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### 3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE

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#### 3.1 Introduction

Application will be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the entire issued and paid-up share capital of YAR on the Second Board of the KLSE. These Shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptances of application of the Public Issue Shares and Offer Shares will be conditional upon permission being granted by the KLSE to deal in and quotation for the entire issued and paid-up shares of the Company. Monies paid in respect of any application accepted will be returned without interest if the said permission is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the KLSE within the aforesaid timeframe. Admission to listing is not being sought on any other stock exchange.

Pursuant to Section 14 (1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed YAR as a prescribed security. In consequence thereof, the Public Issue Shares and Offer Shares will be deposited directly with MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

An applicant who presently has a CDS account should state his CDS account number in the space provided in the Application Form. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code. Where an applicant already has a CDS account, he should not complete the preferred ADA Code. 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 CDS account number to the Participating Financial Institutions (as set out in Section 18.5.2 of this Prospectus) by way of keying his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Public Issue Shares or Offer Shares by way of Electronic Share Application.

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

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and Offer For Sale and if given or made, such information or representation must not be relied upon as having been authorised by YAR, the Offerors and/or Alliance. Neither the delivery of this Prospectus nor any sale made in connection with this Prospectus shall, in any circumstance, and at any time constitute a representation or create any implication that there has been no change in the affairs of YAR or the Group since the date hereof.

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

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

### 3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE *(Cont'd)*

#### 3.2 Indicative Timing

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the Second Board of the KLSE is set out below:

| <b>Event</b>                                                                                                        | <b>Tentative date</b> |
|---------------------------------------------------------------------------------------------------------------------|-----------------------|
| Opening of the Public Issue and Offer For Sale                                                                      | 12 September 2002     |
| Closing of the Public Issue and Offer For Sale                                                                      | 26 September 2002     |
| Tentative balloting date                                                                                            | 3 October 2002        |
| Tentative date for the despatch of Notices of Allotment to successful applicants                                    | 7 October 2002        |
| Tentative date of listing of YAR's entire enlarged issued and paid-up share capital on the Second Board of the KLSE | 14 October 2002       |

#### 3.3 Purposes of the Public Issue and Offer For Sale

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

- (i) To provide an opportunity for Malaysian investors, eligible employees and the Directors of the Company and its subsidiaries to participate in the equity and continuing growth of the Company;
- (ii) To enable the Company to have better access to the capital market for funds so as to provide for future expansion and continued growth of the Company and its subsidiaries; and
- (iii) To facilitate the listing of and quotation for the entire issued and paid-up share capital of YAR of 107,400,000 Shares on the Second Board of the KLSE and to comply with the KLSE's public spread requirement.

#### 3.4 Share Capital

|                                                                                                              | <b>RM</b>                             |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------|
| <b>Authorised:</b><br>200,000,000 YAR Shares                                                                 | <u>100,000,000</u>                    |
| <b>Issued and fully paid-up:</b><br>91,290,000 YAR Shares                                                    | 45,645,000                            |
| <b>To be issued and credited as fully paid-up pursuant to the Public Issue:</b><br>16,110,000 new YAR Shares | <u>8,055,000</u><br><u>53,700,000</u> |
| <b>To be offered for sale pursuant to the Offer For Sale:</b><br>31,120,000 YAR Shares                       | 15,560,000                            |

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**3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (Cont'd)**

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The Issue/Offer Price of RM0.65 per Share is payable in full upon application.

There is only one class of shares of RM0.50 each in YAR. The Public Issue Shares and Offer Shares will rank pari passu in all respect with the other existing issued and paid-up ordinary shares of the Company, including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of allotment and issue of the Public Issue Shares and Offer Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of the liquidation of the Company, such surplus shall be distributed among the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with its Articles of Association.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy 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.

**3.5 Basis Of Arriving At The Issue/Offer Price**

The Issue/Offer Price of RM0.65 per Share was agreed upon by YAR and Alliance as Adviser and Underwriter based on the relevant factors after taking into account the following:

- (a) Based on the proforma consolidated NTA per YAR Share as at 30 April 2002 of RM0.58 per Share, the Issue/Offer Price of RM0.65 per share represents a premium of 7 sen or approximately 12.1 % over the proforma consolidated NTA per YAR Share as at 30 April 2002;
- (b) Estimate and forecast net PE Multiple of 6.13 times and 5.42 times respectively based on the Issue/Offer Price of RM0.65 per YAR Share and the net EPS of 10.6 sen and 12 sen respectively calculated based on the weighted average number of shares in issue of 3.8 million shares and 104.7 million shares for the financial years ended 31 July 2002 and ending 31 July 2003 respectively;
- (c) The forecast gross dividend yield of 3.8%; and
- (d) The prospects of the YAR Group as outlined in Section 7 herein.

Investors should form their own views on the valuation of the securities and the reasonableness of the bases used.

**3.6 Details of the Public Issue and Offer For Sale**

The Public Issue of 16,110,000 Public Issue Shares and Offer For Sale of 31,120,000 Offer Shares respectively at an Issue/Offer Price of RM0.65 per YAR Share, are payable in full upon application and subject to the terms and conditions as set out in this Prospectus.

### 3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (Cont'd)

The Public Issue and Offer For Sale shall be allocated in the following manner:

**(a) Allocations to Bumiputera Investors Approved by MITI**

26,950,000 Offer Shares and 5,270,000 Public Issue Shares representing 30% of the enlarged issued and paid-up share capital of YAR have been reserved for Bumiputera investors approved by MITI;

**(b) Allocation via private placement**

4,170,000 Offer Shares will be placed out to identified investors;

**(c) Pink Form Allocations to Eligible Directors, Employees, Suppliers and Customers of the YAR Group**

5,370,000 Public Issue Shares have been reserved for eligible Directors, employees, suppliers and customers of the YAR Group; and

**(d) Allocation Via Balloting to the Malaysian Public**

5,470,000 Public Issue Shares have been reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which, at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Public Issue Shares and Offer Shares under paragraph (a) above are not required to be underwritten and are therefore not underwritten. The Offer Shares under paragraph (b) above will be placed out by the Placement Agent to investors identified by YAR. In the event any of the 5,370,000 Public Issue Shares under paragraph (c) above is not subscribed by eligible Directors, employees, suppliers and customers of the YAR Group, such Shares will be made available for application by the Malaysian Public and they will be fully underwritten.

The 5,470,000 Public Issue Shares made available to the Malaysian public listed under paragraph (d) above and any of the 5,370,000 Public Issue Shares under paragraph (c) above which are not subscribed by eligible Directors, employees, suppliers and customers of the YAR Group have been fully underwritten at an underwriting commission of 2% of the Issue/Offer Price of RM0.65 per Share. As a result of the underwriting arrangement for the Public Issue Shares under paragraphs (c) and (d) above and on the assumption that the allocation of 5,270,000 Public Issue Shares reserved for Bumiputera Investors approved by MITI are fully subscribed under paragraph (a) above, the Company is assured of the full proceeds from the Public Offering.

The Offerors will offer for sale 31,120,000 YAR Shares at an Offer Price of RM0.65 in the following proportions:

|               | No. of Offer<br>Shares | % of YAR's enlarged<br>share capital |
|---------------|------------------------|--------------------------------------|
| Yeo Eck Liong | 3,600,000              | 3.35                                 |
| Yeo Yek Meng  | 7,200,000              | 6.70                                 |
| Yeo Aik Tan   | 7,200,000              | 6.70                                 |
| Yeo Ayk Ke    | 8,950,000              | 8.33                                 |
| Lim Poh Teot  | 2,085,000              | 1.95                                 |
| Chia Lai Joo  | 2,085,000              | 1.95                                 |
| <b>Total</b>  | <b>31,120,000</b>      | <b>28.98</b>                         |

**3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (Cont'd)**

**3.7 Details on the Pink Forms Allocation**

2,355,000 Public Issue Shares have been reserved for the eligible Directors and employees of the YAR Group and have been allocated based on designation and length of service with the Group as follows:

| Category     | Number of employees | Years of Service         | No. of shares to be allocated to each person | Total allocation to category of employees |
|--------------|---------------------|--------------------------|----------------------------------------------|-------------------------------------------|
| Director     | 7                   | Not applicable           | Set out below                                | 64,000                                    |
| Manager      | 13                  | Less than 2 years        | 10,000                                       | 226,000                                   |
|              |                     | 2 to 5 years             | 20,000                                       |                                           |
|              |                     | More than 5 years        | 25,000                                       |                                           |
| Executive    | 24                  | 3 to less than 6 months  | 2,000                                        | 296,000                                   |
|              |                     | 6 to less than 12 months | 4,000                                        |                                           |
|              |                     | 1 to less than 2 years   | 6,000                                        |                                           |
|              |                     | 2 to less than 3 years   | 8,000                                        |                                           |
|              |                     | 3 to less than 4 years   | 10,000                                       |                                           |
|              |                     | 4 to less than 5 years   | 12,000                                       |                                           |
|              |                     | 5 to less than 6 years   | 16,000                                       |                                           |
|              |                     | 6 years or more          | 20,000                                       |                                           |
| Supervisor   | 21                  | 3 to less than 12 months | 2,000                                        | 172,000                                   |
|              |                     | 1 to less than 3 years   | 4,000                                        |                                           |
|              |                     | 3 to less than 5 years   | 6,000                                        |                                           |
|              |                     | 5 to less than 7 years   | 8,000                                        |                                           |
|              |                     | 7 to less than 8 years   | 10,000                                       |                                           |
|              |                     | 8 to less than 9 years   | 12,000                                       |                                           |
|              |                     | 9 to less than 10 years  | 16,000                                       |                                           |
|              |                     | 10 years or more         | 20,000                                       |                                           |
| Leader       | 38                  | 3 to less than 12 months | 2,000                                        | 274,000                                   |
|              |                     | 1 to less than 3 years   | 4,000                                        |                                           |
|              |                     | 3 to less than 5 years   | 6,000                                        |                                           |
|              |                     | 5 to less than 7 years   | 8,000                                        |                                           |
|              |                     | 7 to less than 8 years   | 10,000                                       |                                           |
|              |                     | 8 to less than 9 years   | 12,000                                       |                                           |
|              |                     | 9 to less than 10 years  | 14,000                                       |                                           |
|              |                     | 10 years or more         | 16,000                                       |                                           |
| Clerk        | 79                  | 3 to less than 12 months | 2,000                                        | 326,000                                   |
|              |                     | 1 to less than 2 years   | 3,000                                        |                                           |
|              |                     | 2 to less than 4 years   | 5,000                                        |                                           |
|              |                     | 4 to less than 6 years   | 6,000                                        |                                           |
|              |                     | 6 to less than 8 years   | 7,000                                        |                                           |
|              |                     | 8 to less than 10 years  | 8,000                                        |                                           |
|              |                     | 10 years or more         | 10,000                                       |                                           |
| Operator     | 339                 | 3 to less than 12 months | 1,000                                        | 997,000                                   |
|              |                     | 1 to less than 2 years   | 2,000                                        |                                           |
|              |                     | 2 to less than 4 years   | 3,000                                        |                                           |
|              |                     | 4 to less than 6 years   | 4,000                                        |                                           |
|              |                     | 6 to less than 8 years   | 5,000                                        |                                           |
|              |                     | 8 to less than 10 years  | 8,000                                        |                                           |
|              |                     | 10 years or more         | 10,000                                       |                                           |
| <b>Total</b> | <b>521</b>          |                          |                                              | <b>2,355,000</b>                          |

**3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (Cont'd)**

The details of the Directors' pink form allocation are as follows:

| <b>Name of Director</b>           | <b>Pink Form Allocation</b> |
|-----------------------------------|-----------------------------|
| Yeo Eck Liong                     | 16,000                      |
| Yeo Ayk Ke                        | 12,000                      |
| Chia Lai Joo                      | 12,000                      |
| Lim Poh Teot                      | 12,000                      |
| Datuk Ang Hai @ Datuk Ang Kim Hai | 12,000                      |
|                                   | 64,000                      |

The remaining 3,015,000 shares under the Pink Forms Allocation will be offered to the suppliers and customers of the Group on the basis of length and nature of working relationship.

