development programmes and attending external conferences organised by our suppliers of printing and binding machinery suppliers, such as Heidelberg Malaysia Sdn Bhd and UPA Machinery Sdn Bhd. We will adopt the appropriate latest technologies, if need be, to maintain our competitiveness. However, there is no assurance that in the event that we are not able to upgrade our existing technologies, our business and financial performance would not be adversely affected.

3.10 COMPETITIVE RISKS

Generally, local printers and publishers face a key challenge in their ability to compete to differentiate themselves in a competitive market. The current situation where there is widespread price undercutting will result in lower profit margins, and where capacity exceeds demand, the ultimate effect on the industry is to force selling prices down. This is especially so given the need to incur higher costs involved in purchasing printing machinery with the latest technology and higher speeds to achieve better productivity and quality levels, as well as reduce turnaround time, so as to remain competitive. Many companies believe that profit margins are already low, and that there is continual downward pressure on prices.

Our Group has been relatively successful in such a competitive environment by using the web-offset printing technology and sourcing our own paper raw materials, rather than purchasing solely from local paper merchants. Through our in-house ability to directly import quality paper at competitive prices, our Group is able to benefit from substantial cost savings. Savings from paper costs, for example, are passed on directly to the customers thus enabling our Group to offer competitive pricing to our customers. In addition, our Group closely monitors wastages to keep costs down.

Our Group's success in being accredited with the Productivity Achiever Award 2005 as well as the 4th Asian Print Awards 2006 is testament to our Group's performance track record in terms of quality and timely delivery, which are the most important considerations for publishers and print buyers. Our Group also intends to upgrade and modernise our printing machinery to further improve quality and productivity in order to further differentiate ourselves from our competitors and to remain competitive in the industry.

According to D&B Malaysia, our Group achieved the highest average PBT margin among the other selected key players, being 16.3% over the spread of the last three (3) years, from FYE2004 to FYE2006.

(Source: D&B Malaysia)

Furthermore, having a PBT margin of 17.2% for the recent ten (10) months FPE 30 April 2007 serves also as a good testimony of our consistent and continuous efforts in improving our productivity. Nonetheless, there is no assurance that our Group will be able to compete successfully with our competitors in the future.

3.11 DEPENDENCE ON PARTICULAR GEOGRAPHICAL LOCATION

Our Group primarily focuses on the local market for our products and services. For the ten (10) months FPE 30 April 2007, local sales accounted for 85.1% of our Group's total revenue. Our Directors are aware of our dependence on the local market but are confident that our dependence will not have a material adverse impact on our Group's results in view of the favourable opportunities that are still arising in the local market.

For example, the demand for consumer magazines is expected to rise, as well as the number of schools and students, which in turn leads to an increase in demand for printing of magazines and publishing of textbooks and examination guide books.

(Source: D&B Malaysia)

Furthermore, with our Group's proven track record and expertise, we have progressively expanded into overseas market, particularly in the African continent. We are also actively looking for business opportunities through participation in International Book Fairs. Notwithstanding the above, no assurance can be given that our dependence on the local market will not have a material adverse impact on our Group's results in the future.

3.12 INTELLECTUAL PROPERTY

Our Group's success will depend, in part, on our ability to protect our proprietary information. We ensure that we own all the copyrights to our publications or pay royalties to the writers if we do not own the copyrights. Furthermore, the books published under the name of "Sistem" and "Yakin" such as our examination guide books and school textbooks publications have been well-recognised and popular names amongst students, school teachers and parents in the local market. As such, we are committed in publishing quality examination guide books and school textbooks to protect our reputation and to retain the trust we have successfully established with our customers which we have successfully established over the last thirty (30) years.

As disclosed in Section 4.3.12 of this Prospectus, BBP applied to the Trade Marks Registry on 22 July 2005 to register our Group's logo as a trademark. The application was advertised in the Trade Mark Gazette dated 19 July 2007. As at 19 September 2007, being the last date for any party to oppose or to file an extension of time to oppose the application, our Group did not receive any such notification and hence, will proceed with the trademark registration.

Nonetheless, our Directors believe that this registration will only validate our existing logo and will have minimal or no impact on our ability to retain existing customers or attract new ones. No assurance can be given that such registration will offer us any meaningful protection and the countries in which we market our products will protect our intellectual property rights adequately.

3.13 CONTROL BY PROMOTERS

As set out in Section 5 of this Prospectus, the Promoters, i.e. Harta, Heng Song Khoon and Liew Sai Ying will collectively control 51.75% of our enlarged issued and paid-up capital after the Public Issue. As a result, these Promoters, acting together will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders such as proposed acquisitions of assets or other business opportunities, the declaration of dividends and the issuance of additional shares and other securities, unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

Adherence to corporate governance principles and best practices is expected to promote greater transparency and accountability. The formation of the Audit Committee and Remuneration Committee, which comprises a majority of Independent Directors, together with the Nomination Committee, which comprise solely of Independent Directors, will help to promote transparency and accountability in our Group, hence protecting the interests of the other shareholders. In addition, in the event of a related party transaction and/or conflict of interest situation within our Group which involves a director or substantial shareholder, the director or substantial shareholder involved would be required to abstain from voting.

3.14 POLITICAL, ECONOMIC AND REGULATORY CONSIDERATIONS

Like all other business entities, adverse developments in political, economic and regulatory conditions in Malaysia could unfavourably affect the financial position and business prospects of our Group. These risks include, among others, risks of war, global economic downturn, changes in interest rates and unfavourable changes in government policies such as introduction of new regulations, import duties and tariffs.

In the international trade environment, as the Group is involved in educational books and educational printed materials, there is no known restriction imposed by any foreign country. Educational printed materials and books are normally exempted from tax in most countries.

Whilst we strive to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic and regulatory factors will not materially affect our Group.

3.15 MATERIAL LITIGATION/LEGAL UNCERTAINTIES

Save as disclosed in Section 14.5, as at 24 September 2007, neither our Company nor any of our subsidiaries are engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of our Group and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of our Company or our subsidiaries. However, there can be no assurance that there would be no other proceedings that would adversely affect the operations and profitability of our Group in the future.

3.16 AVAILABILITY OF SKILLED LABOUR

Our Group may face the possibility of skilled labour shortage, a common situation in Malaysia particularly in the printing and publishing industry. 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. As for the printing industry, the complexity of the printing machinery used requires technically-sound employees with knowledge of IT. Most of the larger printing companies, such as our Group utilise modern and up-to-date machinery, stressing more on technology and the skills of the workers.

The Government, in recognising the importance of the printing industry, has intensified its effort in setting up printing institutes and vocational schools to train and produce skilled labour that can contribute towards further developing the printing industry. These skilled workers would be equipped with printing technology knowledge as well as hands-on operational experience in a wide spectrum of printing processes. Examples of printing institutes include Universiti Teknologi MARA (UiTM), Universiti Kebangsaan Malaysia (UKM), Industrial Training Institute (Kuala Lumpur and Penang branches) and National Institute of Occupational Safety and Health (NIOSH).

(Source: D&B Malaysia)

As at 24 September 2007, skilled labour represents approximately 35% of our Group's workforce. However, our Group has not experienced any major shortage of skilled labour which has materially affected the growth of our Group's business and/or caused interruptions in our operations. With the Government imposing tighter regulations on the hiring of foreign labour, our Group has taken our own initiatives to minimise the risk. Among the steps that we have undertaken include utilising high-end machines that provide more automation to reduce the reliance on manual labour supply and rotating our workforce by exposing our employees to different skills to retain their interest. In addition, our Group has established good relationship with our employees and has in place a stringent recruitment process, whereby minimum criteria must be met before a candidate is given an interview opportunity. As such, the management believes that we are able to employ competent staff armed with the right skills and further increase our staff competency levels through the introduction of suitable in-house training and pre- and post job briefing, coupled with regular participation in international print and media fairs, local publishers' association meetings.

Notwithstanding this, there can be no assurance that there would be shortages of skilled labour and any change in the immigration rules and policies adopted by the Government which will not have an adverse impact on our Group's labour force.

3.17 ENVIRONMENTAL CONCERNS

The primary raw materials used in the printing industry include paper, ink, plates and plate processing chemicals. Plate processing chemicals could generate potentially toxic waste during the printing process and therefore need to be disposed of properly in accordance with the regulations of the Department of Environment ("DOE"). In addition, remains of ink in tins, contaminated cotton rags and sponge and the by-products of plate processing chemicals must also be collected and disposed of properly. This exposes our Group to potential environmental issues.

In this respect, our Group is registered with the DOE and we place great emphasis on disposing our waste according to Environment Quality Act, 1974. Our Group has appointed a licensed contractor approved by the DOE to manage the waste on our behalf. The licensed contractor will collect samples of all waste from our Group and analyse them according to the DOE standards. It then plans a waste collecting schedule, depending on the amount of waste generated. The waste will either be recycled at its own plant, or sent to DOE for incineration or landfill if it is non-recyclable waste. The appointment of a licensed contractor to manage the waste enables our Group to minimise the risk of not conforming to the environmental regulations.

Although our Group has conscientiously addressed environmental concerns, the nature of the operations is such that there can be no assurance that such environmental concerns and/or change in the current laws and/or regulations on environmental matters will not have a material or adverse impact on the future operations of our Group.

3.18 RELATED PARTY TRANSACTIONS/ CONFLICT OF INTEREST

As disclosed in Section 7.1 of this Prospectus, there are certain related-party transactions involving the Directors and substantial shareholders and/or persons connected with the Directors or substantial shareholders of BHS. The Directors and substantial shareholders of BHS have given an undertaking that all business transactions between our Group and the Directors and substantial shareholders and their related persons, shall be based on an arm's length basis and on commercial terms that shall not be disadvantageous to our Group.

As disclosed in Section 7.4 of this Prospectus, some of the Promoters, Directors and/or substantial shareholders of BHS have interests in a company carrying on similar businesses as our Group. To mitigate any potential conflict of interest, the Promoters, Directors and substantial shareholders have provided written undertakings not to be involved in any new business in the future, which will give rise to competition/ conflict with the current business of our Group.

3. RISK FACTORS *(cont'd)*

3.19 ABSENCE OF LONG TERM CONTRACTUAL AGREEMENTS WITH CUSTOMERS

Our Group does not have any formal long-term contracts with majority of our customers. To the best of our Directors' knowledge, it is not a norm in the industry for customers to enter into formal long-term contracts with printing companies. Normally, we will obtain printing jobs through open tenders. Our ability to maintain steady and close relationships with our customers and the ability to meet the stringent requirements of our customers is therefore essential to our business.

However, the risks of our Group being totally dependent on external customers are reduced as we print for our in-house publications. For the ten (10) months FPE 30 April 2007, our Group's publication, printing and supply of school textbooks and examination guide books accounted for 17% of total revenue of our Group.

Our Group has taken steps to mitigate these risks such as making regular visits and contacts with our existing customers to form a better understanding of their needs, and as a result, we are able to maintain close relationships with them. As testimony of customer satisfaction, both of our major customers have been with our Group for seven (7) years. Furthermore, our established reputation and proven track record has enabled us to generate potential sales through referrals from existing customers and receive self-enquiries from interested customers. In the printing and publishing industry, an established track record and references are of paramount importance in building up potential business. Nevertheless, there is no assurance that the absence of long term contracts with customers will not have a material adverse impact on our Group's results in the future.

3.20 UNEXPECTED REPAIR COSTS

Our Group has a number of machineries and equipment which may incur unexpected repair costs which are difficult to predict with reasonable certainty and may have an adverse effect on our Group's financial performance. Furthermore, if the repairs take up an extended period of time, the loss of revenue from the downtime may be substantial. However, our Group adheres to a regular maintenance schedule as required by the suppliers of the machineries and equipment which minimises the risk of unexpected repair costs and loss of use of the machineries and equipment.

3.21 COSTS OF REGULATORY COMPLIANCE

Our Group's operations are regulated by various regulatory authorities, amongst others, Ministry of Internal Security, the MOE and the DOE. Our Group currently complies with the regulations imposed by the relevant authorities and our Directors have endeavoured to consistently comply with the regulations imposed by the relevant authorities. Nevertheless, there is no assurance that there will be no additional requirements be imposed on our Group and there is no assurance that the costs of complying to the additional requirements in the future will not materially affect the future profitability of our Group.

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RISKS RELATING TO INVESTMENT IN OUR SHARES

3.22 NO PRIOR MARKET FOR OUR SHARES

Prior to the Listing, there has been no public market for our Shares. There can be no assurance that an active market for our Shares will develop upon our listing on the Second Board of Bursa Securities or, if developed, that such market will be sustained. There can also be no assurance that the Offer/ Issue Price will correspond to the price at which our Shares will be traded on the Second Board of Bursa Securities upon or subsequent to its listing or that an active market for our Shares will develop and continue upon or subsequent to its listing.

The Offer/Issue Price of RM0.68 per Share was entirely determined and agreed upon by us and PIVB as Adviser, Managing Underwriter, Underwriter and Placement Agent, after taking into consideration a number of factors, including but not limited to, our Group's financial and operating history and condition, our prospects and the prospects for the industry in which our Group operates, the management of our Group and the prevailing market conditions. As such, the price at which our Shares will trade on the Second Board of Bursa Securities would be dependent upon market forces beyond our control.

3.23 FAILURE/DELAY IN THE LISTING

The occurrence of any one or more of the following events (which may not be exhaustive) may cause a delay in or non-implementation of the Listing:

(i) the Bumiputera investors approved by MITI fail to subscribe to their portion of the Offer Shares and Public Issue Shares allocated to them notwithstanding that they have given irrevocable undertaking letters to subscribe for such Offer Shares and Public Issue Shares resulting in us being unable to comply with the NDP requirements;

(ii) the Underwriting Agreement is terminated or the Underwriters fail to honour their obligations under the Underwriting Agreement; or

(iii) we are unable to meet the public spread requirement, that is, at least 25% of the total number of shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares at the point of our admission to the Second Board of Bursa Securities.

Although our Directors will endeavour to ensure our compliance of the various Listing Requirements, including, inter-alia, the public spread requirement imposed by Bursa Securities for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or non-implementation of the Listing.

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3.24 TERMINATION OF UNDERWRITING AGREEMENT

The Underwriting Agreement is terminable by the Underwriters if the Underwriters are of reasonable opinion that the success of the Public Issue is likely to be materially and adversely affected by certain events, details of which are set out in Section 2.12 of this Prospectus.

No assurance can be given that the Underwriters will not terminate the Underwriting Agreement if it is of reasonable opinion that the events detailed in Section 2.12 have occurred. In the event the Public Issue could not be completed, all monies paid in respect of all applications will be returned in full without interest.

3.25 CAPITAL MARKET RISK

The performance of the local bourse is very much dependent on external factors such as the performance of regional and world bourses and the flows of foreign funds. Sentiments are also largely driven by internal factors including political and economic conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of our listed shares. However, it should be noted that our profitability is not dependent on and has no direct correlation with the performance of Bursa Securities.

3.26 REALISATION OF DIVIDENDS FROM SUBSIDIARIES

We are an investment holding company whose significant assets are our equity interests in our subsidiaries. Our Group's revenue and profits are therefore derived primarily from the operations of our subsidiaries. Accordingly, an important source of our income, and consequently an important factor in our ability to pay dividends on our Shares, its dividends and other distributions received from our subsidiaries. Our subsidiaries' ability to pay dividends and make other distributions to us may be restricted by, among other things, the availability of funds, the terms of various credit arrangements entered into by our subsidiaries, as well as statutory restrictions. With the absence of dividend income from our subsidiaries in such an event, our Company will not be able to distribute dividends to shareholders even if our Group, on a consolidated basis, is profitable.

Details of our dividend policy are set out in Section 9.9 of this Prospectus.

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3. RISK FACTORS *(cont'd)*

RISKS RELATING TO FUTURE INFORMATION

3.27 ACHIEVABILITY OF ESTIMATES AND FORECASTS

This Prospectus contains the consolidated profit estimate and forecast of our Group for the financial year ended 30 June 2007 and financial year ending 2008 respectively which is based on assumptions with respect to the levels and timing of revenues, cost, interest rates, exchange rates and various other matters of an operational or financial nature, which assumptions are believed by our Directors to be reasonable. Our Directors have considered the assumptions used in the preparation of the consolidated profit estimate and forecast to be reasonable. However, due to the inherent uncertainties of profit estimate and forecast and as a result of events and circumstances frequently do not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realised and actual results may be materially different from those shown or expected. Potential investors should note carefully the bases and assumptions to the profit estimate and forecast as well as the comments by the Reporting Accountants in their letter on the consolidated profit estimate and forecast as set out in Section 9.6 of this Prospectus.

3.28 DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

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4. INFORMATION ON THE GROUP

4.1 BACKGROUND

4.1.1 Our History and Development

Our Company was incorporated in Malaysia under the Companies Act, 1965 on 30 December 2005 as a public limited company under the name of "BHS Industries Corporation Berhad". On 22 February 2006, we changed our name to "BHS Industries Berhad" and have assumed this present name since. Our Company commenced its business on 21 March 2007.

Our Company is principally engaged in investment holding and provision of management services, and through our subsidiaries, we are engaged in commercial printing and publishing of educational books.

Our Group was founded in 1974 with the establishment of System Educational Company (now known as Sistem) as a partnership between Mr Heng Song Khoon and Madam Liew Sai Ying. We were initially involved in the publication of educational books, particularly examination guide books. Within our first year of operations, through System Educational Company, we made our mark within the publishing industry when we successfully launched our first publication of a series of examination guide books, known as System Examination Facts, to serve the needs of students preparing for the national school examination then known as Malaysia Certificate of Examination ("MCE"). To cater to every student's needs, all our examination guide books series were published in both English and Bahasa Malaysia.

In 1982, upon securing the printing licence, BBP (then known as Percetakan Ban Huat Seng Sdn Bhd) was incorporated with the aim of providing printing and binding services to Sistem and Yakin.

In 1986, both Sistem and Yakin were awarded contracts under the directive of Biro Buku Teks (currently known as Bahagian Buku Teks) of the MOE to publish various school textbooks. Since then, Sistem and Yakin have been securing numerous contracts from the MOE to publish textbooks for secondary schools.

Our Group had also successfully published other educational books, such as language improvement books, kindergarten books, children's story books and children's dictionaries through SPH and Sistem.

Having gained experience in printing books, BBP continued its expansion into commercial printing, providing a wide range of services such as printing of magazines like Astro Guide (Dynasty and Hotel Editions), I-Feel, Anjung Seri, PC Gamer, Max IT, Pearl (Jusco subscribers' magazine) as well as printing of brochures, directories, annual reports and prospectuses. Since then, new publications were also launched to align with the evolving school syllabus.

4. INFORMATION ON THE GROUP *(cont'd)*

The following table summarises the key milestones that our Group has achieved since our inception:

Date	Description of Events
1974	System Educational Company was established as a partnership. First publication series known as System Examination Facts ("SEF") – a series of examination guide books for students preparing for the Malaysian Certificate of Examination ("MCE").
1976	System Educational Company was renamed Pustaka Sistem Pelajaran. Sistem Objektif examination guide books series was launched to cater for examination.
1978	Sistem was incorporated on 12 October 1978 and took over the business operations of System Educational Company. Sistem Objektif examination guide books series was launched to cater for students preparing for Sijil Tinggi Pelajaran Malaysia (STPM) examination. Sistem shifted from its initial place of business to 77, Jalan Jejaka Dua, Taman Maluri, Cheras, 55100 Kuala Lumpur.
1979	Sistem successfully penetrated the primary school market through the launch of its first primary examination guide books series known as Siri Penilaian Darjah 5. Pustaka Yakin Pelajar was established as partnership.
1981	Pustaka Yakin Pelajar published its first series, Panduan SRP and Panduan SPM. Ban Huat Seng Book-Binding Company started its book-binding business. It provided book-binding services mainly to Sistem and Yakin.
1982	Ban Huat Seng Book-Binding Company obtained printing licence and renamed Percetakan Ban Huat Seng. ("PBHS") On 31 December 1982, BBP (*formerly known as Percetakan Ban Huat Seng Sdn Bhd*) was incorporated.
1983	Yakin was incorporated on 18 May 1983 to cater to the increase in demand for examination guide books.
1986	Sistem and Yakin expanded into school textbooks under the directive of Biro Buku Teks (*currently known as Bahagian Buku Teks*) of the MOE.
1989	Yakin took over the entire business operations of Pustaka Yakin Pelajar. BBP took over the entire printing and binding business of PBHS. SPH was incorporated on 23 June 1989. Star was incorporated on 4 October 1989 with the aim of specialising in providing binding services for the Group, hence reducing the binding workload for PBHS.

4. INFORMATION ON THE GROUP *(cont'd)*

Date	Description of Events
1991	SPH expanded into the publishing of children's books and dictionaries and actively participated in international book fairs. BBP became one (1) of the first few Malaysian printers that adopted web-offset printing for book productions. As part of our expansion strategy, our Group relocated its operations in Taman Maluri shop-lots to Bersatu Industrial Complex in Kawasan Perusahaan Cheras Jaya.
1994	Our Group relocated from Bersatu Industrial Complex to the adjacent Bersatu Industrial Park, our present place of operation, occupying Lot 17-22, 17-23 and 17-23A, Cheras Jaya.
1999	BBP expanded into the commercial printing sector, commencing with the printing of magazines in addition to its book printing activities. BBP rented another two (2) factory lots adjacent to its existing premises in Bersatu Industrial Park.
2000	Multimedia was incorporated on 21 August 2000 to set up the Group's information communication and technology ("ICT") – based book publishing.
2002	Appointed by Ghana's Ministry of Education to print school textbooks. Purchased a piece of 2.1 acre land in Cheras Jaya for future construction of factory and corporate head office.
2004	Purchased a Komori System 40 web-offset printing machine to cater for the increasing demand in mass volume printing such as Astro Guide (Dynasty and Hotel Editions) and Pearl Magazine. Sistem developed a new series of examination guide books known as 1001 Siri Soalan Topikal, Nota & Soalan.
2005	Winner of the **Best Graphic Design** awarded by MOE (Science Form 3 textbook published by Sistem). Yakin launched a new series of examination guide books known as Kertas Sampel SPM.
2006	Winner of **Productivity Achiever Award 2005** by National Productivity Corporation. Winner of **Bronze Award** for **Web-offset** (coated stock) **printing** at 4th Asian Print Award 2006.

Both our founders, Heng Song Khoon and Liew Sai Ying have each been in the printing and publishing industry for more than thirty (30) years. They both collectively play a pivotal role in steering the continued growth of our Group. Under their leadership, our Group has expanded to become one of the leading web-offset printers in Malaysia. Furthermore, under the name of "Sistem" and "Yakin", our Group firmly and successfully established a reliable and good reputation in the publishing industry, where our publications of quality examination guide books for both primary and secondary schools have been widely used and popular not only among students, but also among school teachers.

4. INFORMATION ON THE GROUP *(cont'd)*

Our Group has also carved for itself a niche market by being one of the few Malaysian web-offset printing companies that have a track record of quality and reliable performance, as well as industry knowledge and experience accumulated over three (3) decades, particularly catering to the commercial printing market. We are capable of providing the entire process of publishing and printing starting from publishing (such as page design and layout, editing and typesetting), pre-press services (such as content processing and input, page design and layout services), printing to post-press services (such as folding and binding).

Our Group is presently operating from five (5) units of two-storey adjacent factory lots and three (3) units of $1\frac{1}{2}$ -storey factory lots which comprise a total built-up area of 50,000 square feet in Bersatu Industrial Park, Cheras Jaya.

With our commitment to creating value for our customers and to delivering high volumes of quality prints in a timely manner at competitive prices, our Group has established a presence in the printing and publishing industry.

4.1.2 Share Capital And Changes In Share Capital

The present authorised share capital of our Company is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each.

Details of the changes in the issued and paid-up share capital of our Company since incorporation are as follows:

Date of allotment	No. of Shares	Par value (RM)	Consideration	Issued and paid-up share capital (RM)	Cumulative Issued and paid-up share capital (RM)
30.12.2005	4	0.50	Subscribers' shares	2	2
8.8.2007	41,409,539	0.50	Purchase consideration for the Acquisition of Sistem	20,704,769	20,704,771
8.8.2007	9,840,000	0.50	Capitalisation of Advances	4,920,000	25,624,771
28.8.2007	8,750,457	0.50	Rights issue	4,375,229	30,000,000

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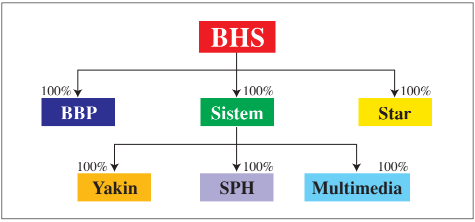
4. INFORMATION ON THE GROUP *(cont'd)*

4.1.3 Group Structure

An overview of our Group structure is set out below:



The details of our subsidiaries are set out as follows:

Subsidiary	Date of incorporation in Malaysia	Issued and paid up share capital (RM)	Effective equity interest (%)	Principal activities
Sistem	12.10.1978	3,618,890	100	Book publisher
BBP	31.12.1982	3,950,000	100	Book and magazine printer
Star	04.10.1989	150,000	100	Book binder
Subsidiary companies of Sistem				
SPH	23.06.1989	20,000	100	Book publishing and trading in books
Multimedia	21.08.2000	902,000	100	Book publisher using information and communication technology
Yakin	18.05.1983	491,382	100	Book publisher

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4. INFORMATION ON THE GROUP *(cont'd)*

4.1.4 Our Location of Business

(i) Principal Place of Business

Lots 17-22 & 17-23 (First Floor)
Jalan Cheras Jaya 1/1
Bersatu Industrial Park
Cheras Jaya 43200
Selangor Darul Ehsan.

(ii) Principal Assets

The real property of our Group is set out in Section 8.1.

(iii) Production Facilities

Publishing

Lots 17-22 & 17-23 (1st Floor), Lots 17-25 & 17-27 (Ground Floor)
Jalan Cheras Jaya 1/1
Bersatu Industrial Park
Cheras Jaya 43200
Selangor Darul Ehsan.

Printing

Lots 17-18, 17-19, 17-23, 17-23A (Ground Floor)
Jalan Cheras Jaya 1/1
Bersatu Industrial Park
Cheras Jaya 43200
Selangor Darul Ehsan.

Binding

Lot 17-22 (Ground Floor)
Jalan Cheras Jaya 1/1
Bersatu Industrial Park
Cheras Jaya 43200
Selangor Darul Ehsan.

Store
Lot 17-17 (Ground Floor)
Jalan Cheras Jaya 1/1
Bersatu Industrial Park
Cheras Jaya 43200
Selangor Darul Ehsan.

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4. INFORMATION ON THE GROUP *(cont'd)*

4.1.5 Flotation Exercise

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of our Company on the Second Board of Bursa Securities, we undertook a flotation exercise which was approved by the SC pursuant to the Securities Commission Act, 1993 and the FIC Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests on 2 July 2007, which involved the following:

(i) Acquisition of Sistem

On 21 March 2007, we entered into a sale and purchase agreement with the vendors of Sistem for the acquisition of 100% of the issued and paid-up share capital of Sistem comprising 3,618,890 ordinary shares of RM1.00 each from the existing shareholders of Sistem for a total consideration of RM20,704,769. The purchase consideration was satisfied via the issuance of 41,409,539 new BHS shares at par.

The purchase consideration of RM20,704,769 was arrived at after taking into consideration the adjusted audited consolidated NTA of Sistem as at FYE 30 June 2006 of RM20,704,769, after taking into account the fair value adjustment of the property mentioned below.

	RM
Audited consolidated NTA of Sistem as at 30 June 2006	20,430,420
Add: Revaluation surplus of land owned by BBP (net of deferred taxation)	274,349
Adjusted audited consolidated NTA of Sistem as at 30 June 2006	20,704,769

The details of the fair value adjustment arising from the revaluation of the abovementioned property are set out below:

Title	**Audited NBV @ 30.06.06 (RM'000)**	**Market value @ 18.01.07* (RM'000)**	**Revaluation Surplus (RM'000)**	**Deferred Taxation# (RM'000)**	**Net Surplus (RM'000)**
HS (M) 13156, PT 23677, Mukim of Ceras, District of Hulu Langat, Selangor Darul Ehsan	3,024	3,400	376	102	274

Notes:

* *Based on the market value as appraised by the independent professional valuer Raine & Horne International Zaki + Partners Sdn Bhd on 18 January 2007. Further details on the property are set out in Section 8.1 of this Prospectus.*

\# *Deferred taxation is computed based on 27% of the revaluation surplus.*

The shareholdings of the vendors in BHS pursuant to the Acquisition of Sistem are as follows:

Shareholders	No. of ordinary shares in Sistem	Interest	Purchase consideration %	No. of BHS Shares Issued RM
Harta	3,618,890	100.00	20,704,769	41,409,539

The Acquisition of Sistem was completed on 8 August 2007.