**3.8 Opening and Closing of Application Lists**

The Application Lists will open at 10.00 a.m. on 26 September 2002 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of YAR and/or the Offerors in their absolute discretion may decide. Late applications will not be accepted.

**3.9 Proceeds raised**

The gross proceeds of the Public Issue of RM10,471,500 will accrue to YAR which shall be utilised as follows:

| <b>Utilisation</b>         | <b>RM</b>         |
|----------------------------|-------------------|
| Repayment of term loans    | 3,014,000         |
| Working capital            | 5,957,500         |
| Estimated listing expenses | 1,500,000         |
| <b>Total</b>               | <b>10,471,500</b> |

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### 3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (Cont'd)

The details of the utilisation of proceeds are set out below:

#### (i) Repayment of term loans

| Name of Lender              | Type of borrowing | Purpose of borrowing                                   | Limit of facilities<br>RM '000 | Expected<br>outstanding<br>balance as at 31<br>October 2002<br>RM '000 | Interest<br>rate<br>% | Terms of<br>repayment |
|-----------------------------|-------------------|--------------------------------------------------------|--------------------------------|------------------------------------------------------------------------|-----------------------|-----------------------|
| OCBC Bank (Malaysia) Berhad | Term Loan         | For financing of the construction of kiln-drying plant | 2,000                          | 1,492                                                                  | 1.5 +<br>BLR          | 7 years               |
| OCBC Bank (Malaysia) Berhad | Term Loan         | For financing of the construction of kiln-drying plant | 1,800                          | 1,246                                                                  | 1.5 +<br>BLR          | 5 years               |
| OCBC Bank (Malaysia) Berhad | Term Loan         | For financing of the construction of kiln-drying plant | 400                            | 276                                                                    | 1.5 +<br>BLR          | 5 years               |
|                             |                   |                                                        | <b>4,200</b>                   | <b>3,014</b>                                                           |                       |                       |

#### (ii) Working capital

In view of the expected increase in sales, the Group will require additional working capital to fund its operations.

The Company expects to fully utilise the net proceeds raised from the Public Issue by the financial year ending 31 July 2003. The repayment of bank borrowings will result in interest savings of approximately RM0.2 million for the financial year ending 31 July 2003.

#### 3.10 Brokerage and Underwriting Commission

Brokerage will be paid by the Company at the rate of 1% on the Issue/Offer Price of RM0.65 per Share in respect of the successful applications bearing the stamp of either Alliance, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Underwriter set out in Section 1 of this Prospectus has agreed to underwrite the 5,470,000 Public Issue Shares to be made available for application by the Malaysian public and up to 5,370,000 Public Issue Shares to be made available for application by eligible Directors, employees, suppliers and customers of the YAR Group. The underwriting commission payable to the Underwriter shall consist of (i) 2% of the Issue/Offer Price multiplied by 5,470,000 Public Issue Shares reserved for the Malaysian public; and (ii) 2% of the Issue/Offer Price multiplied by the number of Public Issue Shares reserved for eligible Directors, employees, suppliers and customers of the YAR Group that are unsubscribed and subscribed by the Underwriter.

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### 3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE *(Cont'd)*

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#### 3.11 Salient terms of the Underwriting Agreement

An underwriting agreement dated 19 July 2002 was entered into between the Company and the Underwriter to underwrite up to 10,840,000 Public Issue Shares which consists of 5,470,000 Public Issue Shares to be made available for application by the Malaysian public and 5,370,000 Public Issue Shares to be made available for application by eligible Directors, employees, suppliers and customers of the YAR Group ("Underwritten Shares") ("Underwriting Agreement"). The underwriting commission payable to the Underwriter shall consist of (i) 2% of the Issue/Offer Price multiplied by 5,470,000 Public Issue Shares reserved for the Malaysian public; and (ii) 2% of the Issue/Offer Price multiplied by the number of Public Issue Shares reserved for eligible Directors, employees, suppliers and customers of the YAR Group that are unsubscribed and subscribed by the Underwriter pursuant to the Underwriting Agreement.

Subject to certain conditions, the Underwriter has agreed to underwrite the subscription of the Underwritten Shares. Notwithstanding the above, the Underwriter may at any time before the closing of the Application List ("Closing Date"), terminate its obligation under the Underwriting Agreement in the following circumstances:

- (a) if any of the conditions precedent set out in the Underwriting Agreement is not satisfied on or before the Closing Date;
- (b) there is any breach by the Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement;
- (c) the Company withholds any information from the Underwriter, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business, operations or prospect of the YAR Group or the success of the Public Offering;
- (d) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of force majeure (including but not limited to war, invasion, terrorism, riot, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power, earthquakes, floods, lightning, tempest, accident or other Acts of God) which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospect of the Group or the success of the Public Offering or which is likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms;
- (e) any government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriter would or is likely to have a material adverse effect on the business, operations, financial condition or prospect of the YAR Group or the success of the Public Offering;
- (f) any change in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or currency exchange rates as would in the opinion of the Underwriter may materially and adversely affect the business, financial condition or prospect of the YAR Group taken as a whole or the success of the Public Offering (whether in the primary market or in respect of dealings in the secondary market); and
- (g) any change in law, regulation, directive, policy or ruling in any jurisdiction which in the opinion of the Underwriter may prejudice the success of the Public Offering or which has or likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms.



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**3. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (Cont'd)**

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In any such case as set out in Section 3.11 of this Prospectus above, the Underwriter may rescind the Underwriting Agreement without liability to YAR.

**3.12 Estimated Listing Expenses**

The estimated listing expenses of RM1,500,000 consist of the following:

|                                          | <b>RM'000</b>            |
|------------------------------------------|--------------------------|
| Professional fees                        | 675                      |
| Issuing house fees                       | 200                      |
| Advertisement and printing of Prospectus | 200                      |
| Underwriting and brokerage commission    | 125                      |
| SC's and KLSE's fees                     | 100                      |
| Miscellaneous/contingencies              | 200                      |
|                                          | <hr/> <b>1,500</b> <hr/> |

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#### 4. RISK FACTORS

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Potential investors should carefully consider, in light of their own financial circumstances and objectives, all of the information in this Prospectus and in particular, the following risk factors:

(i) **No Prior Market for YAR Shares**

Prior to this Public Issue and Offer For Sale, there has been no public market for YAR Shares and there can be no assurance regarding the future development of the market for the shares upon listing on the Second Board of the KLSE. The Issue/Offer Price of RM0.65 per YAR Share, has been determined after taking into consideration a number of factors, including but not limited to the following:

- the Group's financial and operating history and standing;
- future prospects of the Group and the industry in which the Group is involved;
- management of the Group;
- NTA of the Group;
- prevailing market condition; and
- the market prices for shares of other listed companies engaged in business similar to that of the Group.

There is no assurance that the Issue/Offer Price will correspond to the price at which YAR Shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for YAR Shares will develop and continue upon or subsequent to its listing. The price at which the YAR Shares will trade may be higher or lower than the Issue/Offer Price.

(ii) **Business Risks**

YAR is subject to certain risks inherent in the furniture and packaging industry. These include, inter alia, possible increase in the operating and capital costs due to increase in the cost of labour and raw materials, availability of labour, availability of rubberwood and corrugated board, changes in general economic and business conditions, foreign exchange rate fluctuations, credit and interest rate conditions and changes in the legal and environmental framework within which the industry operates and the drop in the demand for its products.

The Group seeks to limit these risks through inter-alia, expansion of both existing and new markets, developing and maintaining a diversified market network, investment in automated and semi automated machinery to improve efficiency.

On 16 May 2000, YAW entered into the Investment Agreement to acquire WHSB and WISB which were then under Special Administrators appointed by Danaharta. The acquisition of WHSB and WISB was completed on 28 September 2001. On 8 November 2001, the Special Administrators was discharged from all duties and liabilities in respect of their administration of WHSB and WISB by Danaharta.

The WHSB Group's traditional furniture products are of lower in value and profit margin. As a result of this acquisition, YAW might not be able to maintain its traditionally high gross profit margins of above 20%. YAW is committed to utilise its expertise in the furniture industry to improve and add value to WHSB Group's products. The WHSB Group was acquired for its existing pressure treatment and kiln-drying, woodworking and furniture finishing facilities, which will provide the YAR Group with additional production capacity. Since taking over the operations of the WHSB Group, the management of YAW managed to upgrade the product range of the WHSB Group to include higher end dining and occasional furniture products.

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

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**(iii) Dependence on Key Personnel**

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and senior management. Key personnel with strong background in the production of furniture and carton boxes are valuable assets to the Group. The loss of any key members of the Board of Directors or senior management could affect the Group's continued ability to compete effectively in the furniture and packaging industries.

However, every effort is presently made to groom the junior and middle level executives to ensure continuity of the management team. The Group's future success will also depend upon its ability to attract and retain skilled personnel.

It is the Group's policy to provide continuous human resource development to mitigate its reliance on key personnel. In addition, YAW's ISO 9002 certifications illustrates that it has well-documented procedure and work processes that are used to facilitate training programs aimed at human resource development.

**(iv) Price and Supply of Raw Material**

Rubberwood and corrugated boards are the major raw material in the production of rubberwood furniture and carton boxes. As a result, any prolonged increase in rubberwood and corrugated board prices would affect YAR's bottomline. In its efforts to mitigate this risk the Group maintains good relationship and enjoys reliable and timely delivery of rubberwood and corrugated boards from its suppliers.

**(v) Competition**

The Group faces competition from various local and foreign companies involved in the furniture and packaging industries. No assurance is given that the Group will be able to maintain its existing market share in the future. In addition, the devaluation of the currencies of YAW's foreign competitors may increase their competitiveness. The Group is confident that it will be able to meet the competition posed by these competitors as it has a strong track record with its customers. The Group is also constantly striving to improve its standards, broaden its product range, implement cost control and productivity enhancing measures and to improve the quality of its products through research and development.

The Group also faces competition from potential new players in the furniture industry. However, the barriers to entry to the rubberwood furniture industry may deter potential entrants, such as the start-up costs of setting up facilities similar to those presently utilised by the Group conservatively estimated by the Directors of YAR to be approximately RM40 million, the necessary technical know-how in the production process as well as the establishment of good marketing network and channels.

**(vi) Foreign Exchange Fluctuations**

YAR is exposed to foreign exchange fluctuations through its exports and to a lesser extent, its imports. The risk of foreign exchange fluctuations has been limited since the introduction of selective capital control by the Government since September 1998 whereby the Ringgit has been pegged to the US Dollar at RM3.80 to USD1.

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

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**(vii) Development of new markets for its products**

YAR will continuously strive to develop new markets for its products. The aggressive marketing strategy has resulted in the Group's successful penetration into new markets such as Morocco, Finland, the Philippines, Chile and the United Arab Emirates. There is no assurance that YAR will be able to succeed in its future endeavours to develop new markets. However, the management of YAR will use its existing marketing approach which is proven to be successful in its efforts to penetrate new markets.

**(viii) Profit estimate and forecast**

This Prospectus contains profit estimate and forecast for the Group that are based on assumptions which are subject to uncertainties and contingencies. The Directors have considered the assumptions used in the preparation of the profit estimate and forecast to be reasonable. Because of the subjective judgements and inherent uncertainties of forecasts and as 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. Investors will be deemed to have read and understood the description of the assumptions and uncertainties underlying the profit estimate and forecast as contained herein.

**(ix) Control by substantial shareholders**

After the Public Issue and Offer For Sale, the Yeo family will effectively and collectively hold approximately 52.1% in YAR. With this equity structure, the aforementioned parties will be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders. Details of the shareholdings of the Directors and substantial shareholders are set out under Section 2.2 of this Prospectus.