The completion of the Acquisition of Sistem resulted in the issued and paid-up share capital of BHS being increased from four (4) Shares to 41,409,543 Shares.

The new BHS Shares issued pursuant to the Acquisition of Sistem ranked pari passu in all respects with the existing Shares of BHS including voting rights and rights to all dividends and distributions that may be declared, subsequent to the date of allotment of the Shares issued pursuant to the Acquisition of Sistem.

(ii) Acquisition of BBP and Acquisition of Star

On 21 March 2007, we entered into a sale and purchase agreement with Sistem for the acquisition of 100% of the issued and paid-up share capital of BBP and Star comprising 3,950,000 and 150,000 ordinary shares of RM1.00 each respectively for a purchase consideration of RM16,878,790 and RM924,000 respectively and to be satisfied in full by cash. However, the purchase consideration is outstanding as at the date of this Prospectus and will remain as an amount owing by BHS to Sistem on an unsecured, interest free and with no fixed terms of repayment.

The purchase consideration of RM16,878,790 and RM924,000 was arrived at after taking into consideration the audited NTA of BBP and Star as at FYE 30 June 2006 as follows:

Companies	Audited NTA @ 30.06.06 (RM)	% Acquired	Purchase Consideration (RM)
BBP Star	16,878,790* 923,833	100.0 100.0	16,878,790 924,000
	17,802,623		17,802,790

Note:

* *Based on the adjusted audited NTA as at 30 June 2006 after taking into account the revaluation surplus of RM274,349 arising from the property owned by BBP as disclosed in Section 4.1.5(i)*

The Acquisition of BBP and Acquisition of Star was completed on 8 August 2007.

Upon completion of the Acquisition of BBP and Acquisition of Star, BBP and Star became direct subsidiaries of BHS.

4. INFORMATION ON THE GROUP *(cont'd)*

(iii) Capitalisation of Advances

On 8 August 2007, a capitalisation of advances by Harta to Sistem and BBP amounting to RM4,920,000 was completed by way of an issuance of 9,840,000 new BHS Shares at par to Harta.

The completion of the Capitalisation of Advances resulted in the issued and paid-up share capital of BHS being increased from 41,409,543 BHS Shares to 51,249,543 BHS Shares.

The new BHS Shares issued pursuant to the Capitalisation of Advances ranked *pari passu* in all respects with the existing BHS Shares including voting rights and rights to all dividends and distributions that may be declared, subsequent to the date of allotment of the BHS Shares issued pursuant to the Capitalisation of Advances.

(iv) Rights Issue

Upon completion of the Acquisitions and Capitalisation of Advances, BHS undertook a Rights Issue of 8,750,457 Rights Shares at an issue price of RM0.50 per Rights Share on the basis of approximately ten (10) Rights Shares for every fifty nine (59) BHS Shares held on a renounceable basis.

The Rights Issue was completed on 28 August 2007, which resulted in the issued and paid-up share capital of BHS being further increased from 51,249,543 Shares to 60,000,000 Shares.

The new BHS Shares issued pursuant to the Rights Issue ranked pari passu in all respects with the existing BHS Shares including voting rights and rights to all dividends and distributions that may be declared, subsequent to the date of allotment of the BHS Shares issued pursuant to the Rights Issue.

(v) Offer for Sale

Upon completion of the Acquisitions, Capitalisation of Advances and Rights Issue, the Offeror will offer their BHS Shares for sale to Bumiputera investors approved by MITI to comply with the NDP requirements.

The Offeror shall offer 19,600,000 BHS Shares to Bumiputera investors at RM0.68 per share.

(vi) Public Issue

The Public Issue of 20,000,000 new Shares at an issue price of RM0.68 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:

(a) Malaysian Public

6,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

(b) Eligible Directors, Employees and/or Business Associates of our Group

6,000,000 Public Issue Shares will be reserved for the eligible Directors and employees of our Group as well as our business associates (which include the suppliers, sales agents and customers).

4. INFORMATION ON THE GROUP *(cont'd)*

The shares have been allocated to 76 eligible Directors and employees of the Group based on the following criteria as approved by our 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.

Details of our Directors' pink form allocations are as follows:

Name of Directors	Designation	Pink Form Allocation
Heng Song Khoon	Executive Chairman/Managing Director	500,000
Liew Sai Ying	Executive Director	500,000
Heng Boon Seng	Executive Director	1,000,000
Chew Yuit Yoo	Independent Non-Executive Director	100,000
Shamsudin @ Samad bin Kassim	Independent Non-Executive Director	200,000
Total		**2,300,000**

(c) Private Placement

3,600,000 Public Issue Shares are reserved for private placement to investors, which have been identified (who are deemed public).

(d) Bumiputera Investors

4,400,000 Public Issue Shares will be allocated to Bumiputera investors approved by the MITI.

The Public Issue will result in the issued and paid-up share capital of BHS being further increased from 60,000,000 Shares to 80,000,000 Shares.

All the new BHS Shares issued pursuant to the Public Issue will rank pari passu in all respects with the existing BHS Shares including voting rights and rights to all dividends and distributions that may be declared, subsequent to the date of allotment of the BHS Shares issued pursuant to the Public Issue.

In summary, the Public Issue Shares will be allocated and allotted in the following manner:

	Public Issue Shares	% of Enlarged Share Capital
Malaysian public	6,000,000	7.50
Eligible Directors, Employees and/or Business Associates of the Group	6,000,000	7.50
Placees	3,600,000	4.50
Bumiputera investors	4,400,000	5.50
Total	**20,000,000**	**25.00**

4. INFORMATION ON THE GROUP *(cont'd)*

There is no minimum subscription amount to be raised from the Public Issue. All the Public Issue Shares available for application by the Malaysian public have been fully underwritten by the Underwriters. 1,000,000 Public Issue Shares available for application by the eligible employees and/or business associates of the Group have been fully underwritten ("Underwritten Pink Form Shares") by the Underwriters. The balance 5,000,000 Public Issue Shares available for application by our Directors as listed in (b) above and by the six (6) key management and two (2) business associates are not underwritten as irrevocable undertakings to subscribe for the Public Issue Shares have been obtained from them.

The Offer Shares and Public Issue Shares available for application by Bumiputera investors approved by MITI are not underwritten as irrevocable undertakings to subscribe for the Offer Shares and Public Issue Shares have been obtained from the Bumiputera investors. The Public Issue Shares available for Private Placement are not underwritten. Irrevocable undertakings have been obtained from the placees to subscribe for the Public Issue Shares under placement.

Any portion of the Underwritten Pink Form Shares which are not subscribed by the eligible employees and/or business associates of the Group will be made available for subscription by the Malaysian public. Thereafter, any Public Issue Shares not subscribed for in respect of paragraph (a) and any Underwritten Pink Form Shares not subscribed for will be made available for subscription by the placees referred to in paragraph (c) above. Any further Public Issue Shares not subscribed for will be made available for subscription by the Underwriters in the proportions specified in the Underwriting Agreement dated 13 September 2007.

The basis of allocation to be determined shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of our Company to meet the public shareholding spread requirement and to establish a liquid and adequate market for our Shares.

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4. INFORMATION ON THE GROUP *(cont'd)*

4.2 OUR SUBSIDIARIES

4.2.1 Sistem

(a) Background/History

Sistem was incorporated in Malaysia under the Companies Act, 1965 on 12 October 1978 as a private limited company under the name of Pustaka Sistem Pelajaran Sdn Bhd. Sistem commenced business on 15 March 1980 and took over the publishing of educational books business of Pustaka Sistem Pelajaran during the year. From 1986 to 1990, Sistem successfully published school textbooks under the directive of Biro Buku Teks (currently known as Bahagian Buku Teks) under the MOE. Between 2002 and 2005, Sistem had also published several textbooks for Malaysian schools and developed series of examination guide books for UPSR, SRP and SPM examination.

(b) Principal Activities and Products/Services

Sistem is principally engaged as a book publisher. Sistem, under the name of "Sistem", is involved in the publishing of educational books, particularly school textbooks for both primary and secondary schools and examination guide books to prepare students for the national examinations. In 2004, as part of our Group's consolidation exercise, Sistem took over SPH's business operations of publishing language improvement books, library books, kindergarten books, children's story books and children's dictionaries.

(c) Shareholders

As at the date of this Prospectus, Sistem is a wholly-owned subsidiary of BHS.

(d) Share Capital

The authorised share capital of Sistem is RM4,000,000 comprising 4,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM3,618,890 comprising 3,618,890 ordinary shares of RM1.00 each.

The changes in Sistem's issued and paid up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
12.10.1978	2	1.00	Cash	2
15.03.1980	382,108	1.00	Otherwise than cash	382,110
27.09.1985	250,000	1.00	Cash	632,110
26.06.1991	316,056	1.00	Otherwise than cash	948,166
28.06.1991	513,899	1.00	Otherwise than cash	1,462,065
30.06.1992	2,156,825	1.00	Otherwise than cash	3,618,890

4. INFORMATION ON THE GROUP *(cont'd)*

(e) Subsidiary/Associated Corporations

The subsidiaries of Sistem are disclosed in Section 4.1.3 of the Prospectus. As at the date of this Prospectus, Sistem does not have any associated companies.

4.2.2 BBP

(a) Background/History

BBP was incorporated in Malaysia under the Companies Act, 1965 on 31 December 1982 as a private limited company under the name of Percetakan Ban Huat Seng Sdn Bhd and subsequently changed its name to BHS Book Printing Sdn Bhd. BBP commenced business on 19 October 1989 and took over the printing and binding business of Percetakan Ban Huat Seng during the year. Initially, BBP was incorporated to cater to the increasing needs of printing and binding services for books published by Sistem and Yakin. After having gained close to a decade worth of experience in printing, BBP expanded into the commercial printing sector, commencing with the printing of magazines in addition to its book printing activities. Since then, BBP has grown substantially and became one of the main sources of revenue for our Group in recent years.

(b) Principal Activities and Products/Services

BBP is principally engaged as a book and magazine printer. In addition, it also prints pamphlets, brochures, catalogues, directories, annual reports and prospectuses.

(c) Shareholders

As at the date of this Prospectus, BBP is a wholly-owned subsidiary of BHS.

(d) Share Capital

The authorised share capital of BBP is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM3,950,000 comprising 3,950,000 ordinary shares of RM1.00 each.

The changes in BBP's issued and paid up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
31.12.1982	2	1.00	Cash	2
19.10.1989	599,998	1.00	Otherwise than cash	600,00
30.06.1999	400,000	1.00	Cash	1,000,000
02.11.1999	500,000	1.00	Cash	1,500,000
29.02.2000	1,500,000	1.00	Cash	3,000,000
30.01.2001	500,000	1.00	Cash	3,500,000
27.04.2001	450,000	1.00	Cash	3,950,000

(e) Subsidiary/Associated Corporations

As at the date of this Prospectus, BBP does not have any subsidiary or associated company.

4.2.3 Star

(a) Background/History

Star was incorporated in Malaysia under the Companies Act, 1965 on 4 October 1989 as a private limited company under the name of System Autoplastic Industries Sdn Bhd. On 18 July 2000, it changed its name to The Star Books Binding Company Sdn Bhd. Subsequently on 5 February 2003, it changed its name to its present name, Star CTP Imaging Sdn Bhd. Star commenced business on 1 January 2001. As BBP's printing business expanded over the years, Star was incorporated with the aim of specialising in providing binding services for our Group to ease the binding workload of BBP, and this resulted in an increase in the operational efficiency of our Group.

(b) Principal Activities and Products/Services

Star is principally engaged as a book binder.

In general, Star is the supporting arm for our publishing and printing activities. Star provides not only binding services, but also pre-press services such as CtF or CtP process if required by customers.

(c) Shareholders

As at the date of this Prospectus, Star is a wholly-owned subsidiary of BHS.

(d) Share Capital

The authorised share capital of Star is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM150,000 comprising 150,000 ordinary shares of RM1.00 each.

The changes in Star's issued and paid up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
04.10.1989	2	1.00	Cash	2
28.09.2000	149,998	1.00	Cash	150,000

(e) Subsidiary/Associated Corporations

As at the date of this Prospectus, Star does not have any subsidiary or associated company.

4.2.4 Yakin

(a) Background/History

Yakin was incorporated in Malaysia under the Companies Act, 1965 on 18 May 1983 as a private limited company under the name of Pustaka Yakin Pelajar Sdn Bhd and took over the entire business of Pustaka Yakin Pelajar in 1989. Yakin commenced business on 1 November 1989. The increase in number of manuscripts received from writers and the increase in demand for examination guide books led to the setting up of Yakin.

(b) Principal Activities and Products/Services

Yakin is principally engaged as a book publisher. Yakin is involved in the publishing of educational books and examination guide books under the name of Yakin to prepare students for the national examinations.

(c) Shareholders

As at the date of this Prospectus, Yakin is a wholly-owned subsidiary of Sistem, which in turn is a wholly-owned subsidiary of BHS.

(d) Share Capital

The authorised share capital of Yakin is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM491,382 comprising 491,382 ordinary shares of RM1.00 each.

The changes in Yakin's issued and paid up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
18.5.1983	2	1.00	Cash	2
1.11.1989	491,380	1.00	Otherwise than cash	491,382

(e) Subsidiary/Associated Corporations

As at the date of this Prospectus, Yakin does not have any subsidiary or associated company.

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4. INFORMATION ON THE GROUP *(cont'd)*

4.2.5 SPH

(a) Background/History

SPH was incorporated in Malaysia under the Companies Act, 1965 on 23 June 1989 as a private limited company under the name of System Publishing Services Sdn Bhd and subsequently changed its name to System Publishing House Sdn Bhd on 5 September 1997. SPH commenced business on 31 September 1991. Since inception, SPH was involved in publishing language improvement books, kindergarten books, children's story books and children's dictionaries. In 2004, in order to consolidate our business activities, SPH's operations were transferred to Sistem.

(b) Principal Activities and Products/Services

SPH was principally engaged in the business of book publishing and trading in books. As at the date of this Prospectus, SPH is inactive.

(c) Shareholders

As at the date of this Prospectus, SPH is a wholly-owned subsidiary of Sistem, which in turn is a wholly-owned subsidiary of BHS.

(d) Share Capital

The authorised share capital of SPH is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM20,000 comprising 20,000 ordinary shares of RM1.00 each.

The changes in SPH's issued and paid up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
23.06.1989	2	1.00	Cash	2
25.06.1993	19,998	1.00	Cash	20,000

(e) Subsidiary/Associated Corporations

As at the date of this Prospectus, SPH does not have any subsidiary or associated company.

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4. INFORMATION ON THE GROUP *(cont'd)*

4.2.6 Multimedia

(a) Background/History

Multimedia was incorporated in Malaysia under the Companies Act, 1965 on 21 August 2000 as a private limited company under the name of System Multimedia and Internet Sdn Bhd and has yet to commence business. Multimedia was incorporated with the aim of converting the existing publications of our Group into digital format such as Compact Discs – Read Only Memory (CD-ROM). Presently, Multimedia is still in the midst of developing its products for sale.

(b) Principal Activities and Products/Services

Multimedia is yet to commence business as a book publisher using information and communication technology.

(c) Shareholders

As at the date of this Prospectus, Multimedia is a wholly-owned subsidiary of Sistem, which in turn is a wholly-owned subsidiary of BHS.

(d) Share Capital

The authorised share capital of Multimedia is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM902,000 comprising 902,000 ordinary shares of RM1.00 each.

The changes in Multimedia's issued and paid up share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
21.08.2000	2	1.00	Cash	2
21.12.2001	328,000	1.00	Cash	328,002
30.05.2003	571,998	1.00	Cash	900,000
30.06.2005	2,000	1.00	Cash	902,000

(e) Subsidiary/Associated Corporations

As at the date of this Prospectus, Multimedia does not have any subsidiary or associated company.

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4. INFORMATION ON THE GROUP *(cont'd)*

4.3 OUR BUSINESS

4.3.1 Types of Products and/or Services

In general, our Group's business activities can be divided as follows:

We possess complementary skills of publishing and printing, thus capable of providing the entire process of publishing and printing starting from publishing (such as typesetting, design and page layout, editing), pre-press services (such as colour separation with CtP system, proofing), printing (sheet-fed and web-offset) to post-press services (such as folding and binding).

Our Group's ability to provide both publishing and printing services to our customers as well as our fast turnaround time of quality prints are the key factors which distinguishes us from other players in the market.

Printing

Our Group, via BBP, undertakes commercial printing covering a wide range of books of various sizes and magazines which includes educational, general knowledge and entertainment magazines, cable television guides, home furnishing magazines, catalogues, brochures, booklets, pamphlets, annual reports, prospectuses, directories, as well as printing of our in-house publications.

Some of the titles of the publications (excluding our in-house publications) that we print for our customers include:

Magazines

- Astro Guide (Dynasty & Hotel Editions)
- Akademi Fantasia (AF)
- I-Feel
- In Trend
- On The Road
- Men's Health
- Hypertune
- Anjung Seri
- Anjung Seri Bonus
- Nangoku Shimbun
- Home
- Hias Laman
- Madam Chair
- Pentas
- Rumah Artis
- Rumah Celebrity
- Tell
- Pearl (Jusco)
- Oriental Cuisine
- Rod & Line (Chinese Edition)
- Accountants Today
- Vegetable Farmer
- Max IT
- PC Gamer
- Cine Fashion
- Brand Equity
- Mom Baby
- Agroworld
- Mami Baby (Malay)
- Mami Baby (Chinese)
- Parenthood
- Parenting

Brochures/Mailers

- City Net mailers
- Malaysia Airlines Golden Holidays brochures
- Sony brochures
- The Store Corporation mailers

With our range of sheet-fed and web-offset (both cold and heat-set) printing machines, we are able to provide high volumes of quality prints and timely delivery at competitive prices to our customers.

Based on revenue for the FYE 30 June 2006
(before adjustment for inter-company sales of RM4.529 million)

Publishing

Our Group, via Sistem and Yakin, is involved in the publishing of a wide range of educational books such as school textbooks and examination guide books for both primary and secondary levels, language improvement books, kindergarten books, children's story books and dictionaries under the names of "Sistem" and "Yakin".

As a testament to the quality of our publications, our publications have been popular and widely used not only among students, but also school teachers and parents for the last thirty (30) years.

4. INFORMATION ON THE GROUP *(cont'd)*

Some of the titles/series that we have successfully published include:

Type	Titles/Series
School Textbooks	• *Geografi* (Form 4 & 5) • Science Form 1 (Volume 1 & 2) • Science Form 3
Children's Dictionaries	• My First Picture Dictionary • My First Dictionary • System Primary Dictionary • My First Picture Dictionary (English/Malay) • My First Dictionary (English/Malay) • Primary Dictionary (English/Malay) • *Kamus Situasi Dwibahasa* • *Kamus Situasi Tribahasa*
Children's Story Books	• Two Little Goldfish • Where Are My Babies • The Porcupine Who Wanted To Be A Lion • Joe's Tail • Papa Bear Help With Housework • Papa Bear All The Family Carnival • Papa Bear Goes On Diet • Papa Bear Goes Racing • Papa Bear Holiday Adventure • The Ungrateful Crocodile • The Grateful Mouse • Tortoise Wins The Race • The Boy Who Cried Wolf • The Proud Rooster • The Thirsty Crow • The Ant And The Dove • The Monkey And The Frog • The Clever Mousedeer • The Lost Kid
Kindergarten Books	• Nursery Book (Volume 1 - 4) • Kindergarten 1 & 2 English Book (Volume 1 - 4) • Kindergarten 1 & 2 Maths Book (Volume 1 - 4)
Language Improvement Books	• Junior Companion • Students Companion (Form 1 – 2 & 3 – 4) • Every Students Companion • Basic English Year 3 – 4, 4 – 5 & 5 - 6 (Book 1 – 3) • Basic English Form 1 - 2 (Book 4) • Phrasal Verbs Year 4 – 5 & 5 - 6 (Book 1 & 2) • Phrasal Verbs Form 1 - 2 (Book 3) • Preposition & Conjunction Year 4 - 5 & 5 – 6 (Book 1 & 2) • Preposition & Conjunction Form 1 - 2 (Book 3) • Homonyms Year 5 - 6 (Book 1) • Homonyms Form 1 – 2 & 2 - 3 (Book 2 & 3) • Adjective Year 5 - 6 (Book 1)

4. INFORMATION ON THE GROUP *(cont'd)*

Type	Title/Series
	• Adjective Form 1 - 2 & 2 – 3 (Book 2 & 3) • Correct Usage Year 5 - 6 (Book 1) • Correct Usage Form 1 – 2 & 2 - 3 (Book 2 & 3)
Examination Guide Books	• *Karangan* PMR • Model Essay (PMR, SPM Continuous Writing & SPM Directed Writing) • Literature Component SPM • Science Glossary 1,2,3 • Grammar PMR • Comprehension PMR • Literature Component PMR • *Tatabahasa* (Year 1 – 5, UPSR & PMR) • *Pemahaman* (Year 1 -5, UPSR & PMR) • Grammar (Year 1 – 5 & UPSR) • Comprehension (Year 1 – 5 & UPSR) • First Step In Writing (Year 1 – 5 & UPSR) • Mathematics Problem Sum (Year 1 – 5) • *Praktis Ekspres* UPSR for *Bahasa Melayu*, English, • Science & Mathematics • 1001 Topical Question for *Bahasa Melayu*, English, Science & Mathematics (Year 1 – 5) • 1001 Notes & Question for *Bahasa Melayu*, English, Mathematics & Science (Year 1 – 5) • 1001 Topical Question for Science, Mathematics, *Geografi* & *Sejarah* (Form 1 – 3) • 1001 Topical Question for *Bahasa Melayu*, English, Science, Mathematics & *Sejarah* (PMR) • 1001 Notes & Question for Science & Mathematics (PMR) • Spot Question for *Bahasa Melayu*, English, *Sejarah*, Science, Mathematics & *Geografi* (PMR) • *Soal Jawab* for Science, Mathematics, English, *Bahasa Melayu*, *Sejarah, Geografi, Pendidikan Moral* & *Pendidikan Islam* (Form 1, 2 & PMR) • Progressive Assessment for *Bahasa Melayu*, English, Science, Mathematics, *Sejarah*, *Geografi* & *Pendidikan Islam* (Form 1, 2 & PMR) • Topical Exercises for *Bahasa Melayu*, English, Mathematics, Science, *Sejarah* & *Geografi*, (Form 1, 2 & PMR) • 1001 Topical Question for Science, Mathematics, Additional Mathematics, Chemistry, Biology, Physics, *Bahasa Melayu*, English, *Pendidikan Moral, Perdagangan, Geografi, Prinsip Perakaunan* & *Sejarah* (Form 4 & 5) • Progressive Assessment for *Bahasa Melayu*, English, Science, Mathematics, *Sejarah, Pendidikan Moral, Pendidikan Islam*, Additional Mathematics, Biology, Chemistry, Physics, *Geografi, Prinsip Perakaunan* & *Perdagangan* (Form 4 & 5)

Book-Binding and Pre-press

Depending on customers' design specifications and needs, we are able to provide services such as CtF and CtP processes at the pre-press stage and binding at the post-press stage, via Star.

For our binding services, we offer the following types:

(i) Perfect Binding

Pages are assembled in groups or signatures and are bound together with hot melt glue. This binding method is commonly used for magazines, annual reports and larger catalogues.

(ii) Wire/saddle stitch binding

Pages are spread open at the center and then hung on a saddle to be stitched through the fold line at the spine. This binding method is commonly used for thin magazines, books and other printed products which contain less than 96 pages (A4 or A5 size paper).

(ii) Thread Sewing

Sections or signatures of the books are gathered or assembled in sequence of pages and then thread sewn together to form a book block. These book blocks are then glued together with the cover using a perfect binding machine to form the finished product. Thread is then used to further secure the pages together as this binding is expected to endure lengthy and extensive use. This binding method is commonly used for educational textbooks, coffee table books and other publications which contain large number of pages.

In addition, we provide input (scanning of images), DTP services at the pre-press stage if required by customers.

Perfect binding

Saddle-stitching / Wire-stitching

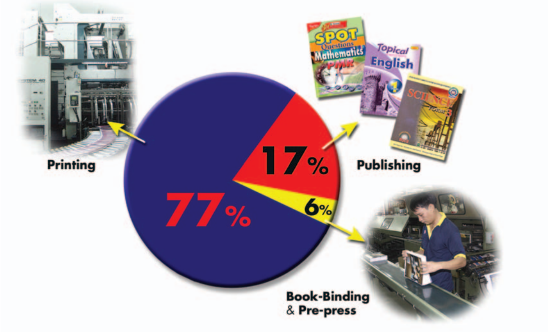
4. INFORMATION ON THE GROUP *(cont'd)*

The following table indicates the proportion of contribution of each of our Group's business activities to our Group's revenue for the ten (10) months FPE 30 April 2007:

Business Activity	Revenue Contribution for the ten (10) months FPE 30 April 2007 (RM'000)	%	Description of business activities
Printing	27,501	77	• Commercial magazine printing (eg. Astro Guide (Dynasty and Hotel Editions) • Educational book printing for both local and international market • Catalogue, brochure and pamphlet printing • Annual report & directory printing
Publishing	6,112	17	• Local educational textbooks and examination guide books • English language children's books and dictionaries (for local and international market) • Desktop publishing (cover design, page layout, typeface design) • Artwork and illustrations
Book-Binding & Pre-press	2,252	6	• Scanning (Pre-press) • Copydot Scanning (Pre-press) • CtP including colour separation (Pre-press) • Proofing • Perfect Binding • Saddle Stitch Binding (also known as wire stitching) • Threadsewn Binding
TOTAL	**35,865***	**100**	

Note:

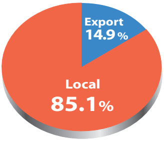
* *Before adjustment for inter-company sales of RM4.384 million.*



4.3.2 Principal Markets for Products

Our Group's principal market is within Malaysia itself with a small proportion of sales attributing to overseas market. For the ten (10) months FPE 30 April 2007, local sales accounted for 85.1% of our Group's total revenue (based on total sales before adjustments for inter-company sales of RM4.384 million) while overseas sales accounted for 14.9% of our total revenue. The overseas sales mainly comprises of sales to clients in Portugal and Nigeria which contributed approximately 5.5% and 4.4% respectively of our total revenue. The remainder 5.0% are sales to other African countries, France and Philippines.

10 months **FPE 30 April 2007**



Please refer to Section 9.2.1 for the analysis of revenue by markets geographical location (local/export) for the past three financial years ended 30 June 2004 to 2006 and for the ten (10) months FPE 30 April 2007.

4.3.3 Seasonal/Cyclical in Nature

Apart from any uncertainties that may arise, our Directors are of the view that the demand for our Group's printing services is relatively consistent throughout the year.

However, our printing and sales of school textbooks peaks on the fourth quarter of calendar year in preparation for the start of a new school term. In contrast, our publishing, printing and sales of examination revision and guide books mostly fall on the first and second quarter of each calendar year. However, we do not foresee any significant problems arising as publishing, printing and supply of school textbooks and examination guide books represents only 17% of the total revenue of the Group for the ten (10) months FPE 30 April 2007.

4.3.4 Competitive Strengths and Advantages

(i) Web-offset Capability and Experience

Our Group is one of the leading web-offset printers in Malaysia who specialises in printing magazines and books. There are only a few other web-offset printers in Malaysia with similar facilities, capacity and experience in magazine printing. As for book printing, there are also a few other web-offset printers in Malaysia with similar facilities.

As at to-date, we have six (6) web-offset (3 heat-set and 3 cold-set) printing machines. Our Group's capability and experience in this niche market set it apart from other printing companies in Malaysia. Our Group's web-offset capability has been demonstrated by its track record of performance (quality and delivery) on the printing of the Astro Guide (Malaysia's largest circulation entertainment magazine and the largest monthly printing job in Malaysia) of which it has undertaken since 1999.