**(x) Political, economic and regulatory conditions**

Adverse developments in political, economic and regulatory conditions in Malaysia and other countries where the Group may source its supplies or market its products could materially and adversely affect the financial prospects of the Group. Political and economic uncertainties include (but are not limited to) risks of war, expropriation, nationalisation, changes in interest rates and methods of taxation and currency exchange controls. Whilst the YAR Group will continue to take measures such as prudent financial management and efficient operating procedures, there can be no assurance that adverse developments in political, economic and regulatory conditions will not materially affect the YAR Group.

**(xi) Borrowings**

The YAR Group is not exposed to any foreign borrowings. As at 30 August 2002, the YAR Group's total domestic borrowings stood at approximately RM23.7 million. Out of the total borrowings of approximately RM23.7 million as at 30 August 2002, approximately RM15.1 million is amount owing to the creditors of WHSB Group pursuant to the Workout Proposal where the interest rate has been fixed at 5% per annum. As a result, in the event of an interest rate rise, the YAR Group would not be materially affected. Kindly refer to Section 12.2 of this Prospectus for more details.

**(xii) Dependence on particular customers and failure of on-going relationships**

For the financial year ended 31 July 2001, the YAR Group's largest customer purchased approximately RM13 million worth of goods from YAW representing approximately 13.4% of the Group's proforma consolidated sales for that year. Should the relationship for whatever reason fail to continue, the Group's profit will be materially affected. In mitigation, the Group constantly endeavours to market its products to new customers and markets. In addition, the Group has built strong relationships with its customers.

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

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**(xiii) Substitute products**

Rubberwood furniture faces competition from glass, metal, plastic and forest wood furniture. However, furniture manufactured from rubberwood is well-received as it is recognised to be an environmentally-friendly product. It also has a natural and traditional look, compared to furniture manufactured from other materials. In the near future, it is unlikely for wooden furniture to be replaced by furniture made from other materials as certain qualities of wood are unique and cannot be replaced or replicated by furniture manufactured from aluminium, glass, metal, plastic, rattan etc.

There is also the risk that the YAW Group's furniture could be substituted with other types of wooden furniture manufactured from forest woods, such as nyatoh, meranti and jati, to name a few. However, furniture made from forest woods are usually much more expensive. In addition, forest wood furniture are perceived to be environmentally unfriendly in some countries, since the extraction of forest wood for commercial purposes is seen as damaging to the environment.

In addition, there is also the risk of the YAW Group's furniture being substituted with fine furniture such as those from Italy, Spain and the United States of America, where fine craftsmanship in the making of furniture pieces from woods such as mahogany, beech, oak etc is a trademark of the fine furniture sector. However, taking into account that overseas consumer market chooses to purchase rubberwood furniture for its functionality and value-for-money characteristics, it is also not likely in the near future that rubberwood furniture would be replaced by the fine furniture range which is usually catered to the higher income earners and for a more exclusive and niche market.

**(xiv) Economic conditions and cycles**

YAR's furniture business is cyclical in nature as it is dependent on consumer demand and the commercial and residential property performance in both the domestic economy and the economy of the countries that import the Group's furniture products. Recession in a particularly large market such as the United States of America may materially impact the Group's bottomline. Currently, the YAR Group sells its products to 79 customers in 20 countries. As the Group's markets are fairly diversified, loss of sales to one market in recession might be offset by better sales in other markets that may be experiencing an economic boom.

**(xv) Seasonal sales**

The Group's products are subject to fluctuations in sales according to seasons i.e. certain months will see higher sales compared to others. The YAR Group generally experiences higher sales during the period from July to December. For the financial year ended 31 July 2001, the Group achieved an average monthly sales of RM8.2 million. The highest monthly sales achieved for the said year was only approximately 19.6% higher than the said average monthly sales.

**(xvi) Decrease in selling prices**

YAR is exposed to the risk of lower selling prices, where an unfavourable downward change in its selling prices could materially affect the Group's level of profits. However, in the event that customers dictate lower prices, the YAR Group has in the past worked with its customers to modify the furniture specifications, such as reducing material usage, to meet their requirements and maintain profitability levels.

## 5. INFORMATION ON THE YAR GROUP

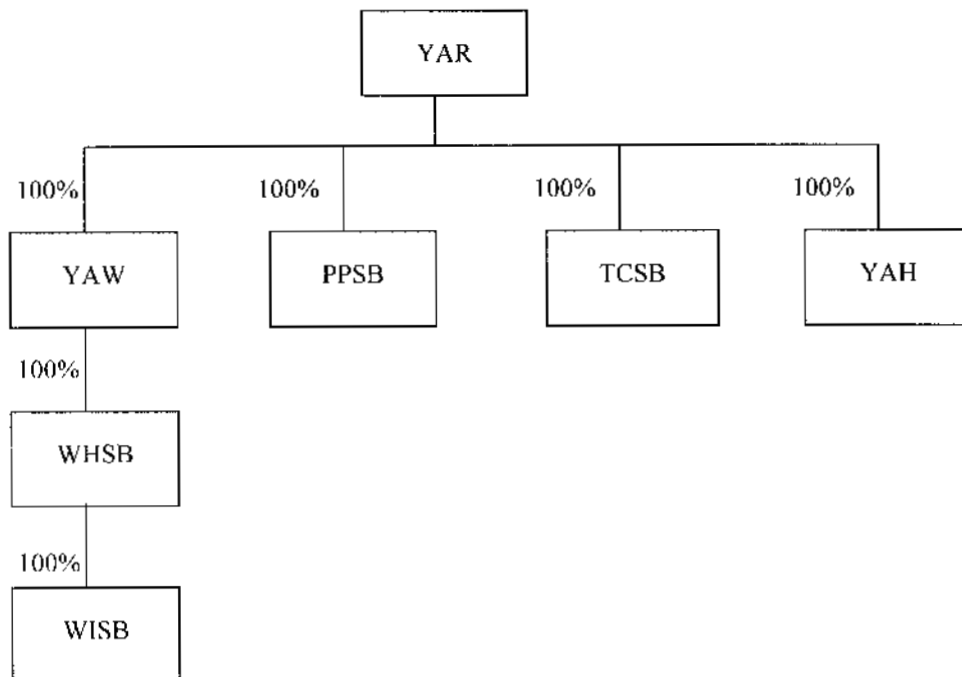
### 5.1 HISTORY AND BUSINESS

YAR was incorporated in Malaysia under the Companies Act, 1965 on 24 March 1998 as a public limited company under its present name. The Company presently has an authorised share capital of RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each of which 91,290,000 ordinary shares of RM0.50 each are issued and fully paid-up.

YAR is an investment holding company while the principal activities of its subsidiaries are as follows:

| Subsidiaries | Principal Activities                                    |
|--------------|---------------------------------------------------------|
| YAW          | Manufacturing and sale of furniture                     |
| WHSB         | Investment holding and provision of management services |
| WISB         | Manufacture and selling of rubberwood furniture         |
| YAH          | Pressure treatment and kiln-drying of rubberwood        |
| PPSB         | Conversion of corrugated boards into carton boxes       |
| TCSB         | Transportation and property letting                     |

The existing group structure of YAR is as follows:



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

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The history of the YAR Group began with the commencement of YAW's operations of manufacturing furniture components for local furniture manufacturers in a 8,000 sq. ft. factory at Air Tawar, Melaka in August 1992. A year later, YAW commenced production of complete dining sets in its newly constructed 10,000 sq. ft. finishing line factory at Parit Perawas for sale in the domestic market. In 1993 and 1994, capitalising on the much larger overseas market, YAW exported its products to Japan and Holland respectively. YAW progressively exported its range of products to the United States of America in the same year, and subsequently to Australia, United Kingdom and Finland. In order to cope with rising demand for its products, YAW expanded its finishing facility in 1995 and in 1996, it further expanded its wood working facility.

The commitment of Yeo Eck Liong and his brothers, Yeo Aik Tan, Yeo Ayk Ke and Yeo Yek Meng and his partner, Chia Lai Joo, saw YAW grow from its humble turnover of approximately RM98,000 in 1993 to a company which achieved a turnover of over RM50 million in the financial year ended 31 July 2001. In the year 2000, in its plan to expand and achieve synergistic benefits for its manufacturing operations, YAW entered into an agreement to acquire the WHSB Group, which were then under Special Administrators appointed by Danaharta.

**Rationale behind the acquisition of the WHSB Group**

Prior to the acquisition of the WHSB Group, YAW's factory was unable to cope with the increasing demand for its range of furniture products. As a result, YAW had to purchase furniture parts from other furniture manufacturers to cope with the demand.

On 16 May 2000, YAW entered into the Investment Agreement to acquire the existing issued and paid-up share capital of a financially troubled group, namely the WHSB Group which were then under Special Administrators appointed by Danaharta for a purchase consideration of RM10 and to advance RM23 million in the form of subordinated shareholders' advances into the WHSB Group for the repayment of secured creditors.

YAW's investment of RM23 million in the form of subordinated shareholders' advances shall be payable as follows:

- (a) RM1 million cash upon signing of the Investment Agreement;
- (b) RM5 million cash within seven (7) days from the implementation date (i.e. a date to be determined by Special Administrators at their sole discretion, being a date after fulfillment of the conditions precedent as set out in the Workout Proposal) or 90 days after signing of the Investment Agreement, whichever is later; and
- (c) RM17 million cash by way of sixty (60) equal monthly instalments with interest at 5% per annum on the outstanding balance on a monthly rest calculated on a daily basis. This works out to be RM320,811 per month. The first monthly instalment shall commence one month after the date of the initial repayment of RM6 million and subsequent payments shall be on the same date of each month thereafter.

As at 30 August 2002, YAW has paid the amounts stated under (a) and (b) above and has paid twelve (12) monthly installments under (c) above.

The Workout Proposal was approved by the secured creditors on 4 August 2000, the FIC on 12 March 2001 and the MITI on 28 April 2001. The Special Administrators declared 19 June 2001 as the implementation date for the Workout Proposal, being a date declared after fulfillment of the conditions precedent set out in the Workout Proposal. The acquisition of the WHSB Group was completed on 28 September 2001. The Special Administrators were discharged from all duties and liabilities on 8 November 2001.

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

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WHSB is an investment holding company while WISB, a wholly-owned subsidiary of WHSB is principally involved in the manufacturing and selling of rubberwood furniture. WISB owns three (3) factories that have the facility to produce laminated wooden boards, table tops, turning legs for chairs, tables and occasional furniture items. In addition, WISB has twelve (12) kiln-drying chambers for the pressure treatment and kiln-drying of rough sawn rubberwood.

WISB borrowed heavily to fund its expansion plans during the period from 1996 to 1999. Moreover, WISB utilised short-term borrowings to finance its investment in fixed assets. WISB's high level of short-term borrowings coupled with high interest rates in end-1997 and 1998 placed tremendous pressure on WISB's ability to service interest. In addition, in the year 1998, WISB suffered a RM3 million loss as a result of termination of foreign exchange forward contracts undertaken by WISB. These factors, among others, played a major role in the deterioration of the financial position of the WHSB Group.

YAW's rationale behind the acquisition of the WHSB Group is to acquire the WHSB Group's existing pressure treatment and kiln-drying, woodworking and furniture finishing facilities and to gain access to the WHSB Group's customers especially those in the United Kingdom. The management of YAW viewed the acquisition of the WHSB Group as a faster and cheaper alternative to constructing its own manufacturing facilities.

**Plans to turn around the WHSB Group and achievements to date**

Upon taking over the operations of the WHSB Group in the year 2000, the management of YAW immediately strengthened the production capability of WISB by upgrading WISB's machines, restructure the production floor layout and improve work flow processes. In addition, YAW injected fresh working capital into WISB to enable WISB to obtain raw materials and machine parts.