4. INFORMATION ON THE GROUP *(cont'd)*

On the overseas market, we won the tender for printing of educational books for the World Bank Scheme of the Ministry of Education Ghana in 2002 and to-date we have printed over four (4) millions copies of books for export to African countries which include established publishers such as Longman and University Press Plc. All these were carried out on web-offset printing.

Our Group intends to purchase a new web-offset machine in FYE 2008, which will strengthen our position further as a market leader in web-offset printing in Malaysia. This new machine will improve print quality, reduce paper wastage and downtime.

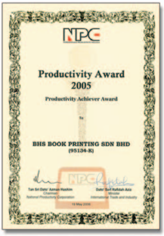
(ii) Extensive Publishing Experience

Over the span of thirty (30) years, our Group has successfully established track records and market reputation for quality educational publications. We have managed to gain teachers' and students' loyalty and confidence through our quality publications. Our Group's examination guide books and school text books, which are published under the name of "Sistem" and "Yakin", are widely used and popular among students and school teachers over the last thirty (30) years.

(iii) Quality and Productivity

Our Group's success in obtaining Bronze Medal in web-offset printing at the 4th Asian Print Awards 2006 is the testament of our web-offset capability and experience. Our Group was the only commercial web-offset printer from Malaysia to win an award at this prestigious event where there were only 100 winners out of more than 1,800 entries from all over Asia (excluding Japan).

Our Group is also the only commercial web-offset printing company in Malaysia to be awarded the National Productivity Award 2005. Our Group's ability to deliver quality prints within tight delivery deadlines at competitive prices has set it apart from other printers in the market.



Productivity Award 2005

Asian Print Awards 2006

Anugerah Bahan Grafik Terbaik Buku Teks 2005

Our Group, through Sistem, was also awarded the Best Graphic Design by MOE for its Science Form 3 textbook in 2005.

(iv) Integrated One-stop Provider for Publishing and Printing Services

Our Group is a publisher-based printer. With over thirty (30) years of experience in publishing, we are able to offer technical advices and recommendations to our customers on the publishing-printing interface.

In terms of printing, our Group is able to offer a full range of services to our customers, from DTP (including page layout and design) to pre-press (CtP), press (sheet-fed and web-offset printing) and post-press (folding, sewing and binding).

4.3.5 Types, Sources and Availability of Raw Materials/Inputs

Paper constitutes a significant portion of the raw material used in our operations. For the ten (10) months FPE 30 April 2007, paper accounted for approximately 56% of the total purchases of our Group. The cost of paper ranges, depending on the type of paper used and whether the paper is for coloured or non-coloured printing. The following are the types of paper that we use for our operations:

Types of Paper	Usage
Uncoated Woodfree Paper or Simili Paper (60 gsm, 70 gsm, 80 gsm)	Commonly used in book production, particularly school books.
Coated Art Paper (Gloss and, Matt) (85 gsm, 90 gsm, 105 gsm, 128 gsm) Coated Art Card (Gloss)	Commonly used for magazine production. 85 gsm, 90 gsm, 105 gsm and 128 gsm papers the most widely used. Only selected premium magazines use Matt coated paper.
Light Weight Coated ("LWC") Paper	LWC paper is commonly used for thinner substances that is 54.2 gsm, 60 gsm, 64 gsm or below. It is commonly used in journals, monthly programmes, leaflets, flyers, etc. They are LWC on Woodfree based paper and newsprint based paper.

Our Group sources our paper supply from paper mills locally and overseas such as Japan, Finland, Korea, Indonesia, Thailand and Taiwan. For the ten (10) months FPE 30 April 2007, our Group sources approximately 94% of our paper from overseas suppliers such as Shinsei Pulp & Paper Pte Ltd, Japan Pulp & Paper Ltd and Dan Corporation as they are not available in Malaysia. Our suppliers are selected based on their records of consistency and availability of supply, the types and quality of the paper supplied and its suitability to our machineries. As most of the jobs are undertaken on a regular basis, our Group is able to plan and anticipate the amount of paper supply required and place orders regularly with the paper mills through their appointed agents. We normally place orders with our paper suppliers on a monthly or quarterly basis, depending on the quantity required and the jobs to be undertaken. As part of our inventory management strategy, we generally maintain sufficient inventory for up to six (6) months depending on the type and availability of the paper required as buffer in the event of a supply shortage.

The price of paper tends to fluctuate as it is determined by the prices of primary raw materials, namely pulp and waste paper. However, in general we have been able to pass on any price increase of the paper to our customers or having the customer supply the paper themselves. We also purchase our paper supply directly rather than purchasing solely from the local paper merchants.

Apart from paper, we source other raw materials such as inks and plates mostly from local suppliers or agents. We normally place orders for these other raw materials on a monthly basis or according to on-the-job requirements.

Our Directors do not foresee any problem in sourcing raw materials as they are not uncommon and are easily available. To-date, our Group has not encountered any major problems in sourcing for any raw materials and has enjoyed constant supplies of raw materials at reasonable prices as a result of our Group establishing long term relationships with our suppliers.

4.3.6 Technology Used /To Be Used

Our Group's technology, to a large extent, depends on the features of the machineries that we utilised.

Pre-press

We utilised CtF and CtP technology at the pre-press stage to convert our customer's production content to printing plates, depending on whether customer's contents are in film or digital format. These two (2) technologies clearly provide us with a competitive edge, as compatibility and flexibility would be the key requisite required by customers.

Under the CtF technology, films are produced using image setting machines by colour separation companies before exposing the films onto printing plates.

An alternative to CtF is CtP which is the latest pre-press technology. It involves direct imaging of our customer's production using energy (e.g. infra red or violet) onto printing plates without the need for films. Hence, CtP is more precise, faster and more efficient since it eliminates the interface between the customer and colour separation house and the printer. In other words, this technology allows publishers and customers to supply the design and content directly to the Group instead of going through the colour separation companies. Furthermore, CtP produces higher quality prints as it involves direct imaging onto printing plates rather than through film and subsequently film to plate. For this technology, we use Creo's Trendsetter 800 II Quantum, which makes use of the latest SQUARESpot™ thermal imaging technology.

In addition to the high end scanning (including Copy Dot) facilities, Creo's Brisque workflow system and colour management facilities, the Group have an in-house DTP facility including G4 Macintosh, scanners, laser proof machines and film processors.

Printing

We have a wide range of presses (two, four or five-colour) which provides us the flexibility, reliability and capability to produce a wide range of printed products.

Sheet-fed offset technology

In sheet-fed offset printing, images are printed on one (1) side of the paper. Sheets of paper are fed into the printing machine where printing is done on one (1) side of the paper only. Once the printing of the ordered quantity is achieved, the sheets are turned over to allow printing on the other side.

Sheet-fed offset printers are used for short-run orders. Products such as books, magazines, fine-art reproduction and brochures commonly utilise this technology.

We plan to utilise part of our listing proceeds to purchase one (1) new unit of advanced sheet-fed offset printing machine, which embraces the latest perfecting technology and automation.

This will allow the sheets fed to be printed on both sides of the sheets in a single pass to allow a more efficient production process. Therefore, this technology will save us considerable time compared to our present sheet-fed machines which only allows us to print one side of the sheets at a time. The new printing machines are also expected to enhance the quality of our printed products and as such allow us to maintain our competitive edge as well as command greater confidence among our existing and potential customers. This new printing machine is expected to increase our sheet-fed printing capacity by about 20% to 30% and improve productivity by about 15%.

Web-offset technology

Our Group is one of the leading operators of web-offset printing machines in Malaysia, with seven web-offset printing machines. Web-offset printing is typically three (3) to five (5) times faster than sheet-fed offset printing and are capable of printing, folding and counting approximately 20,000 to 30,000 printed copies of print publications per hour. It is specially suited to perform high-volume and high-speed printing for our customers. This is due to the fact that it enables papers in the roll form to be fed into the web-offset printing machines to allow for printing on both sides of the paper concurrently. The printed matter will then be folded automatically by the in-line folder of the web-offset printing machine and hence eliminating the task of a separate folding process after printing which is required for sheet-fed offset printing.

For certain types of paper such as glossy, matt or LWC papers, heat-set web-offset printing machines are used to undertake the printing work. A heat-set web-offset printing machine has an additional heater attachment to the press that uses a re-circulating hot air system to dry the ink immediately as the paper passes at high speed through the printing machines but before it reaches the in-line folder. Thus, this feature enables the printed product to appear glossier than the sheet-fed offset printing's end-product. On the other hand, for non-coated woodfree paper, non-heatset web-offset printing machines are used.

We have different cut-off sizes of web-offset printing machines to accommodate the various sizes of books such as A4, A5 and B size. Furthermore, we have a competitive edge as we possess large operational space, large warehousing facilities for storage of raw materials and highly-skilled operators, of which is required in order to operate this technology.

Web-offset printing is normally used for longer runs (larger quantities). For long runs, it is normally more cost effective than sheet-fed printing as paper prices in the roll form are cheaper than paper in the sheet form. Products such as magazines, books, newspapers, catalogues, mailers and periodicals commonly utilise this technology.

Please refer to Section 4.3.8 of the Prospectus for further information on the printing process.

4.3.7 Production/Operating Capacities and Output

The following table shows each of our production lines and their corresponding production capacity and output levels:

Activity	Maximum Production Capacity	Average Actual Production Output	No. of Shifts Per day
Platemaking using Computer to Plate (CtP) method	15 plates per hour	12 plates per hour	2 shifts
Web-offset Printing	36,000 impressions per hour	25,000 impressions per hour	2 shifts
Sheet-fed Printing	13,000 sheets per hour	10,000 sheets per hour	2 shifts
Saddle-Stitching	10,000 books per hour	7,000 books per hour	2 shifts
Thread-Sewing	40,000 signatures per hour	30,000 signatures per hour	2 shifts
Sheet Folding	8,000 sheets per hour	5,000 sheets per hour	2 shifts
On-line Perfect Book binding	6,000 books per hour	4,000 books per hour	2 shifts

We do not foresee any major constraint to the Group's production capacity as the Group has plans to purchase new machinery to cater for its production capacity expansion within the next two (2) years.

4. INFORMATION ON THE GROUP *(cont'd)*

4.3.8 Our Production/Business Process Flow

Publishing

Selecting Writers

- Selection of writers from the accumulated list of writers.
- Appointing writers and issue letter of appointment.

↓

Writing

- The writer prepares the rest of the manuscripts, keeping in mind the deadlines given.

↓

Submission of manuscripts

- The editor will remind writer to submit manuscripts on-time.

↓

Editing

- The editor edits the manuscripts based on the format prepared, making sure the grammar, facts, diagrams and answers given are correct.

↓

Typesetting, Layout & Illustrations

- The typesetter and illustrator prepare the layout and diagrams based on the edited manuscripts.
- Design the book cover.

↓

Proof-Reading

- The editor proof-reads the layout and diagrams, checking for mistakes.
- The Typesetter and Illustrator correct mistake found by the editor.

↓

Final Editing & Sending to Writers PDF Format

- The writer proof-reads a copy of the impression sent to him or her.

↓

Production in PDF Format

- The editor makes PDF copy of the book and print out for checking by himself/herself and the Designer/ Layout Artist
- If there is no mistake made, the PDF files can be sent directly to the printer. If there is a mistake made, it will be corrected and new PDF files are created. There will be another round of checking before sending it to the printer.

↓

Printing & Binding

↓

Marketing

- Marketing team conducts a series of marketing and distribution activities.

↓

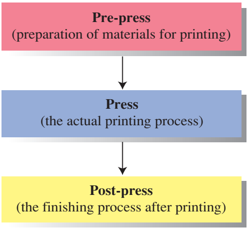
Distribution

4. INFORMATION ON THE GROUP *(cont'd)*

The process is divided into three (3) main activities; namely editing, production and marketing. The editorial team is responsible in recruiting writers, evaluating samples submitted by the writers and selecting the appropriate manuscripts or writers. The editorial team will conduct editing, typesetting, layout and illustrations of the manuscripts before sending it off to the production division. Next, an editor will be assigned to proof-read, conduct final editing and arrange the manuscripts according to the specifications by the client. PDF files of the final book are sent to the printer for CtP processing. The marketing team will then organise various marketing activities and campaigns while the distribution department will be responsible in distributing the products and services through specific channels.

Printing

Our print production comprises three (3) main stages as follows:



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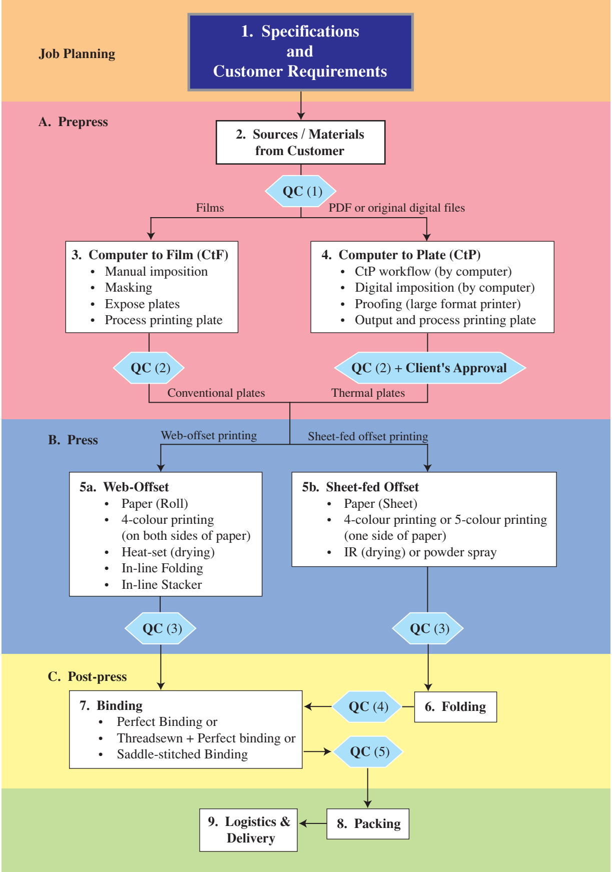
4. INFORMATION ON THE GROUP *(cont'd)*

Our printing process flowchart is as follows:



Job Planning

1. Specifications and Customer Requirements

After receiving the customer's specifications and requirements, a job sheet containing all the required production information including any special technical requirements is prepared by the Production Manager. Once we obtain final checking and approval from the customers, the job sheet is then circulated to the various production-related teams, namely Pre-press, Printing, Post-press and Logistics.

Pre-press

2. Sources / Materials from Customer

Prior to the commencement of presswork, the production of plates and/or films has to be undertaken. Firstly, production content, which comes in two forms, namely digital files and films, has to be obtained from customers. If films are provided, the CtF method will be employed whereas if digital files are received, the CtP method will be used. However, if customers require the CtP method even though their content is not in digital format, we have the capability to convert to digital format by utilising high resolution technology scanners.

Quality Control – Stage 1
Sources/materials received from customers are checked to ensure that they meet the quality standards, are complete and are as per job sheet requirements. If any of these requirements are not met, the source files/films will be returned to the customer and the customer may receive an early warning notice regarding possible delays in the final output, if any.

3. CtF

Films are manually imposed on a press sheet or section such that when folded together, the pages will read consecutively. Thereafter, the same coloured films will go through a masking process, whereby the films will be manually aligned accurately on a template and exposed onto plates to produce printing plates (transferring image from film to plates). After exposure, the printing plates are then passed through the plate processor to stabilise the images and to prepare for printing.

Quality Control – Stage 2
Masked films are checked for accuracy of registration, i.e. ensuring the correct films have been masked and the correct imposition has been done.

4. CtP

An alternative method that we used is the CtP method, which is the latest in pre-press technology. With CtP, digital files or original files can be processed directly onto printing plates. The advantage of directly imaging onto the printing plates and eliminating the usage of film and manual tasks of masking and imposition allows for the provision of higher quality prints, precision, faster turnaround time and flexibility. Once the trapping, colour separation and imposition are done digitally, a proof can be prepared using a large format printer for the customer to inspect.

Quality Control – Stage 2
The output from the large format printer will be checked by the pre-press staff to ensure the accuracy of imposition, trapping, colour bar, folding mark, registration mark, trimming mark and section number. The output will then be sent to the customer for approval. Once a signed copy of the proof is received from the customer, the printing plates will then be sent for printing. A spectrophotometer is used to check the colour accuracy of the printing plates.

Press

5. Web-offset / Sheet-fed offset

Our printing process is based on offset lithography which is the process of transferring the inked image portion onto paper or other substrates via printing plates.

We operate two types of printing machineries, as follows:

a. Web-offset printing – Paper in roll form is fed directly into the printing machine and printing is carried out on both sides of the paper at the same time. After printing, the printed paper is passed through a heater to dry the ink. The printed paper is then cut into sheets, folded and stacked automatically by the in-line folder and stacker. When complete, the folded sections are sent to the binding department.

b. Sheet-fed offset printing – Paper in the form of a sheet is prepared and stacked at the feeder end of the machine. Printing is carried out on one side of the sheet as the sheet passes through the printing units and is delivered at the delivery section of the printing machine. After the ordered quantity is achieved, the sheet is turned over to allow printing on the other side of the paper. Then the printed sheets are transferred to the folding machines to be fold accordingly. When complete, the folded sections are sent for binding.

Please refer to Section 4.3.6 of the Prospectus for further information on the above technologies.

Quality Control – Stage 3
Quality control checks such as registration, colour, image, folding, trimming and ink dryness checks are carried out by the operator at every interval of 500 copies. In addition, densitometer is used to check the densities of colour.

Post-press

6. Folding

Sheets printed by the sheet-fed offset printing machines are folded at this stage according to the folding mark on the sheets which follows the required specification as per the job sheet.

Quality Control – Stage 4
Quality control checks involving the checking of the accuracy of folding and blank sheets are carried out by the operator at every interval of 500 copies.

7. Binding

The printed sheets are then sent for binding, the decision on which binding method to be used depends on customer's design specifications and needs.

Quality Control – Stage 5
Quality checks carried out by the operator such as binding quality checks and ensuring size and shape of the printed product are as per specifications as stated in the job sheet, are carried out by our staffs at every interval of 500 copies. Our staff visually inspects the printed products for a final time before they are sent for packing.

Logistics

8. Packing

Packing is carried out as per instructions on the job sheet. Random checks are conducted by the supervisor to ensure that the followings are in order:

- Correct quantity per pack and per box
- Correct material(s) used
- Quality of packing
- Correct, clear and legible labelling

9. Delivery and Logistics

The delivery order is then issued and transportation is arranged to deliver the goods to the pre-determined destination.

4.3.9 Quality Control Management

As part of our commitment in providing total customer satisfaction, our Group is dedicated to providing our customers with consistent quality products at competitive prices. As such, our quality control system is focused on eliminating errors and/or risks at source. Strict emphasis on quality is enforced at all stages of the production process, from the selection of writers for publishing to purchase of raw materials and right up to delivery of the final products. Our paper suppliers are selected based on their records of consistency and availability of supply, quality of the paper supplied, as well as the paper's suitability to our Group's machines. Strict quality control procedures are conducted in each stage of our publishing and printing process, utilising equipment together with manual visual inspections. All the manuscripts are checked and proof-read several times before they are sent for printing.

The following equipment are some examples of quality control equipment that we utilise in ensuring our end-products are consistently of high quality:

- Spectrophotometer which is used to check the colour accuracy of proofs and printing
- plates against digital copy during the pre-press stage
- Large format proofing machine/printer which allows customers and staffs to check imposition (page numbering), while the printer is used as a colour guide for the operator
- Spectrodensitometer which is used to check the density of the colour at printing stage
- Paper calliper which is used to measure the thickness of paper during the press stage

4.3.10 Modes of Sales and Marketing

Our Group's sales and marketing force is spearheaded by our Executive Directors, and consists of eleven (11) employees as at 24 September 2007. It is divided into two teams according to our core business of printing and publishing. They are responsible for liasing with our existing customers, providing after-sales services, securing sales orders, finding new business opportunities and promoting our products and services. We make regular visits and contacts with our existing customers and as such, we believe that this has allowed us to establish and maintain steady and close relationships with them and as well as enable us to form a better understanding of their needs. Furthermore, our Group's established reputation has allowed us to generate sales leads through referrals from its existing customers, open tenders and self-enquiries from interested customers. We participate in the annual Frankfurt Book Fair through Malaysia External Trade Development Corporation (MATRADE). Occasionally, we also receive enquiries from overseas clients under the recommendation of MATRADE offices overseas.

Our Group also actively participates in local book fairs as well as international book fairs such as KL International Book Fair, The Smart Kid Fair, Bologna Book Fair (Italy) and Frankfurt Book Fair (Frankfurt) to promote and market our products and services.

For our publishing arm, our publications are distributed to end-customers mainly through bookshops and chain stores. Our Group has established its own distribution network through chain stores such as Popular Book Co (M) Sdn Bhd and other reputable book distributors and retailers. At present, we have over 300 active customers throughout Malaysia who are located in major cities as well as smaller town centres. Our Sales Manager travels overseas, as and when required, to source for prospective publishers and distributors to work with our Group on co-edition basis for our publications and/or to distribute our publications. We have also placed sales executives in the northern, southern, eastern and central region of Peninsular Malaysia to promote our publications. We liaise with booksellers on a regular basis not only to ensure our publications are well located in the bookshops, but also to obtain feedback on our publications and to keep abreast with the latest market trends.

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4. INFORMATION ON THE GROUP *(cont'd)*

4.3.11 Approvals, Major Licences and Permits Obtained

Details of the approvals obtained by our Group for the Flotation Exercise from the SC and MITI together with the conditions imposed by these authorities and status of compliance are set out in Section 6.1 of this Prospectus.

The major licences and permits obtained by the Group are as follows:

Name of subsidiary	Authority	Description	Validity Period	Equity Conditions/Major Conditions Imposed	Status of Compliance
Sistem	Ministry of Finance, Malaysia	Contractor Registration Certificate (Ref. No. 357-00041828, Serial No. 230052) for provision of reading materials	20.12.2006 – 19.12.2009	*(a) Company must ensure that the scope of activity registered in this certificate does not overlap with the approved scope on any companies having the same owner or member of the Board of Directors and management.* *(b) The Ministry of Finance has the right to cancel/suspend the company's registration without any notice if it is found that any information given is not true.* *(c) Registration shall be suspended/cancelled if it is found that:* *(i) Company/owner/partner/director is involved in any illegal activity/convicted of any crime by a court in Malaysia or overseas.* *(ii) If the company withdraws the offer before the tender is considered or declines after an offer is made.* *(iii) Failure of the company to fulfil the contracts entered into with the government.* *(iv) Amending this letter of approval with intent to defraud or with other intention.* *(v) Allowing the certificate of registration to be misused by any individual/other company.* *(vi) The company is found to have entered into price collusion with other companies during tender with Government.* *(d) The Government reserves the rights to have the company's Certificate of Registration suspended/cancelled.*	Noted

4. INFORMATION ON THE GROUP *(cont'd)*

Name of subsidiary	Authority	Description	Validity Period	Equity Conditions/Major Conditions Imposed	Status of Compliance
BBP	Ministry of Internal Security, Malaysia	Printing Press Licence (Ref. KKDN: PQ 1780/904 Serial No. 005395) for authorising the possession or use of printing press by BBP under the Printing Presses and Publications Act 1984	15.02.2007 – 14.02.2008	Pursuant to Printing Presses and Publications Act 1984, no person shall keep for use or use a printing press unless he has been granted a licence under subsection (3) of the Printing Presses and Publications Act 1984 ('the Act') **Part II of the Act** **Licensing of Printing Presses** *(3) The Minister may in his absolute discretion grant to any person a licence to keep for use or a printing press for such period as may be specified in the licence and he may in his absolute discretion refuse any application for such licence or may at any time revoke or suspend such licence for any period he considers desirable.*	Noted
	Majlis Perbandaran Kajang	Business License (License no. 200600006974, 200600006968, 200600006975) For Lot 17-A, 17-B, 17-C, 17-D, 17-18, 17-19, 17-22, 17-23 & 17-23A, Jalan Cheras Jaya 1/1 Bersatu Industrial Park Cheras Jaya 43200 Selangor Darul Ehsan	Up to 31.12.2007 (Renewable on an annual basis)	Nil	N/A

4. INFORMATION ON THE GROUP *(cont'd)*

4.3.12 Brand Names, Patents, Trade Marks, Licences, Technical Assistance Agreements, Franchises And Other Intellectual Property Rights

As at 24 September 2007, BHS Group currently does not have any intellectual property rights in the forms of patents, trade marks or licenses.

However, Sistem and Yakin pays royalties to book authors for the copyrights of their writing by way of lump sum royalties or by way of percentage of sale.

Our Group have submitted the following application for the registration of trademark:

Trademark	Name of Applicant	Country	Class	Application No.	Date of Application	Status
	BBP	Malaysia	40	05012118	22.07.2005	Pending registration

BHS Group has applied for the registration of its logo under the Trade Mark Act, 1976 under Class 40, which includes printing and printing-related services. The application was filed on 22 July 2005 with the Trade Marks Registry under Application No. 05012118. The application was advertised in the Trade Mark Gazette dated 19 July 2007. As at 19 September 2007, being the last date for any party to oppose or to file an extension of time to oppose the application, our Group did not receive any such notification and hence, will proceed with the trademark registration.

4.3.13 Research and Development

Due to our Group's non-manufacturing nature of business, we do not engage in research and development activities. In the printing business, in-house R&D activities are of little relevance, if not none at all, as R&D in printing technologies and methods are usually undertaken by large foreign-based suppliers of printing and binding machinery and equipment, such as Komori, Heidelberg, Mitsubishi, Rolland and Muller Martini. Our Group, however, strives to continuously develop and enhance the quality of our services through staff training and development programmes, attend external conferences organised by our suppliers of machineries and participate in book fairs to keep abreast with the latest development in the printing and publishing industry. We will adopt the appropriate latest technologies, if need be, to maintain our competitiveness.

4.3.14 Interruptions in Business for the Past Twelve (12) Months

Our Group has not experienced any disruption in business which had significant effects on our operations for the past twelve (12) months prior to the date of this Prospectus.

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4. INFORMATION ON THE GROUP *(cont'd)*

4.4 MAJOR CUSTOMERS

Our major customers who individually contributed 10% or more of our Group's total revenue for each of the last three FYE 2006 and the ten (10) months FPE 30 April 2007 are as follows:

Customer's Name	Country	Services Rendered	Length of Relationship (No. of years)	% of Total Revenue			
				FYE 2004	FYE 2005	FYE 2006	Ten (10) months FPE 30 April 2007
Measat Publications Sdn Bhd ("Measat")	Malaysia	Printing	7 years	16.5%	25.8%	30.8%	27.6%
Berita Publishing Sdn Bhd ("Berita")	Malaysia	Printing	7 years	16.4%	10.9%	9.6%	8.8%

Our Group has built a wide customer base, having over thirty five (35) customers for our printing division through fostering steady and close business relationships with our customers. Our Group's top customer, Measat represented 30.8% of our Group's total revenue for FYE 2006. The next largest customer, Berita accounted for 9.6% of our Group's total revenue for FYE 2006. For the ten (10) months FPE 30 April 2007, Measat and Berita contributed 27.6% and 8.8% of our Group's total revenue respectively.

Our Group is relatively dependent on our top two (2) customers. However, our Group have enjoyed long-term relationships of seven (7) years with these two (2) customers and this serves as some form of mitigation. Our established relationship with Measat in the printing of the Astro Guide and with Berita in the printing of Anjung Seri since 1999 is a testament of our track record of performance and established relationship.

Additionally, our Group has taken/intends to take the following steps to further mitigate against the risk of depending on any substantial customer:

(a) having three (3) sources of income – local, overseas and own publications. This will reduce the dependency on any single market or customer such as Measat/Berita;

(b) by actively seeking out opportunities with other large magazine publishers and extending relationship with existing large publisher other than Measat/Berita;

(c) expanding our services to include large volume printing of catalogue, brochure and supermarket mailers;

(d) our Group's revenue from Measat and Berita consist of several different titles rather than one single publication;

(e) training and enforcing our workforce to deliver on time and to the expected quality on every job to maintain customer satisfaction and to retain existing customers;

(f) equipping our Group's facilities and set up such that not many companies in Malaysia have such capacity and capability to undertake such major jobs; and

(g) in addition, the Group has plans to upgrade and modernise its printing machineries to increase its production capacity so as to undertake more jobs. This will also provide greater confidence to our existing customers.