Since 2000, YAW managed to achieve the following synergistic benefits:

- (i) WISB provided the additional manufacturing capacity that YAW required to meet the increasing demand for its products. WISB currently manufactures table tops, turning legs for chairs and tables and occasional items such as telephone table, planter stand, nesting table, magazine rack, corner table, side table, crescent side table, coffee table, end table and console table for YAW;
- (ii) YAW successfully sold some of its products such as contemporary dining sets and chairs to WISB's customers. WISB also sold some of its products namely occasional items and farm house dining sets to YAW's customers;
- (iii) YAW managed to penetrate into the United Kingdom market, a market which WISB has established a presence. Prior to the acquisition of the WHSB Group, YAW's sales to Europe (including the United Kingdom) stood at RM1.0 million for the financial year ended 31 July 1999. Subsequent to the acquisition of the WHSB Group, YAW's sales to the United Kingdom alone stood at RM1.4 million for the nine (9) months ended 30 April 2002; and
- (iv) YAW's demand for WISB's products has indirectly reduced WISB's cost per unit as a result of economies of scale. WISB swung from a gross loss margin of 1.9% in the financial year ended 31 December 2000 to a gross profit margin of 12.5% for the nine (9) months to 30 April 2002 as a result of amongst others, the economics of scale mentioned above.



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

In addition to the above synergistic benefits, YAW managed to upgrade the product range of the WHSB Group to include higher end dining and occasional furniture products. One example is the famous "Louise Philip" formal dining set with occasional items. WISB's success in manufacturing high quality formal dining sets has slowly enhanced WISB's reputation as a quality formal dining set manufacturer. On the financial front, WISB returned to the black with a profit after tax of approximately RM1.2 million on a turnover of RM25 million for the nine (9) months ended 30 April 2002.

### 5.2 Restructuring And Listing Scheme

The FIC, vide their letters dated 20 December 2000 and 10 September 2001, the MITI vide their letters dated 13 February 2001 and 20 September 2001, and the SC vide their letters dated 30 April 2002 and 23 August 2002 approved the restructuring and flotation exercise leading to the listing of and quotation for the entire enlarged issued and paid-up share capital of YAR on the Second Board of the KLSE which comprise the following:

#### 5.2.1 Acquisition of YAW

On 16 July 2002, YAR entered into a conditional Sale and Purchase Agreement with the shareholders of YAW for the acquisition of 1,000,000 ordinary shares of RM1.00 each in YAW, representing the entire issued and paid-up share capital of YAW for a purchase consideration of RM36,717,885, which was satisfied by the issuance of 32,793,718 new ordinary shares of RM1.00 each in YAR at an issue price of approximately RM1.12 per share to the following vendors:

| Vendors         | Shareholding in YAW |               | No. of new YAR shares issued |
|-----------------|---------------------|---------------|------------------------------|
|                 | No. of shares       | %             |                              |
| Yeo Eck Liong   | 359,000             | 35.90         | <sup>1</sup> 708,893         |
| Yeo Yck Meng    | 170,000             | 17.00         | <sup>2</sup> 2,182,837       |
| Yeo Aik Tan     | 170,000             | 17.00         | <sup>3</sup> 2,182,837       |
| Yeo Ayk Ke      | 174,325             | 17.43         | <sup>4</sup> 2,324,671       |
| Lim Poh Teot    | 55,675              | 5.57          | 1,825,790                    |
| Chia Lai Joo    | 52,500              | 5.25          | 1,721,670                    |
| Tee Kim Yam     | 18,500              | 1.85          | 606,684                      |
| Central Glamour | -                   | -             | 21,240,336                   |
|                 | <u>1,000,000</u>    | <u>100.00</u> | <u>32,793,718</u>            |

*Notes:*

- 1 11,064,052 YAR Shares shall be issued in favour of Central Glamour*
- 2 3,392,095 YAR Shares shall be issued in favour of Central Glamour*
- 3 3,392,095 YAR Shares shall be issued in favour of Central Glamour*
- 4 3,392,094 YAR Shares shall be issued in favour of Central Glamour*

The purchase consideration of RM36,717,885 was arrived at on a willing buyer-willing seller basis after taking into consideration the proforma consolidated NTA of YAW of RM36,717,885 as at 31 July 2000 derived from the audited NTA of YAW as at 31 July 2000 of RM22,796,937 and the adjusted audited consolidated NTA of WHSB Group of RM13,920,948 as at 31 July 2000.

## 5. INFORMATION ON THE YAR GROUP (Cont'd)

### 5.2.2 Acquisition of PPSB

On 16 July 2002, YAR entered into a conditional Sale and Purchase Agreement with the shareholders of PPSB for the acquisition of 2,235,000 ordinary shares of RM1.00 each in PPSB, representing the entire issued and paid-up share capital of PPSB for a purchase consideration of RM10,002,541, which was satisfied by the issuance of 8,933,535 new ordinary shares of RM1.00 each in YAR at an issue price of approximately RM1.12 per share to the following vendors:

| Vendors       | Shareholding in PPSB |               | No. of new YAR shares issued |
|---------------|----------------------|---------------|------------------------------|
|               | No. of shares        | %             |                              |
| Yeo Eck Liong | 558,750              | 25.00         | 2,233,384                    |
| Yeo Yek Meng  | 558,750              | 25.00         | 2,233,384                    |
| Yeo Aik Tan   | 558,750              | 25.00         | 2,233,384                    |
| Yeo Ayk Ke    | 558,750              | 25.00         | 2,233,383                    |
|               | <u>2,235,000</u>     | <u>100.00</u> | <u>8,933,535</u>             |

The purchase consideration of RM10,002,541 was arrived at on a willing buyer-willing seller basis after taking into account the audited NTA of PPSB of RM10,002,541 as at 31 July 2000.

### 5.2.3 Acquisition of TCSB

On 16 July 2002, YAR entered into a conditional Sale and Purchase Agreement with the shareholders of TCSB for the acquisition of 800,000 ordinary shares of RM1.00 each in TCSB, representing the entire issued and paid-up share capital of TCSB for a purchase consideration of RM3,274,635, which was satisfied by the issuance of 2,924,664 new ordinary shares of RM1.00 each in YAR at an issue price of approximately RM1.12 per share to the following vendors:

| Vendors         | Shareholding in TCSB |               | No. of new YAR shares issued |
|-----------------|----------------------|---------------|------------------------------|
|                 | No. of shares        | %             |                              |
| Yeo Eck Liong   | 235,500              | 29.43         | 1 <sub>-</sub>               |
| Yeo Yek Meng    | 161,700              | 20.21         | 2 <sub>-</sub>               |
| Yeo Aik Tan     | 161,700              | 20.21         | 2 <sub>-</sub>               |
| Yeo Ayk Ke      | 161,700              | 20.21         | 2 <sub>-</sub>               |
| Yeo Sew Kee     | 7,900                | 0.99          | 3 <sub>-</sub>               |
| Yeo Siu Poh     | 7,900                | 0.99          | 3 <sub>-</sub>               |
| Yeo Sew Kim     | 7,900                | 0.99          | 3 <sub>-</sub>               |
| Yeo Siw Chu     | 7,900                | 0.99          | 3 <sub>-</sub>               |
| Yeo Siw Wah     | 16,000               | 2.00          | 4 <sub>-</sub>               |
| Yeo Siw Lay     | 7,900                | 0.99          | 3 <sub>-</sub>               |
| Yeo Siw Nee     | 23,900               | 2.99          | 5 <sub>-</sub>               |
| Central Glamour | -                    | -             | 2,924,664                    |
|                 | <u>800,000</u>       | <u>100.00</u> | <u>2,924,664</u>             |

*Notes:*

1. 860,948 YAR Shares shall be issued in favour of Central Glamour
2. 591,148 YAR Shares shall be issued in favour of Central Glamour
3. 28,881 YAR Shares shall be issued in favour of Central Glamour
4. 58,493 YAR Shares shall be issued in favour of Central Glamour
5. 87,374 YAR Shares shall be issued in favour of Central Glamour

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

The purchase consideration of RM3,274,635 was arrived at on a willing buyer-willing seller basis after taking into account the audited NTA of TCSB of RM3,274,635 as at 31 July 2000.

### 5.2.4 Acquisition of YAH

On 16 July 2002, YAR entered into a conditional Sale and Purchase Agreement with the shareholders of YAH for the acquisition of 1,000,000 ordinary shares of RM1.00 each in YAH, representing the entire issued and paid-up share capital of YAH for a purchase consideration of RM1,111,915, which was satisfied by the issuance of 993,081 new ordinary shares of RM1.00 each in YAR at an issue price of approximately RM1.12 per share to the following vendors:

| Vendors       | Shareholding in YAH |               | No. of new YAR shares issued |
|---------------|---------------------|---------------|------------------------------|
|               | No. of shares       | %             |                              |
| Yeo Eck Liong | 334,000             | 33.40         | 331,690                      |
| Yeo Yek Meng  | 200,000             | 20.00         | 198,616                      |
| Yeo Aik Tan   | 200,000             | 20.00         | 198,616                      |
| Yeo Ayk Ke    | 200,000             | 20.00         | 198,616                      |
| Chia Lai Joo  | 66,000              | 6.60          | 65,543                       |
|               | <u>1,000,000</u>    | <u>100.00</u> | <u>993,081</u>               |

The purchase consideration of RM1,111,915 was arrived at on a willing buyer-willing seller basis after taking into account the audited NTA of YAH of RM1,111,915 as at 31 July 2000.

### 5.2.5 Disposal of subscriber shares

The disposal of two (2) subscribers' shares by the existing shareholders of YAR namely Goh Sung Huat and Song Guan Chow to Yeo Eck Liong for a cash consideration of RM2.

### 5.2.6 Subdivision

After the disposal and Acquisitions, the Company subdivided the par value of its shares from a par value of RM1.00 per share to RM0.50 per share.

Upon completion of the subdivision, the issued and paid-up share capital of the Company increased from 45,645,000 ordinary shares of RM1.00 each to 91,290,000 ordinary shares of RM0.50 each.

### 5.2.7 Special Dividend

Payment of special dividend amounting to RM3,859,600 by YAW, RM4,086,751 by PPSB, RM1,214,950 by TCSB and RM646,216 by YAH to the existing shareholders of YAW, PPSB, TCSB and YAH prior to the Acquisitions.

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

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**5.2.8 Public Issue and Offer For Sale**

The Public Issue of 16,110,000 Public Issue Shares and Offer For Sale of 31,120,000 Offer Shares respectively at an Issue/Offer Price of RM0.65 per YAR Share, are payable in full upon application and subject to the terms and conditions as set out in this Prospectus.

The Public Issue and Offer For Sale shall be allocated in the following manner:

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

26,950,000 Offer Shares and 5,270,000 Public Issue Shares representing 30% of the enlarged issued and paid-up share capital of YAR have been reserved for Bumiputera investors approved by MITI;

**(ii) Allocation via private placement**

4,170,000 Offer Shares will be placed out to identified investors;

**(iii) Pink Form Allocations to Eligible Directors, Employees, Suppliers and Customers of the YAR Group**

5,370,000 Public Issue Shares have been reserved for eligible Directors, employees, suppliers and customers of the YAR Group; and

**(iv) Allocation Via Balloting to the Malaysian Public**

5,470,000 Public Issue Shares have been reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which, at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

All new YAR Shares issued pursuant to the Public Issue shall, upon allotment and issue, rank *pari passu* in all respects with the existing YAR Shares except that they shall not be entitled to any dividend, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the said shares.

**5.2.9 Listing**

Listing of and quotation for the entire enlarged issued and paid-up share capital of YAR of RM53,700,000 comprising 107,400,000 YAR Shares on the Second Board of the KLSE will be sought.

**5.3 Share Capital****(a) Authorised Share Capital**

The present authorised share capital of YAR is RM100,000,000 comprising 200,000,000 YAR Shares.

**(b) Issued and Paid-up Share Capital**

The present issued and paid-up capital of the Company is RM45,645,000 comprising 91,290,000 YAR Shares.