4. INFORMATION ON THE GROUP *(cont'd)*

4.5 MAJOR SUPPLIERS

Our major suppliers who individually contributed 10% or more of our Group's total purchases for each of the last three (3) FYE 2006 and the ten (10) months FPE 30 April 2007 are as follows:

Supplier's Name	Country	Product Purchased	Length of Relationship (No. of years)	% of Total Purchases			
				FYE 2004	FYE 2005	FYE 2006	Ten (10) months FPE 30 April 2007
Shinsei Pulp & Paper Pte Ltd	Japan	Coated Paper, Woodfree Paper	9	16.6%	19.0%	24.4%	17.4%
Dan Corporation	Japan	LWC Paper, Uncoated Woodfree Paper	9	–	11.2%	20.5%	18.6%
Japan Pulp and Paper Ltd	Japan	LWC Paper, Art Card Coated Paper	9	–	11.4%	9.0%	1.6%

As illustrated in the table above, our Group is generally not dependent on any major supplier, as our Group has established a wide network of suppliers. Our suppliers are selected based on their records of consistency and availability of supply, the types and quality of the paper supplied and its suitability to our machineries.

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4.6 INDUSTRY OVERVIEW

4.6.1 Overview and Outlook of the Malaysian Economy

Growth prospects for the global economy remain favourable in 2008. The world economy is projected to expand by 5.2% (2007: 5.2%) supported by broad-based and balanced expansion across the regions. Growth will be led by emerging market and developing countries, in particular, China, India and Russia. The upturn in the US economy and sustained growth in the Euro area will further reinforce the continued expansion in world growth. World trade is expected to grow at a faster pace of 7.4% (2007: 7.1%) underpinned by strong demand for commodities, continued expansion in trade in services and supported by sustained demand for electronics. Inflationary pressures are expected to be manageable, cushioned in part by higher productivity growth, softening US dollar as well as proactive measures taken by major economies to contain inflation.

Despite the positive outlook, several downside risks remain, which could derail the growth momentum of the world economy. These include, among others, lower-than-expected growth of the US economy, prolonged subprime mortgage crisis, widening global imbalances, oil price shocks leading to higher world inflation, geopolitical tensions as well as pandemic diseases. Notwithstanding the external challenges, the Malaysian economy is expected to remain resilient on the back of a well-diversified and broad-based structure as well as strong macroeconomic fundamentals, which have strengthened over the years.

The Malaysian economy is anticipated to strengthen further to 6.0-6.5% in 2008 (2007: 6.0%) with positive contribution from all sectors of the economy. Domestic demand will be the main driver of the economy, while external demand is expected to pick up in tandem with improved prospects in world trade. Private investment and consumption spending are expected to remain robust, while public expenditure continues to expand. Inflation is anticipated to remain low despite strong expansion in the economy as output growth is still below potential level. Coupled with increased productivity, the economy would be able to absorb higher demand expenditure. In line with higher output and firm commodity prices, nominal Gross National Product per capita is expected to rise 6.8% to RM23,864 in 2008 (2007: 7.2%; RM22,345). In terms of purchasing power parity, per capita income is expected to increase 6.9% to reach USD14,206 (2007: 13.9%; USD13,289), reflecting improved quality of life of the rakyat.

(Source: Economic Report 2007/2008, Ministry of Finance Malaysia)

4.6.2 Overview and Outlook of the Malaysian Manufacturing Sector

Value added in the manufacturing sector is projected to grow by 3.8% (2007: 3.1%) in line with expansion in global trade. Global demand for manufactured goods, particularly electrical and electronics ("E&E") products, is expected to rise sharply, underpinned by sustained world growth and strengthening US economy. This will benefit Malaysia's export-oriented industries. Output of resource-based products is expected to expand due to strong demand for refined petroleum products, plastics and chemicals including biofuels, rubber gloves as well as wooden furniture and fixtures. Growth in non-metallic minerals and metal industries will be further supported by increased activity in the domestic economy, in particular construction.

4. INFORMATION ON THE GROUP *(cont'd)*

The manufacturing sector is expected to grow 3.1% in 2007 (2006: 7.1%) supported by domestic oriented industries, particularly chemicals and chemical products, food and construction-related industries. During the first half of the year, softer external demand, particularly for E&E products, textiles and apparels as well as machinery and equipment affected the overall performance of the sector, which grew 0.5% (January-June 2006: 8.8%).

Output in the domestic-oriented industries grew 5.3% while export-oriented industries contracted 1.9% during the first six months (January-June 2006: 5.0%; 11.1%). Despite contraction in output, the export-oriented industries continue to remain as a major contributor to the total manufactured output. Meanwhile, sales value of the sector increased 2.9% to RM248 billion (January-June 2006: 9.4%; RM241 billion), mainly contributed by the increase in sales of electronic valves and tubes as well as basic iron and steel products. During the period under review, capacity utilisation of the sector edged higher to 80.4%, particularly, paper, chemical and rubber-based products.

Output of domestic-oriented industries increased at a faster pace of 5.3% in the first six months of 2007 (January-June 2006: 5.0%). During the period, major industry groups, such as food and beverages as well as construction-related industries recorded double-digit growth.

(Source: Economic Report 2007/2008, Ministry of Finance Malaysia)

The country's manufacturing business is largely concentrated on production, with limited upstream activities as well as downstream activities, where a major portion of the value added can be derived. In light of the keen competition for foreign direct investments from the other emerging economies, the manufacturing sector is venturing into industry deepening, defined as a process of increasing technological capability within a particular industry. This is achieved by increasing the capability to undertake more complex and demanding tasks through the development of new processes, systems and methods, adaptation of best practices, design, engineering development and innovation within the current technology that is used. Industry deepening can lead to a more widespread diffusion on technology, more product differentiation, higher added value and a greater use of local resources. It can also enhance the ability to respond more effectively to changes in market conditions.

Industry deepening is especially applicable to the small and medium enterprises ("SMEs"). Rapid technological advancements as well as trade liberalisation and globalisation have placed a severe strain on the SMEs. In promoting the industry deepening process, a core element is the supporting industries, which are mostly SMEs. Having a strong supporting industry base enables less reliance on foreign imports. It can also create additional employment as well as provide linkages between the large companies and SMEs. A strong supporting industry can also assist the growth of SMEs through subcontracting arrangements and lead to the further development of local entrepreneurs, resulting in a higher utilisation of domestic resources. Recognising the SMEs as an endogenous engine of growth, the Government's current development focus is on SMEs with the capability to manufacture products with higher intellectual property content using the requisite human capital.

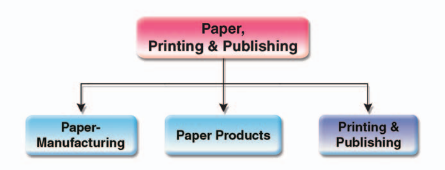
(Source: D&B Malaysia)

4. INFORMATION ON THE GROUP *(cont'd)*

4.6.3 Overview of the Paper, Printing and Publishing Industry

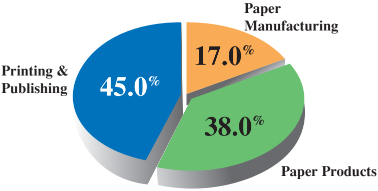
In 2006, the paper, printing and publishing industry generated about RM10.2 billion in revenue. According to the Department of Statistics Malaysia ("DOS"), this industry employed about 47,102 workers in the same year.

According to the Malaysian Industrial Development Authority ("MIDA"), the paper, printing and publishing industry can be segregated into three (3) major sub-sectors as follows:



The paper-manufacturing sub-sector involves the manufacturing of paper such as testliner, corrugating medium paper, printing and writing paper and newsprint. Currently, this sub-sector supplies 60% of the local paper products demand. The paper products sub-sector manufactures packaging products including corrugated cartons, inner packaging and cushioning materials. On the other hand, the printing and publishing sub-sector is involved in the printing and publishing of newspaper, books and magazines, packaging materials and security printing. In addition, this sub-sector also involves other printing activities such as greeting cards, calendars, diaries, signages, labels and stickers and wall coverings.

The revenue contribution of the three (3) sub-sectors in the paper, printing and publishing industry for 2006 are as follows:



Sales value: RM10.2 billion

Amongst the three (3) sub-sectors, the printing and publishing sub-sector (to be termed as the "printing and publishing industry" hereon) generated the most revenue, accounting for 45.0% of the total revenue of the paper, printing and publishing industry in 2006.

(Source: D&B Malaysia)

4.6.4 Overview of the Printing and Publishing Industry

In Malaysia, the printing and publishing industry, in which our Group is involved in, covers a broad spectrum of printing and publication products and services varying from language, genre, topics, markets covered to media type. The complexity is aggravated by the convergence of the conventional 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. In some cases, players in the market play the dual role of publisher and printer while others may be either involved in either printing or publishing only, owing to the different cost requirements and regulations involved the operation of each business activity.

In terms of performance, the printing and publishing industry generated a sales value of RM4.6 billion in 2006 compared to RM4.7 billion in 2005, representing a slight drop of 1.7% in absolute terms.

In general, the export market for the printing and publishing industry is considered to be relatively small compared to the local market. This is mainly due to the language barrier, whereby the country's official language is Bahasa Malaysia and the nature of the industry. Despite being a multi-racial country consisting of three (3) main races, namely Malay, Chinese and Indian, most of the local publications are mainly in Bahasa Malaysia. These publications cater mainly for the local education sector, which comprise school textbooks, reference/guide books, workbooks and language books. However, more local players have taken the initiative to tap the overseas market.

Locally, the players in the printing and publishing industry have formed various associations, namely, Malaysian Printers Association, The Selangor and Federal Territory Printing Press Association of Malaysia, National Bumiputra Book Publisher Association and Malaysia Book Publishers Association ("MABOPA"). These associations provide a medium for their members to understand the industry's current environment and latest developments, as well as challenges facing the industry. Furthermore, the establishment of these associations also enable effective communication and exchange of viewpoints between the government and printing/publishing companies within the private sector such as issues concerning fair trade practices, copyright issues, book pricing and discount structures.

(Source: D&B Malaysia)

4.6.5 Players and Competition

In general, the local printing and publishing industry comprises a handful of large-sized players and a large number of small-sized players. The smaller players are usually involved in providing a narrow range of products due to limited capacity and resources while the bigger players are able to provide a wider range of products that are of better quality and cost effective. The bigger players also have access to better technology thus further improving the quality of their products as compared to small-scale players. As such, both these types of players cater to relatively different market segments. As most of the players in the market have established strong relationships with their respective customer base, they are able to continue their businesses.

In Malaysia, there are currently more than 500 players that are individually servicing varying market segments depending on the type of print media involved, out of which only about a third is active. The majority of them are represented by privately-owned, family-owned SMEs employing less than 50 people. The remaining players comprise bigger companies which include listed companies, foreign-owned publishing houses, full and semi-government institutions, which include university presses and publishing departments. Based on information collected by DOS, there are a total of 129 establishments within the industry, employing 24,979 people in 2006. Majority of the active players are located in the Klang Valley, while the remaining is spread out across the rest of the country. Some of the key players in Malaysia in the printing and publishing industry include Pelangi Publishing Group Bhd, Kum Printers Sdn Bhd and Times Offset (Malaysia) Sdn Bhd.

Competitors in Asian countries that include Singapore and Hong Kong have generally become more expensive to operate, largely because of higher labour costs, although this has been partly offset by their subcontracting to companies in lower-cost countries. Malaysian printers such as BHS Group have an advantage where large printing runs are involved, where they are able to benefit from economies of scale.

In addition, local printers and publishers generally face a challenge in their ability to differentiate themselves in a competitive market. The current situation where there is rampant price undercutting will result in lower profit margins, and where capacity exceeds demand, the ultimate effect on the industry is to force selling prices down. This is especially so given the need to incur higher costs involved in purchasing printing machinery with the latest technology and higher speeds to achieve better productivity and quality levels, as well as reduce turnaround time, so as to remain competitive.

(Source: D&B Malaysia)

Our Group is one of the leading web-offset printers in Malaysia who specialises in printing magazines and books. There are only a few other web-offset printers in Malaysia with similar facilities, capacity and experience in magazine printing. As for book printing, there are also a few web-offset printers in Malaysia with similar facilities.

4.6.6 Estimated Market Coverage, Position and Share

For the last five (5)-year period from FYE 2002 to FYE 2006, our Group derived between 60% and 78% of our total revenue from printing services that cater primarily to the commercial sector. As such, we are positioned against key players which also offer primarily commercial printing services, namely for books, magazines/periodicals, brochures and pamphlets. These players are selected based on scale of operations, range of services provided and target markets which are similar to us.

Our Group operates within the web-offset printing industry particularly catering to the commercial printing market, with our track record of quality and reliable performance as well as industry knowledge and experience accumulated over three (3) decades in a niche market. Research findings suggest that there are only a handful of printing companies that operate web-offset printing outfits that serve the commercial printing market within Malaysia.

In 2006, the sales value of the local web-offset commercial printing services industry, primarily for books and magazine printing which was estimated at RM271 million, of which our Group commanded a market share estimated at 13.2%[(1)]. The remaining 86.8% is serviced by other players offering web offset commercial printing services both locally as well as to overseas customers.

In terms of PBT margin, our Group achieved the highest three (3)-year average PBT margin amongst selected key players, registering 16.3% for the period from FYE 2004 to FYE 2006. This is partially due to efficient use of property, plant and equipment ("PPE") to generate sales throughout our years of operations. Within the same period from FYE 2004 to FYE 2006, our Group achieved PPE ratios of above 2.50 times which indicate that for every RM1.00 of capital cost invested, the Group is able to generate sales of more than RM2.50 in the said period.