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

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

| Date of allotment | No. of ordinary shares | Par Value (RM) | Consideration                                                                  | Cumulative issued and paid-up capital | Total RM   |
|-------------------|------------------------|----------------|--------------------------------------------------------------------------------|---------------------------------------|------------|
| 24.03.98          | 2                      | 1.00           | Cash                                                                           | 2                                     | 2          |
| 18.07.02          | 45,644,998             | 1.00           | Issued as consideration for the Acquisitions at approximately RM1.12 per Share | 45,645,000                            | 45,645,000 |
| 19.07.02          | 91,290,000             | 0.50           | Subdivision of shares                                                          | 91,290,000                            | 45,645,000 |

### 5.4 Business Overview

The YAR Group's current principal business operations are as follows:

|      |                                                         |
|------|---------------------------------------------------------|
| YAW  | Manufacturing and sale of furniture                     |
| WHSB | Investment holding and provision of management services |
| WISB | Manufacture and selling of rubberwood furniture         |
| YAH  | Pressure treatment and kiln-drying of rubberwood        |
| PPSB | Conversion of corrugated boards into carton boxes       |
| TCSB | Transportation and property letting                     |

#### 5.4.1 Products & Services Offered by the Group

The YAR Group is principally involved in the manufacturing and sale of a broad range of rubberwood furniture which can be classified into four (4) main categories namely dining, buffet and hutch, living room and occasional. The YAR Group is also involved in pressure treatment and kiln drying services for rough sawn rubberwood, packaging and transportation services which complement the core business of the YAR Group in the manufacture and sale of rubberwood furniture.

The YAW Group which is principally involved in the manufacture and sale of rubberwood is the core company within the YAR Group. YAH provides pressure treatment and kiln drying services for rough sawn rubberwood. The "treated" rubberwood is used by rubberwood manufacturers including the YAW Group as a raw material in the rubberwood furniture manufacturing process. PPSB converts carton boxes of various sizes out of corrugated boards purchased from other corrugated board manufacturers for its customers which include the YAW Group. TCSB is principally involved in the provision of transportation services and it provides transportation services for the YAW Group's furniture products and PPSB's carton boxes. TCSB is also involved in the rental of property to YAW and PPSB.

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

For the financial year ended 31 July 2001, the YAR Group achieved a proforma turnover and profit before tax of RM98.6 million and RM14.1 million respectively. A breakdown of the YAR Group's turnover and profit before tax according to segment is as follows:

| Segment                                          | Turnover      |              | Profit before tax |              |
|--------------------------------------------------|---------------|--------------|-------------------|--------------|
|                                                  | RM'000        | %            | RM'000            | %            |
| Manufacturing and sale of furniture              | 68,147        | 69.1         | 10,281            | 73.1         |
| Converting of corrugated boards to cartons       | 23,913        | 24.3         | 3,196             | 22.7         |
| Pressure treatment and kiln-drying of rubberwood | 6,222         | 6.3          | 601               | 4.3          |
| Others                                           | 323           | 0.3          | (14)              | (0.1)        |
| <b>Total</b>                                     | <b>98,605</b> | <b>100.0</b> | <b>14,064</b>     | <b>100.0</b> |

### 5.4.1.1 Manufacturing and Sale of Furniture

The manufacturing and sale of furniture segment of the Group is undertaken by the YAW Group. For the financial year ended 31 July 2001, this segment contributed 69.1% and 73.1% of the YAR Group's proforma turnover and profit before tax respectively. For the financial year ended 31 July 2001, export sales contributed RM66.1 million of the turnover of RM68.1 million achieved by the Group's manufacturing and sale of furniture segment.

The furniture produced by the YAW Group is sold to furniture wholesalers, importers and retailers locally and abroad. The YAW Group currently manufactures a wide range of rubberwood furniture products which can be broadly categorised into four (4) categories namely dining, buffet and hutch, living room and occasional.

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

The products in these four (4) categories include the following:

- |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dining           | <ul style="list-style-type: none"> <li>• Contemporary dining tables and chairs</li> <li>• Colonial dining tables and chairs</li> <li>• Farm house dining tables and chairs</li> <li>• Country classic dining tables and chairs</li> <li>• Japanese chairs</li> <li>• Nostalgia sets</li> <li>• Breakfast sets</li> <li>• Butterfly extendable dining table</li> <li>• Drop-leaf dining tables</li> <li>• Tile-top dining tables</li> <li>• Pub tables</li> <li>• Bar stools</li> </ul> |
| Buffet and Hutch | <ul style="list-style-type: none"> <li>• Curios</li> <li>• Servers</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                          |
| Living room      | <ul style="list-style-type: none"> <li>• Book racks</li> <li>• Futons</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                       |
| Occasional       | <ul style="list-style-type: none"> <li>• Coffee tables</li> <li>• Crescent side tables</li> <li>• Side tables</li> <li>• End tables</li> <li>• Telephone tables</li> <li>• Magazine racks</li> <li>• Console tables</li> <li>• Corner tables</li> <li>• Nesting tables</li> <li>• Computer tables</li> <li>• Writing tables</li> <li>• Planter stands</li> </ul>                                                                                                                       |

The YAW Group's dining range are manufactured to be functional, flexible and practical and it comprises several styles of dining tables and chairs, including contemporary, farm house, colonial, country classic, japanese, nostalgia and breakfast styles.

The YAW Group's dining tables come in several types, shapes and function, such as the extendable or butterfly table, drop-leaf tables, fix-top tables, and tile-top tables. The YAW Group's dining furniture products, whether for formal or casual dining, are typically sold in sets, i.e. dining sets and breakfast sets. A dining set would consist of a dining table with four (4), six (6), eight (8) or ten (10) chairs, depending on the size and versatility (whether extendable or not) of the dining table. A breakfast set consists of a smaller dining table with four (4) chairs designed for casual use.

The YAW Group's other furniture products such as the "Japanese Chair" and the futon are sold individually. The 'Japanese' chair is manufactured specifically for the Japanese export market, where its seat height is shorter, as specified by the YAW Group's Japanese customers. The futon is a wooden sofa which, when pulled down, can be used as a bed.

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

The YAW Group also manufactures occasional furniture items such as computer tables, telephone tables, magazine racks, nesting tables, corner tables, crescent side tables, and coffee tables.

A choice a natural rubberwood, oak, beech, mahogany, pine, walnut, white, green, cherry and maple finish in the furniture products can be selected by the customers of the YAW Group.

### 5.4.1.2 Converting of Corrugated Boards to Cartons

The converting of corrugated board to cartons segment of the Group is undertaken by PPSB. For the financial year ended 31 July 2001, this segment contributed 24.3% and 22.7% of the YAW Group's proforma turnover and profit before tax respectively.

PPSB manufactures carton boxes of various sizes out of corrugated boards purchased from other corrugated board manufacturers. PPSB specialises in manufacturing large-sized carton boxes for the local furniture industry. The furniture industry requires large-sized carton boxes as furniture is mainly distributed in ready-to-assemble form or knocked-down. Thus, the carton boxes required are either flat-packed or packed-to-size. In this respect, PPSB has invested in the necessary specialised machinery to manufacture cartons of such large sizes to supply to the local furniture industry. PPSB also undertakes printing on the cartons for its customers including the YAW Group, such as printing of customers' names, logos, illustrations and assembly instructions.

### 5.4.1.3 Pressure treatment and kiln-drying of rubberwood

The pressure treatment and kiln-drying of rubberwood segment of the Group is undertaken by YAH and WISB, a wholly-owned subsidiary of YAW. For the financial year ended 31 July 2001, this segment contributed 6.3% and 4.3% of the YAW Group's proforma turnover and profit before tax respectively.

Pressure treatment and kiln drying of rough sawn rubberwood are essential upstream manufacturing processes which precede the manufacturing of furniture and furniture components.

### 5.4.1.4 Others

The "Others" segment include transportation services and the rental of properties undertaken by TCSB. TCSB provides transportation services for the YAW Group's furniture products and PPSB's carton boxes. TCSB is also involved in the rental of property to YAW and PPSB.

## 5.4.2 Principal markets for products

The principal markets for the manufacturing and sale of furniture segment of the YAW Group span six (6) continents around the world while the other segments of the YAW Group have Malaysia as their principal market.

### 5.4.2.1 Manufacturing and sale of furniture

As set out under Section 5.4.1.1, approximately 97% of the turnover generated by the manufacturing and sale of furniture segment is exported to 79 customers in 20 countries around the world. The major export markets for the YAW Group are the United States of America, Japan, countries in Europe especially the United Kingdom, United Arab Emirates, Taiwan and Australia which collectively contributed RM60.2 million or 91% of total exports for the financial year ended 31 July 2001.



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

The YAW Group has 79 customers spanning 20 countries in 6 continents. An analysis of the number of customers in each country that the Group exports to is as follows:

| Country                                 | Number of customers |
|-----------------------------------------|---------------------|
| <b>North America</b>                    | <b>25</b>           |
| United States of America                | 23                  |
| Canada                                  | 2                   |
| <b>Asia</b>                             | <b>29</b>           |
| Japan                                   | 13                  |
| Taiwan R.O.C.                           | 7                   |
| Hong Kong Special Administrative Region | 1                   |
| South Korea                             | 4                   |
| United Arab Emirates                    | 1                   |
| Philippines                             | 2                   |
| Singapore                               | 1                   |
| <b>Europe</b>                           | <b>16</b>           |
| England                                 | 10                  |
| Finland                                 | 2                   |
| Republic of Ireland                     | 1                   |
| Czech Republic                          | 1                   |
| Switzerland                             | 1                   |
| France                                  | 1                   |
| <b>Oceania</b>                          | <b>6</b>            |
| Australia                               | 5                   |
| New Zealand                             | 1                   |
| <b>Africa</b>                           | <b>1</b>            |
| Morocco                                 | 1                   |
| <b>South America</b>                    | <b>2</b>            |
| Chile                                   | 1                   |
| Mexico                                  | 1                   |
| <b>Total</b>                            | <b>79</b>           |

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

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The YAW Group's customers include furniture wholesalers, retailers and importers. The YAW Group has been consistently developing new markets for its products. For the years 2002 and 2003, the YAW Group targets to export to countries such as India, South Africa, China, Germany and Russia.

The demand for the YAW Group's furniture is mainly from the wide middle income consumer market. Typically, the middle income earners demand high quality products that are value for money and practical.

**5.4.2.2 Converting of corrugated boards to cartons**

PPSB's principal customers are manufacturers of furniture, where it has successfully created a niche market for its carton boxes over the years. In total, PPSB has been supplying carton boxes to the furniture industry in Malaysia for the past seventeen (17) years, when it started out as a partnership under the name of Pioneer Packing Industries. The company's strong relationship with the players in the furniture industry has enabled the company to participate in the growth of the local furniture industry over the years. The Directors of YAR are of the view that PPSB is currently one of the largest suppliers of carton boxes to the local furniture industry.

**5.4.2.3 Pressure treatment and kiln-drying of rubberwood**

YAH's and WISB's pressure treatment and kiln-drying facilities mainly cater for YAW Group's consumption. The excess products are sold to other local rubberwood furniture manufacturer. For the financial year ended 31 July 2001, sales to the YAW Group contributed approximately 61% of YAH's total sales.

**5.4.3 Types, sources and availability of raw materials**

The major raw material used in the manufacturing of the YAW Group's furniture products is rubberwood. Other raw materials used include plywood, finishing materials, fabrics, cushion sponge, medium density fibreboards (MDFs), chipboards, veneer and particle boards.

The YAW Group sources rubberwood from two (2) sources:

- (i) treated rubberwood from YAH and WISB; and
- (ii) rough sawn rubberwood from local suppliers.

The major raw material used by YAH and WISB's treatment and kiln-drying of rubberwood operations is rough sawn rubberwood which are generally sourced from local suppliers. To ensure that sufficient supply of rough sawn rubberwood for its production requirements and to broaden its rubberwood supply base, YAH also submits tenders for the extraction of rubberwood from rubberwood plantations. YAH has entered into an agreement with Felda Plantations Sdn Bhd for woodcutting of rubberwood trees at a rubberwood plantation in Lanchang, Pahang measuring 376.51 hectares. This plantation is expected to produce 4,500 metric tonnes of rubberwood to the YAR Group.

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

The raw material for PPSB's operations of converting of corrugated boards to carton boxes is corrugated boards. The corrugated boards are sourced locally from other corrugated board manufacturers such as Harta Packaging Industries Sdn Bhd which has been supplying the corrugated boards to PPSB for over a decade. PPSB's consistently large orders of corrugated boards and timely payment have enabled PPSB to establish good relationships with its suppliers.

The YAR Group has not encountered any major problems in sourcing for the kind of raw materials set out above throughout the years the Group has been in operations.

### 5.4.4 Quality control procedures

The YAR Group constantly seeks to manufacture high quality products to satisfy the demands of its customers through emphasising quality control in its entire manufacturing process. YAW was awarded BS EN ISO 9002 (1994) Certificate of Registration for the manufacture of rubberwood furniture on 12 August 2000 by AOQC Moody (Malaysia) Sdn Bhd and ISO9002 Yr 1994 Certificate of Registration on 25 August 2000 by Moody International Certification Ltd. Kindly refer to Section 5.4.7 for more details on these two certification. In general, the YAR Group's quality control initiatives are focused on the following categories:

#### (i) Quality control inspection on incoming materials

In order to prevent sub-standard materials from entering the production process which would cause delay in production time and resource wastage, a quality control inspection will be undertaken by the Group's Quality Assurance personnel on wet untreated sawn timber, white parts manufactured by subcontractors and corrugated boards.

#### (ii) Quality control inspection during production

A quality control inspection will be undertaken by the Group's Quality Assurance personnel at the Group's production facilities and at the subcontractors' premises to enable prompt implementation of corrective measures and high quality finishing.

#### (iii) Quality control inspection during assembly and packaging

The Group's Quality Assurance personnel will, by way of sampling, assemble furniture parts into end products before they are packaged in order to confirm that these end products meet customers' requirement. After sampling and the end products are confirmed acceptable by the Quality Assurance personnel, he/she will check the final packaging method to ensure that the end products will not be damaged during transit.

### 5.4.5 Research and development ("R&D")

The R&D of the YAR Group mainly pertains to the manufacturing of rubberwood furniture. The YAR Group adopts the policy of utilising R&D to satisfy the requirements of its clients and to conduct surveys into new or developing market trends in the furniture market.

Currently, YAW and WISB have ten (10) and six (6) people respectively in their R&D teams. YAW and WISB have their respective R&D teams as they manufacture different furniture products and serve different markets. The facilities employed by the Group's R&D teams include Autodesk Mechanical Autocad system, Computer Numerically Controlled Routers and Copy Shaper, drilling and boring machine for sample making and finishing booth for finishing.

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

Currently, the areas of R&D which the YAR Group are undertaking include:

- creating new designs and product development;
- producing high quality products; and
- improving existing manufacturing processes.

The furniture products manufactured by YAW Group are either based on customers' designs and specifications, or from designs and specifications provided by YAW. YAW constantly explores avenues to improve the quality of its products and productivity through R&D. Any design required by a customer would be meticulously studied and researched, following which several production processes are developed. Once the most efficient production process is developed, it is passed on to the sample laboratory or the prototype-making studio for the development of a prototype. For effective production scheduling, YAW recognises the importance of timing and as such, production period and timing is established at the prototype stage.

YAW's R&D activities have allowed it to achieve gross margins above 20% in the market which is increasingly competitive. Some of the achievements registered by its R&D activities include reduction in production lead times and the manufacture of high quality products at minimal costs.

YAW believes that emphasis on R&D is important in its efforts to stay ahead of competition and that its R&D team is the nucleus for its new designs. The R&D team conducts research and surveys into new or developing market trends through, inter alia, attending various furniture fairs and exhibitions throughout the world. YAW has also previously sent its personnel to undertake on-the-job training with one of its customers in Japan in an effort to determine the level of quality required by that particular customer and customers in Japan generally. The Company's ability to produce designs and samples are frequently called upon especially when buyers request for samples without providing any designs or specifications. The designing capability of the R&D team has also allowed it to design furniture featured in YAW's catalogues and brochures for existing and potential customers. This R&D capability has won and continue to win new orders from existing and new customers.

Apart from the current R&D activities that are set out above, the YAR Group does not presently have plans for any proposed future R&D.

### 5.4.6 Information on interruptions in the business which may have had a significant effect on the operations of the Group for the past 12 months

There has been no interruptions in the business of the Group for the past 12 months which may have had a significant effect on the operations of the Group.

### 5.4.7 Key achievements/milestones/awards to the Group

YAW successfully obtained a license from the California State Bureau of Home Furnishing and Thermal Insulation in the United States of America on 9 June 1997. With the possession of this licence, YAW is permitted to export its furniture to the State of California.

YAW was awarded BS EN ISO 9002 (1994) Certificate of Registration for the manufacture of rubberwood furniture on 12 August 2000 by AOQC Moody (Malaysia) Sdn Bhd and ISO9002 Yr 1994 Certificate of Registration on 25 August 2000 by Moody International Certification Ltd. Moody International Certification Ltd and AOQC Moody (Malaysia) Sdn Bhd are organisations providing assessment and certification/registration services of Quality Management Systems to, inter alia, ISO 9000 and ISO 14000 Quality Standards. Certification by these bodies gives confidence to the customers of the YAR Group in its ability to provide products and services on time and according to specification.

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

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**5.4.8 Modes of marketing/distribution/sales**

The YAW Group's customers are furniture wholesalers, retailers and importers. The YAW Group has a sales team of eight (8) people. The main marketing channel used by the YAW Group is through international and domestic trade fairs and exhibitions. The sales team would set up booths in international and domestic trade fairs and exhibitions to showcase the YAW Group's products and to establish contacts with potential customers. In the year 2002, the YAW Group exhibited its products at the Cologne International Furniture Fair, Germany, Malaysia International Furniture Fair and Malaysia Furniture Export Exhibition, and its sales personnel visited the Birmingham International Furniture Show, United Kingdom and the High Point International Furniture Market, United States of America. These visits have been crucial for the sales personnel to meet existing and new customers and to study the latest market trends in furniture designs.

The potential customers may provide a concept that they desire or an idea of their requirement without visual specifications or may specify the design, quality and price. In the case of the former, the R&D team would then produce a design that matches the potential customers' concepts and ideas. The YAW Group has been able to secure a number of orders through these trade fairs and exhibitions and they remain one of the YAW Group's main marketing strategies.

The international trade fairs and exhibitions that the YAW Group has exhibited and/or attended include:

- Malaysia International Furniture Fair
- Malaysia Furniture Export Exhibition
- Cologne International Furniture Fair, Germany
- Paris Furniture Exhibition, France
- San Francisco Design & Furnishing Show, United States of America
- The Furniture Show, Birmingham, United Kingdom
- High Point International Furniture Market, North Carolina, United States of America
- International Furniture Fair, Tokyo, Japan
- Mobel Ordermesse Westfalia Furniture Trade Exhibition, Salzuflen, Germany
- Middle East International Furniture and Interior Design Exhibition, Dubai, United Arab Emirates
- China International Furniture Fair, Guangzhou, China

The YAW Group distributes its products directly to its customers. The YAW Group's customers either place their orders for furniture products directly with the YAW Group or through their agents. Upon completion of the orders, the YAW Group would ship the furniture direct to the customers' address overseas, including orders placed via agents. As such, the YAW Group has a direct relationship with its customers. Distribution to the end-consumer market is undertaken by the YAW Group's customers who have established their own distribution channels. Such channels include chain stores, retail shops or department stores and these furniture products are generally sold under the chain stores' or retailers' brandname. The furniture could also be sold through mail-order catalogues under the customers' brandname.

The YAW Group also markets its product via the internet. The YAW Group's website can be accessed via <http://www.yeoaik.com>.

The YAW Group's furniture products are shipped directly to its customers on free-on-board ("FOB") terms. Sale on FOB terms eliminates the logistics risk for the YAW Group as the YAW Group is considered to have delivered its goods to the customer when the goods are boarded.

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

PPSB utilises TCSB's transportation services to deliver their carton boxes to its customers. PPSB undertakes direct marketing for its products, and also attracts new business through recommendations from existing customers. PPSB has long been associated with the local furniture industry, where PPSB took over the business of Pioneer Packing Industries and therefore, PPSB is one of the early players in Muar in the provision of jumbo-size carton boxes for furniture flat-packed for exports.

### 5.4.9 Patents, trademarks, licenses and franchises

The furniture products manufactured and marketed by the YAR Group are not governed or subject to any patents, trademarks, or franchise.

### 5.4.10 Major Customers

Apart from Coaster Co. of America which contributed approximately 13.4% of the YAR Group's turnover, none of the YAR Group's customers individually contributed more than 10% of the turnover of the Group for the financial year ended 31 July 2001. Coaster Co. of America has been a customer of the YAR Group for eight (8) years. The YAR Group does not significantly depend on any single customer.

### 5.4.11 Major Suppliers

Apart from Harta Packaging Industries Sdn Bhd and Zillion Creations Sdn Bhd which contributed approximately 19.6% and 12.2% respectively of the YAR Group's purchases, none of the YAR Group's suppliers individually contributed more than 10% of the purchases of the Group for the financial year ended 31 July 2001. Harta Packaging Industries Sdn Bhd and Zillion Creations Sdn Bhd have been suppliers of the YAR Group for ten (10) years and five (5) years respectively. The YAR Group does not significantly depend on any single supplier.

### 5.4.12 Employees

As at 30 August 2002, the Group has a workforce of 850 employees of which 468 are skilled and 382 are non-skilled. The average number of years of service of the skilled employees is 3 years. The management maintains good relationships with its employees and none of the employees belong to any union.

The YAR Group is committed towards the development of its human resource. Training and development programs undertaken by the Group include training for the implementation of ISO 9002, supervisor and line leader development, product orientation, productivity enhancement, finishing improvement and safety awareness.

### 5.4.13 Production capacities and output

#### **Rubberwood furniture products (including pressure treatment and kiln-drying of rough sawn rubberwood)**

The manufacture of rubberwood furniture products (including pressure treatment and kiln-drying of rough sawn rubberwood) is carried out by the YAW Group and YAH in six (6) factories, two (2) of which are operating under YAW and are located in Merlimau and Parit Perawas, Melaka with a total land and factory built-up area of 28,046 sq. metres and 15,692 sq. metres respectively. Three (3) factories are operating under WISB are located at Sri Gading Industrial Area, Batu Pahat, with a total land and factory built-up area of 38,106 sq. metres and 20,536.6 sq. metres respectively. The remaining factory is operating under YAH and is located at the Grisek Industrial Area, Muar, with a total land and built-up area of 11,840 sq. metres and 6,711 sq. metres respectively.

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

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The YAW Group's rubberwood furniture factories have a production capacity of 5,000 chairs and 1,200 tables per day. The YAW Group's pressure treatment and kiln-drying factory has a production capacity of 1,000 metric tonnes of treated rubberwood per month. YAH's pressure treatment and kiln-drying factory has a production capacity of 1,200 metric tonnes of treated rubberwood per month.

For the month ended 31 August 2002, the YAR Group's rubberwood furniture and pressure treatment and kiln-drying factories were operating at 60% and 82% respectively of their installed capacity.

**Conversion of corrugated board into carton boxes**

The YAR Group's conversion of corrugated boards into carton boxes activities are carried out by PPSB in one (1) factory located in Parit Perawas, Melaka with a total land area and factory built-up area of 10,720 sq. metres and 8,661 sq. metres respectively.