Note:

[(1)] *Derived based on the comparable companies' latest audited financial statements for their respective financial year ends and the estimates made by D&B Malaysia based on their research findings.*

(Source: D&B Malaysia)

4.6.7 Barriers to Entry

In general, the barriers to entry are low within the printing and publishing industry. The high level of competition also results in the existence of 'price-squeezes', whereby prices lack the flexibility needed to increase easily. However, companies which have been able to capture a significant share of the market, such as BHS Group, are those which have the resources and capabilities such as high-technology printing equipment and the required technical expertise to meet the high standard requirements set by customers, concentrate on the local market for large commercial printing jobs and have developed an export market for their services. The barriers to entry are as follows:

(i) High Capital Investment Required

Companies need to invest in high capital cost to set up and operate a web-offset printing outfit. Web-offset printing companies in particular, require large working areas to accommodate printing machineries as well as storage space for continuous in-coming stocks of raw materials to meet ongoing production needs. Research conducted shows that the printing industry is predominantly a capital intensive industry, in which major investments in plant, printing machinery and equipment account for between 70% and 80% of a company's fixed assets. Companies must be able to equip themselves with the latest technology available and to continuously upgrade their equipment and machineries in order to remain competitive and meet customers' stringent requirement for high-volume quality prints within a strict delivery timeframe. A small set-up would require a capital investment of approximately RM10 million to operate whereas a medium to large web-offset printing company would require capital investments of up to RM50 million or more to set up an integrated facility. This would be a barrier to new entrants and small players which have limited financial resources, as they would inevitably face difficulties in competing with the financially competent and established players.

(ii) Established Track Record and Network of Clientele Base

Establishing a track record in producing high-quality prints and delivering timely and reliable services is an important attribute in securing customers' loyalty and acceptance. In addition, existing customers may bring in referral opportunities and recurring orders if a good track record and long-term business relationship is established. Thus new players with their limited track record will find difficulty in competing against the already established players in the industry.

(iii) Technical Know-How

Acquiring technical know-how and skilled human resource commitment is an essential attribute for a company to sustain its competitiveness and keep up with technological advancements. Players need to acquire in-depth understanding of the technical aspects to operate a successful printing and publishing business. The depth of knowledge could involve research on material (paper, ink and typesetting) characteristics by seeking the best practical composition to suit a particular application and enhance manufacturing processes through the latest printing technologies. For example, highly skilled operators are required to operate web-offset printing machines. Hence, new entrants without the necessary technical expertise would inevitably face numerous operational problems.

(iv) Stringent Quality Requirements

In order to gain acceptance from reputable local and international customers, it is of paramount importance for industry players to implement strict QC measures at all stages of the production processes from receipt of raw materials right up to the final product delivery. QC procedures are important to control ink density, print quality and performance that conform to customers' specifications with the help of QC devices. Established players, including the BHS Group, that have consistently met the stringent quality requirements imposed by customers would have an advantage over new players in securing large print-runs that demand high-quality printing within very tight delivery timeframes.

(v) Cash Flow Management

The web-offset printing sector is highly capital-intensive and it is crucial for players to be able to manage and maintain sufficient liquidity to meet daily working capital requirements. Companies with efficient cash flow management are not only able to withstand external shocks such as economic slowdowns but also tap into business opportunities which may arise from time to time. Existence of stiff competition which results in "price-squeezes" makes efficient cash flow management even more important to industry players. Larger and more established players are better able to withstand external shocks due to better cash flow management.

(Source: D&B Malaysia)

4.6.8 Government Legislations

Being a multi-ethnic and multi-religious nation, the government is highly conscious of publication that might cause racial and religious unrest. As such, the Internal Security Act 1960 enforces a restriction or ban on publication or distribution of reading material that are deemed prejudicial to public order or against national interest. However, the decision to ban books can only be made after such material is circulated. In the case of imported books, titles that arouse the suspicions of the customs department are required to be submitted for examination by the Ministry of Internal Security. In addition, under the Sedition Act 1948, it is an offence to print, publish, distribute, reproduce or import any seditious publications, that is publications that incite rebellion against the authority of state.

The printing and publishing industry is also governed by the Printing Presses and Publications Act, 1984, which requires all print media to obtain an annual publishing permit and printing press licence.

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

- Copyright Act 1987
- Copyright (Amendment) Act 1997
- Trade Mark Act 1976
- Other related cyber-laws and intellectual property laws

(Source: D&B Malaysia)

4.6.9 Demand Conditions

Printing

Demand for printing services is a consequence of the demand for books and magazines, which is what is termed as 'derived' demand. The level of the Malaysian printing activity, therefore, is influenced by books and magazines sales in the Malaysian market, import penetration, and overseas demand for Malaysian printing services.

While printing volumes in general are not expected to increase significantly, demand in certain sectors such as consumer magazines and business-to-business printing will rise. Generally, studies conducted show strong loyalty between magazines and the reader. This loyalty seems to be stronger than that between newspapers and their readers. Another interesting aspect is that people keep magazines for far longer than other media publications, and they also share them amongst each other.

The primary and secondary schools segment offers tremendous opportunities for textbook printing companies. In 2006, the Malaysian Government spent about RM2.92 billion (2005: RM2.63 billion) on services and supplies for the education sector. Of this amount, about RM1.96 billion (2005: RM1.89 billion) or 67.1% (2005: 71.9%) of the total services and supplies expenditure was for services and supplies provided to primary and secondary education.

Certain local printers have had some notable export successes, with recorded exports of books and dictionaries to countries such as Republic of South Africa, Nigeria and Ghana. Since 2000, Malaysian exports of books in general have fluctuated considerably. The value of exports in 2006 was some 26.0% above that of 2005. Malaysian companies could take advantage of their expertise in printing and pre-press technology through overseas investments.

Publishing

The demand trend of the publishing industry varies, depending largely on the type of publishing involved. For general book publishers, one (1) major risk is not being able to forecast the market accurately due to the changing consumer preferences and short product life-cycles of "titles". The established players are in a better position to anticipate the market trend.

On the contrary, the demand for school books, namely the textbooks and reference books 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 only 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 textbook and reference book market is dominated by a small pool of very established players.

The local publishing industry caters mainly for the local market, with a large proportion of publications directed to the education sector, which comprise school textbooks, reference/guide books, workbooks and language books.

(Source: D&B Malaysia)

4.6.10 Substitute Services/Technology

Electronic publishing, on CD-ROMs and the Internet, for example, has created an alternative means of distribution for publishers. The electronic media now compete with traditional printing in ways that are changing both the inner structure and the retail face of the industry. Customers are buying more print materials in digital form such as electronic databases, CD-ROMs, and cassettes. They purchase on-line through Internet booksellers. CD-ROMs already have displaced some sales of encyclopaedias and reference books, but in other areas electronic publishing has enhanced the demand for printed books, such as computer manuals.

Electronic media, despite being the main substitute to traditional printing, has its drawbacks. Reading news published electronically is neither as quick nor convenient as it takes a longer time and much more effort to boot up a computer, connect it to the Internet and then download the required data. This can be compared to the few seconds required to get hold of a book or a magazine, or the fraction of a second needed to turn over a printed page. Paper is versatile, economical and, above all, has the overriding attribute of "tangibility". A paper message also connotes a leisure appeal, for example, the reading of a newspaper is not only about getting news but for many people, is also a form of leisure and learning experience. No electronic forms can offer textural characteristics, such as gloss, sheen and lustre – all of which are attributes that advertisers value.

Despite an estimated 30% of printed text that could be replaced ultimately by electronic versions, it is widely regarded that electronic publishing is instead a complementary to printed books and magazines, and even helps stimulate demand for books and magazines. While the growth in electronic publishing is expected to expand much faster due to its present growth stage, traditional printing is foreseen to continue to exist for a very long time.

(Source: D&B Malaysia)

4.6.11 Supply Conditions, Reliance on and Vulnerability to Imports

Paper, which constitutes the bulk of raw materials used in the printing industry, is sourced locally and internationally. Malaysia still imports paper despite local production of paper by local paper mills, with at least 60% of domestic paper consumption being sourced locally for use for a wide application base. The local paper manufacturing industry involves mainly waste paper recycling, whereby waste paper is the major raw material used. Paper is still imported mainly due to the varying paper quality requirements used in the printing and publishing industry. For example, high-end consumer magazines and professional publications that involve high-quality, glossy-finish paper will require imported art paper as compared to recycled woodfree/simili paper which can be readily available locally.

4. INFORMATION ON THE GROUP *(cont'd)*

Malaysia is still a net importer of paper although it has an extensive natural resource with forests covering some 61% of its area and plantations including rubber and oil palm accounting for another 16%. The country imports over RM2.7 billion worth of printing and writing paper, kraft and medium weight packing materials and related products annually, besides recording a consumption of 98 kg per capita of paper and paperboard a year. In efforts to increase domestic production of printing paper, the Government has over the past three (3) years, approved a total of 85 projects in the pulp, paper, printing and publishing industry, involving total investments of RM6.4 billion. Amongst the significant projects approved is a diversification project in 2004 that was worth RM133 million by Malaysian Paperboard Industries Sdn Bhd ("MPISB"), a wholly-owned Malaysian company, to produce uncoated woodfree printing and writing paper using imported pulp. Second only to Sabah Forest Industries, which produces paper from its own manufactured virgin pulp, MPISB's paper mill is expected to bring about a combined capacity that would meet almost 90% of the domestic demand for uncoated woodfree printing and writing paper.

(Source: D&B Malaysia)

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4.6.12 Prospects and Outlook

The market trend in the printing and publishing industry is moving towards digital workflows and improving operating efficiencies and product marketing. Moving forward, there are considerable growth potentials in the paper, printing and publishing industry, particularly for printing and publishing, of which the trend and opportunities are summarised as follows:

- Innovations and improved developments as a result of technological and machine advancements, which allow companies to produce better quality, improved performance and better cost control, especially in the pre-press areas of typesetting, film preparation and platemaking. A wider variety of technologies are being developed for the production of printed products and to assist companies in extending their scope of activities into such things as CD-ROM or website production. The industry is moving from analogue processes to 'digital workflows' in which content is received and processed in electronic form. Examples of recent and ongoing developments include computer-based typesetting, composing and imaging manipulation, and computer-to-plate technology, hence eliminating the need to use films;

- Growing demand from certain sectors, primarily consumer magazines and business-to-business printing. Studies conducted show that a strong loyalty is generally formed between magazines and reader, and it appears that this loyalty is stronger than that between newspapers and their readers. Furthermore, 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;

- Opportunities in the primary and secondary schools sector. The steady increase in the number of schools and students has led to the increasing need for the Government to increase the allocation for expenditure on school textbooks. In 2006, the Government of Malaysia has spent an estimated RM1.96 billion (2005: RM1.89 billion) or 67.1% (2005: 71.9%) of the total services and supplies expenditure for primary and secondary education; and

- Export opportunities by taking advantage of printing and pre-press expertise to penetrate countries such as Republic of South Africa, Nigeria and Ghana.

Overall, the Malaysian printing and publishing industry is expected to continue its positive growth as the nation aspires to be fully developed and industrialised by the year 2020. Notwithstanding this, in this environment where cost, quality and timely delivery are crucial in meeting customers' requirements, industry players have to be aware and responsive to market needs, ensure products are of high quality while controlling their costs and keep abreast with the latest technology trends. For those players that are able to surmount to the challenges aforementioned, their prospects would remain promising.

(Source: D&B Malaysia)

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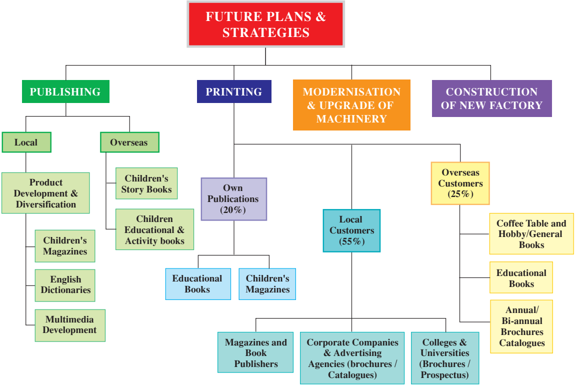
4. INFORMATION ON THE GROUP *(cont'd)*

4.7 FUTURE PLANS, STRATEGIES AND PROSPECTS

Our Group's strategies and future plans to strengthen our position are as follows:



(i) Upgrading of Existing Machineries

Our Group intends to spend a total of approximately RM22 million for machinery upgrading, of which RM15 million is derived from the proceeds from the Rights Issue and Public Issue within the next two (2) years. The remaining capital expenditure will be funded internally and through borrowings from financial institutions. The machinery upgrading and modernisation will enable the Group to differentiate itself from its competitors in the market as customers place more emphasis on quality and delivery leadtime. The modernisation of equipment will be carried out in pre-press, press and post-press activities.

(ii) Expansion of Customer Base

Our Group aims to widen its customer base by leveraging on its core capabilities to service other sectors which offer good prospects for it to increase its market share and retain its competitive edge, thus strengthening its year-on-year revenue growth. With the acquisition of additional machineries, our Group will be able to cater to more customers.

(iii) Construction of New Factory

In view of the increasing demand for printing and publishing services and as part of its expansion plan, our Group intends to construct a new factory in the near future. We will build this new factory on a piece of leasehold land that our Group owns, which encompasses a land area of 8,510 sq. meters. This new factory will house all our machineries, provide warehousing for the raw materials, work-in-progress goods and finished goods, and to be used as offices for printing and publishing staff. The completion of this new factory will help to achieve long-term cost-savings objectives as we would not have to pay rental to operate from our existing premises. In addition, the integration of all production departments under one roof is expected to increase the efficiency of our Group's production workflow. The construction costs of this new factory will be funded internally or through borrowings from financial institutions.

(iv) Printing Division – Service Expansion

Our Group had recently purchased a new 8-colour sheet-fed perfector, and we plan to exploit the opportunity of printing coffee table books and general hobby books for export. We have identified several such publishers from France, Germany, United Kingdom and USA from our participation at the annual Frankfurt Book Fair.

We also plan to increase and improve our design capability to cater to educational institutions, colleges and corporate companies in the production of prospectus, brochures and product catalogues. In addition, our Group plans to offer our services to advertising companies for the printing of brochures, catalogues and annual reports.

(v) Publishing Division – Service Expansion

As the Malaysian government places high importance in learning of English as a second language, our publishing division plans to produce more English books which cater for both the local and overseas market. Our Group is taking advantage of the large availability of the graphic designers from many Malaysian art and design institutions. The development of new products will include children's magazines, children's story books and dictionaries. We also plan to take advantage of our publishing know-how to exploit the publishing of trade directories and children's magazines which has no direct conflict with our existing clients.

Our Group also plans to further develop our multimedia division by sourcing more talented IT personnel to develop its existing range of English books.

On the whole, we believe that our commitment and ability to consistently meet our customers' requirements for quality products, reliable services and timely delivery at competitive prices will enable us to increase our market penetration and stand in good stead in the face of competition.

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