The factory has a production capacity of converting 1,000 metric tonnes of carton boxes per month and for the month ended 31 August 2002, it was operating at 70% of installed capacity

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

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**5.4.14 Risk Management Policies**

The YAR Group appreciates the importance of a risk management policy within the Group as a measure towards achieving corporate governance that is synonymous with transparency, accountability as well as corporate performance. The Group plans to work with its external auditors in the setting up of the Group's risk management framework by end 2002. The risk management policy is expected to encompass the following:

- Review on the Group's and all its subsidiaries' business and operational procedures and formalising an internal control system across the Group.
- Implement such internal control procedures so as to comply with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement and Statement of Internal Control pursuant to the KLSE Listing Requirements.
- Routine review on the adequacy and integrity of such control measures.
- To conduct workshops to educate the directors, managers and employees within the Group on the risk identification, evaluation, control and ongoing monitoring measures.
- To create and maintain a database of all risks and controls on all the companies within the Group. Key management nominated in each subsidiary is expected to prepare action plans with implementation time-scales to address any risk and control issues.

For the management of physical risk, the YAR Group currently maintains various insurance policies such as fire and related perils, consequential loss, burglary, workmen's compensation and money fidelity. Further information on these insurance policies is set out in Section 15.4 (12) of this Prospectus. In addition to maintaining such insurance policies, the YAR Group currently has 24-hour security guards at most of the Group's factory premises, conducts fire drill exercises with fire station personnel from time to time, fire sprinkle systems in several of the Group's factories and fire alarm systems in several of the Group's factories where these systems are linked to the nearest fire station to these factories.

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

### 5.5 Information on Subsidiaries

As at the date of this Prospectus, YAR has the following subsidiaries:

| Subsidiary | Date and Place of Incorporation | Issued and Paid-up Capital (RM) | Effective Equity Interest % | Principal Activities                                    |
|------------|---------------------------------|---------------------------------|-----------------------------|---------------------------------------------------------|
| YAW        | Malaysia<br>21.07.92            | 1,000,000                       | 100                         | Manufacturing and sale of furniture                     |
| WHSB       | Malaysia<br>19.05.95            | 1,000,000                       | 100                         | Investment holding and provision of management services |
| WISB       | Malaysia<br>23.01.89            | 5,000,000                       | 100                         | Manufacture and selling of rubberwood furniture         |
| YAH        | Malaysia<br>06.05.97            | 1,000,000                       | 100                         | Pressure treatment and kiln-drying of rubberwood        |
| PPSB       | Malaysia<br>08.10.94            | 2,235,000                       | 100                         | Conversion of corrugated boards into carton boxes       |
| TCSB       | Malaysia<br>13.04.91            | 800,000                         | 100                         | Transportation and property letting                     |

As at the date of this Prospectus, YAR has no associated companies.

Further information on the subsidiaries is set out in the following pages.

#### 5.5.1 Information on YAW (244961-H)

##### (a) History and Business

YAW was incorporated on 21 July 1992 as a private limited company under the Companies Act, 1965. The principal activity of YAW is the manufacturing and sale of furniture. Currently, YAW carries out its manufacturing operations in two (2) factories located in Merlimau and Parit Perawas, Melaka with a total land area and total built-up area of 28,046 sq. metres and 15,692 sq. metres respectively.

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## 5. INFORMATION ON THE YAR GROUP (Cont'd)

## (b) Changes in Share Capital

Movements in the issued and paid-up share capital of YAW since incorporation are as follows:

| Date of Allotment | No. of ordinary shares | Par value RM | Consideration | Cumulative issued and paid-up share capital RM |
|-------------------|------------------------|--------------|---------------|------------------------------------------------|
| 21.07.1992        | 6                      | 1.00         | Cash          | 6                                              |
| 09.12.1993        | 249,994                | 1.00         | Cash          | 250,000                                        |
| 18.05.1995        | 250,000                | 1.00         | Cash          | 500,000                                        |
| 04.11.1996        | 500,000                | 1.00         | Cash          | 1,000,000                                      |

## (c) Profit and Dividend Record

The audited profit and dividend record of YAW for the past five (5) years ended 31 July 2001 and the nine (9) months ended 30 April 2002 are summarised as follows:

|                                         | ←-----Financial year ended 31 July-----> |                |                |                |                | 9 months ended    |
|-----------------------------------------|------------------------------------------|----------------|----------------|----------------|----------------|-------------------|
|                                         | 1997<br>RM'000                           | 1998<br>RM'000 | 1999<br>RM'000 | 2000<br>RM'000 | 2001<br>RM'000 | 30.4.02<br>RM'000 |
| Turnover                                | 22,269                                   | 22,879         | 37,802         | 45,734         | 50,584         | 41,895            |
| EBITDA                                  | 5,499                                    | 5,949          | 9,720          | 10,654         | 9,443          | 6,845             |
| Depreciation                            | (1,264)                                  | (1,506)        | (1,691)        | (1,982)        | (2,095)        | (1,548)           |
| Interest expense                        | (248)                                    | (218)          | (129)          | (89)           | (27)           | (48)              |
| Interest income                         | 43                                       | 196            | 330            | 145            | 123            | 101               |
| Profit before taxation                  | 4,030                                    | 4,421          | 8,230          | 8,728          | 7,444          | 5,350             |
| Taxation                                | (490)                                    | (1,138)        | -              | (2,344)        | (2,100)        | (1,695)           |
| Profit after taxation                   | 3,540                                    | 3,283          | 8,230          | 6,384          | 5,344          | 3,655             |
| Issued and paid-up share capital ('000) | 875 <sup>^</sup>                         | 1,000          | 1,000          | 1,000          | 1,000          | 1,000             |
| Gross EPS (sen)                         | 460.6                                    | 442.1          | 823.0          | 872.8          | 744.4          | 713.3*            |
| Net EPS (sen)                           | 404.6                                    | 328.3          | 823.0          | 638.4          | 534.4          | 487.3*            |
| Gross dividend per share (%)            | 87.5                                     | -              | 30.0           | -              | -              | -                 |

\* Annualised

<sup>^</sup> Weighted average issued and paid-up share capital

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

### (d) Subsidiary and Associated Companies

As at the date of this Prospectus, YAW has the following subsidiaries:

| Subsidiary                                 | Date and Place of Incorporation | Issued and Paid-up Capital (RM) | Effective Equity Interest % | Principal Activities                                                                        |
|--------------------------------------------|---------------------------------|---------------------------------|-----------------------------|---------------------------------------------------------------------------------------------|
| WHSB                                       | Malaysia<br>19.05.95            | 1,000,000                       | 100                         | Investment holding and provision of management services                                     |
| WISB <sup>#</sup>                          | Malaysia<br>23.01.89            | 5,000,000                       | 100                         | Manufacture and selling of rubberwood furniture                                             |
| Winshine Woodworking Sdn Bhd <sup>##</sup> | Malaysia<br>04.01.95            | 500,000                         | 80                          | Ceased operations and presently does not have any definite plans for any business activity* |

# Held through WHSB

## Held through WISB

\* Will be wound up

#### 5.5.1.1 Information on WHSB (343816-X)

As a result of the losses made and large accumulated debt, WISB Group was placed under Special Administrators appointed under the Pengurusan Danaharta Nasional Berhad Act 1998 on 15 December 1999. WHSB Group was not managed by the present management when it made substantial losses in the financial years ended 31 December 1998 and 31 December 1999. Under the Workout Proposal prepared by the Special Administrators, YAW entered into the Investment Agreement with the WHSB Group on 16 May 2000 to acquire the assets and business of the WHSB Group except current assets and motor vehicles for RM10 provided that YAW is required to make a subordinated shareholders' advance for a total sum of RM23 million for the repayment of the WHSB Group's secured creditors. The acquisition was completed on 28 September 2001.

#### (a) History and Business

WHSB was incorporated on 19 May 1995 as a private limited company under the Companies Act, 1965. The principal activities of WHSB are investment holding and provision of management services.

#### (b) Changes in Share Capital

Movement in the issued and paid-up share capital of WHSB since incorporation is as follows:

| Date of Allotment | No. of ordinary shares | Par Value RM | Consideration | Cumulative issued and paid-up share capital RM |
|-------------------|------------------------|--------------|---------------|------------------------------------------------|
| 19.05.95          | 2                      | 1.00         | Cash          | 2                                              |
| 05.03.96          | 999,998                | 1.00         | Cash          | 1,000,000                                      |

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

## (c) Profit and Dividend Record

The audited profit and dividend record of WHISB for the four (4) years ended 31 December 2000, seven (7) months ended 31 July 2001 and nine (9) months ended 30 April 2002 are summarised as follows:

|                                                              | ←Financial year ended 31 December→ |        |        |        | 7 months          | 9 months         |
|--------------------------------------------------------------|------------------------------------|--------|--------|--------|-------------------|------------------|
|                                                              | 1997                               | 1998   | 1999   | 2000   | ended<br>31.07.01 | ended<br>30.4.02 |
|                                                              | RM'000                             | RM'000 | RM'000 | RM'000 | RM'000            | RM'000           |
| Turnover                                                     | 600                                | 600    | 600    | 330    | 140               | 90               |
| EBITDA                                                       | 539                                | 534    | 430    | 271    | 123               | 58               |
| Depreciation                                                 | (84)                               | (93)   | (96)   | (96)   | (56)              | (72)             |
| Interest expense                                             | (434)                              | (422)  | (328)  | -      | -                 | -                |
| Interest income                                              | -                                  | -      | -      | -      | 24                | -                |
| Profit/(Loss) before<br>taxation before<br>exceptional items | 21                                 | 19     | 6      | 175    | 91                | (14)             |
| Exceptional items                                            | -                                  | -      | -      | 3,521  | 58                | -                |
| Profit/(Loss) before<br>taxation                             | 21                                 | 19     | 6      | 3,696  | 149               | (14)             |
| Taxation                                                     | (4)                                | (12)   | 16     | -      | (113)             | (4)              |
| Profit/(Loss) after<br>taxation                              | 17                                 | 7      | 22     | 3,696  | 36                | (18)             |
| Issued and paid-up<br>share capital ('000)                   | 1,000                              | 1,000  | 1,000  | 1,000  | 1,000             | 1,000            |
| Gross EPS (sen)                                              | 2.1                                | 1.9    | 0.6    | 369.6  | *25.5             | (1.9)*           |
| Net EPS (sen)                                                | 1.7                                | 0.7    | 2.2    | 369.6  | *6.2              | (2.4)*           |
| Gross dividend per<br>share (%)                              | -                                  | -      | -      | -      | -                 | -                |

1. The exceptional items for the financial year ended 31 December 2000 and the period ended 31 July 2001 were in respect of the waiver of liabilities in accordance with the Workout Proposal.

\* Annualised

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5. INFORMATION ON THE YAR GROUP *(Cont'd)*(d) **Subsidiary and Associated Companies**

As at the date of this Prospectus, WHSB has the following subsidiary.

| Subsidiary                                | Date and Place of Incorporation | Issued and Paid-up Capital (RM) | Effective Equity Interest % | Principal Activities                                                                        |
|-------------------------------------------|---------------------------------|---------------------------------|-----------------------------|---------------------------------------------------------------------------------------------|
| WISB                                      | Malaysia<br>23.01.89            | 5,000,000                       | 100                         | Manufacture and selling of rubberwood furniture                                             |
| Winshine Woodworking Sdn Bhd <sup>#</sup> | Malaysia<br>04.01.95            | 500,000                         | 80                          | Ceased operations and presently does not have any definite plans for any business activity* |

<sup>#</sup> Held through WISB

\* Will be wound up

5.5.1.2 **Information on WISB (178106-T)**(a) **History and Business**

WISB was incorporated on 23 January 1989 as a private limited company under the Companies Act, 1965. The principal activities of WISB are the manufacture and selling of rubberwood furniture. WISB carries out its manufacturing operations in three (3) factories located at Sri Gading Industrial Area, Batu Pahat, with the total land and factory built-up area of 38,106 sq. metres and 20,536.6 sq. metres respectively.

(b) **Changes in Share Capital**

Movement in the issued and paid-up share capital of WISB since incorporation is as follows:

| Date of Allotment | No. of ordinary shares | Par Value RM | Consideration | Cumulative issued and paid-up share capital RM |
|-------------------|------------------------|--------------|---------------|------------------------------------------------|
| 23.01.89          | 2                      | 1.00         | Cash          | 2                                              |
| 18.05.91          | 29,998                 | 1.00         | Cash          | 30,000                                         |
| 15.02.93          | 20,000                 | 1.00         | Cash          | 50,000                                         |
| 11.08.94          | 200,000                | 1.00         | Cash          | 250,000                                        |
| 05.03.96          | 750,000                | 1.00         | Cash          | 1,000,000                                      |
| 15.09.97          | 1,000,000              | 1.00         | Cash          | 2,000,000                                      |
| 01.01.98          | 1,000,000              | 1.00         | Cash          | 3,000,000                                      |
| 28.12.98          | 1,000,000              | 1.00         | Cash          | 4,000,000                                      |
| 01.03.99          | 1,000,000              | 1.00         | Cash          | 5,000,000                                      |

## 5. INFORMATION ON THE YAR GROUP (Cont'd)

## (c) Profit Dividend Record

The audited profit and dividend record of WISB for the four (4) years ended 31 December 2000, seven (7) months ended 31 July 2001 and nine (9) months ended 30 April 2002 are summarised as follows:

|                                                              | <-----Financial year ended 31 December-----> |                    |                    |         | 7 months             | 9 months         |
|--------------------------------------------------------------|----------------------------------------------|--------------------|--------------------|---------|----------------------|------------------|
|                                                              | 1997                                         | 1998               | 1999               | 2000    | ended<br>31.07.01    | ended<br>30.4.02 |
|                                                              | RM'000                                       | RM'000             | RM'000             | RM'000  | RM'000               | RM'000           |
| Turnover                                                     | 27,853                                       | 52,058             | 59,263             | 26,726  | 19,145               | 25,254           |
| EBITDA                                                       | 4,626                                        | 2,844              | (11,041)           | (908)   | <sup>3</sup> (3,436) | 2,831            |
| Depreciation                                                 | (1,162)                                      | (2,210)            | (3,560)            | (2,993) | (1,712)              | (1,632)          |
| Interest expense                                             | (1,555)                                      | (3,637)            | (4,228)            | (4)     | (7)                  | (3)              |
| Interest income                                              | 12                                           | 52                 | 24                 | -       | -                    | 19               |
| Profit/(Loss) before<br>taxation before<br>exceptional items | 1,921                                        | (2,951)            | (18,805)           | (3,905) | (5,155)              | 1,215            |
| Exceptional items                                            | -                                            | (3,029)            | -                  | 34,424  | (823)                | -                |
| Profit/(Loss) before<br>taxation                             | 1,921                                        | (5,980)            | (18,805)           | 30,519  | (5,978)              | 1,215            |
| Taxation                                                     | (128)                                        | -                  | -                  | 7       | -                    | (4)              |
| Profit/(Loss) after<br>taxation                              | 1,793                                        | (5,980)            | (18,805)           | 30,526  | (5,978)              | 1,211            |
| Issued and paid-up<br>share capital ('000)                   | 1,292 <sup>^</sup>                           | 3,000 <sup>^</sup> | 4,833 <sup>^</sup> | 5,000   | 5,000                | 5,000            |
| Gross EPS (sen)                                              | 148.7                                        | (199.3)            | (389.1)            | 610.4   | *(205.0)             | 32.4*            |
| Net EPS (sen)                                                | 138.8                                        | (199.3)            | (389.1)            | 610.5   | *(205.0)             | 32.3*            |
| Gross dividend per<br>share (%)                              | -                                            | -                  | -                  | -       | -                    | -                |

1. The exceptional item for the financial year ended 31 December 1998 was in respect of a loss of RM3,029,000 on termination of foreign exchange forward contracts

2. The exceptional items for the financial year ended 31 December 2000 and the period ended 31 July 2001 were in respect of the waiver of liabilities in accordance with the Workout Proposal.

3. Included in the loss for the seven (7) months ended 31 July 2001 was recognition of impairment loss on plant and machinery amounting to RM5,118,946.

\* Annualised

<sup>^</sup> Weighted average issued and paid-up share capital

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

### (d) Subsidiary and Associated Companies

As at the date of this Prospectus, WISB has the following subsidiary.

| Subsidiary                   | Date and Place of Incorporation | Issued and Paid-up Capital (RM) | Effective Equity Interest % | Principal Activities                                                                        |
|------------------------------|---------------------------------|---------------------------------|-----------------------------|---------------------------------------------------------------------------------------------|
| Winshine Woodworking Sdn Bhd | Malaysia<br>04.01.95            | 500,000                         | 80                          | Ceased operations and presently does not have any definite plans for any business activity* |

\* *Will be wound up*

### 5.5.2 Information on PPSB (319212-W)

#### (a) History and Business

PPSB was incorporated on 8 October 1994 as a private limited company under the Companies Act, 1965. The principal activity of PPSB is conversion of corrugated boards into carton boxes. PPSB is currently operating in a factory located in Parit Perawas, Melaka with a land area and built-up area of 10,720 sq. metres and 8,661 sq. metres respectively.

#### (b) Changes in Share Capital

Movement in the issued and paid-up share capital of PPSB since incorporation is as follows:

| Date of Allotment | No. of ordinary shares | Par value RM | Consideration | Cumulative issued and paid-up share capital RM |
|-------------------|------------------------|--------------|---------------|------------------------------------------------|
| 08.10.1994        | 4                      | 1.00         | Cash          | 4                                              |
| 02.01.1996        | 99,996                 | 1.00         | Cash          | 100,000                                        |
| 31.12.1997        | 680,000                | 1.00         | Bonus Issue   | 780,000                                        |
| 31.12.1997        | 214,000                | 1.00         | Cash          | 994,000                                        |
| 15.01.1998        | 426,000                | 1.00         | Cash          | 1,420,000                                      |
| 22.07.1999        | 815,000                | 1.00         | Cash          | 2,235,000                                      |

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## 5. INFORMATION ON THE YAR GROUP (Cont'd)

## (c) Profit and Dividend Record

The audited profit and dividend record of PPSB for the period since incorporation to 28 February 1999, the seventeen (17) months ended 31 July 2000, financial year ended 31 July 2001 and nine (9) months ended 30 April 2002 are summarised as follows:

## &lt;-Financial year ended 28 February-&gt;

|                                                   | 1997   | 1998             | 1999               | 17 months<br>ended<br>31.07.00 | 12 months<br>ended<br>31.07.01 | 9 months<br>ended<br>30.02 |
|---------------------------------------------------|--------|------------------|--------------------|--------------------------------|--------------------------------|----------------------------|
|                                                   | RM'000 | RM'000           | RM'000             | RM'000                         | RM'000                         | RM'000                     |
| Turnover                                          | -      | 17,988           | 18,458             | 36,644                         | 27,403                         | 14,289                     |
| EBITDA                                            | -      | 851              | 2,985              | 6,843                          | 4,163                          | 2,485                      |
| Depreciation                                      | -      | (203)            | (239)              | (461)                          | (520)                          | (436)                      |
| Interest expense                                  | -      | (71)             | (95)               | (14)                           | (12)                           | (9)                        |
| Interest income                                   | -      | 45               | 67                 | 98                             | 31                             | 75                         |
| Profit before<br>exceptional item and<br>taxation | -      | 622              | 2,718              | 6,466                          | 3,662                          | 2,115                      |
| Exceptional item                                  | -      | -                | -                  | (815)                          | -                              | -                          |
| Profit before taxation                            | -      | 622              | 2,718              | 5,651                          | 3,662                          | 2,115                      |
| Taxation                                          | -      | (217)            | (43)               | (1,815)                        | (851)                          | (607)                      |
| Profit after taxation                             | -      | 405              | 2,675              | 3,836                          | 2,811                          | 1,508                      |
| Issued and paid-up<br>share capital ('000)        | 100    | 869 <sup>^</sup> | 1,420 <sup>^</sup> | 1,995 <sup>^</sup>             | 2,235                          | 2,235                      |
| Gross EPS (sen)                                   | -      | 71.6             | 191.4              | *199.9                         | 163.8                          | 126.2*                     |
| Net EPS (sen)                                     | -      | 46.6             | 188.4              | *135.7                         | 125.8                          | 90.0*                      |
| Gross dividend per<br>share (%)                   | -      | -                | -                  | -                              | -                              | -                          |

\* Annualised

<sup>^</sup> Weighted average issued and paid-up share capital

<sup>1</sup> The exceptional item for the period ended 31 July 2000 is in respect of the deficit arising from the revaluation of PPSB's leasehold land of RM822,000 of which RM7,000 has been charged against revaluation reserve and RM815,000 charged to income statement.

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


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**(d) Subsidiary and Associated Companies**

As at the date of this Prospectus, PPSB does not have any subsidiary nor associated company.

**5.5.3 Information on TCSB (215695-D)****(a) History and Business**

TCSB was incorporated on 13 April 1991 as a private limited company under the Companies Act, 1965. The principal activities of TCSB are transportation and property letting. TCSB carries out its principal activities in Parit Perawas, Melaka.

**(b) Changes in Share Capital**

Movement in the issued and paid-up share capital of TCSB since incorporation is as follows:

| <b>Date of Allotment</b> | <b>No. of ordinary shares</b> | <b>Par Value RM</b> | <b>Consideration</b> | <b>Cumulative issued and paid-up share capital RM</b> |
|--------------------------|-------------------------------|---------------------|----------------------|-------------------------------------------------------|
| 13.04.91                 | 2                             | 1.00                | Cash                 | 2                                                     |
| 17.05.91                 | 280,000                       | 1.00                | Cash                 | 280,002                                               |
| 10.11.92                 | 69,998                        | 1.00                | Cash                 | 350,000                                               |
| 09.02.93                 | 75,000                        | 1.00                | Cash                 | 425,000                                               |
| 12.12.96                 | 375,000                       | 1.00                | Cash                 | 800,000                                               |

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## 5. INFORMATION ON THE YAR GROUP (Cont'd)

### (c) Profit and Dividend Record

The audited profit and dividend record of TCSB for the three (3) years ended 31 May 1999, fourteen (14) months ended 31 July 2000, financial year ended 31 July 2001 and nine (9) months ended 30 April 2002 are summarised as follows:

|                                            | -<Financial year ended 31 May-> |        |        |                                |                                |                              |
|--------------------------------------------|---------------------------------|--------|--------|--------------------------------|--------------------------------|------------------------------|
|                                            | 1997                            | 1998   | 1999   | 14 months<br>ended<br>31.07.00 | 12 months<br>ended<br>31.07.01 | 9 months<br>ended<br>30.4.02 |
|                                            | RM'000                          | RM'000 | RM'000 | RM'000                         | RM'000                         | RM'000                       |
| Turnover                                   | 2,956                           | 1,798  | 1,857  | 3,052                          | 2,122                          | 1,500                        |
| EBITDA                                     | 650                             | 913    | 1,090  | 1,375                          | 1,255                          | 892                          |
| Depreciation                               | (223)                           | (277)  | (232)  | (227)                          | (179)                          | (105)                        |
| Interest expense                           | (155)                           | (46)   | (74)   | (24)                           | (1)                            | (1)                          |
| Interest income                            | -                               | 163    | 62     | 31                             | 30                             | 45                           |
| Profit before taxation                     | 272                             | 753    | 846    | 1,155                          | 1,105                          | 831                          |
| Taxation                                   | (122)                           | (245)  | 3      | (331)                          | (312)                          | (232)                        |
| Profit after taxation                      | 150                             | 508    | 849    | 824                            | 793                            | 599                          |
| Issued and paid-up<br>share capital (*000) | 597 <sup>^</sup>                | 800    | 800    | 800                            | 800                            | 800                          |
| Gross EPS (sen)                            | 45.6                            | 94.1   | 105.8  | *123.8                         | 138.1                          | 138.5                        |
| Net EPS (sen)                              | 25.1                            | 63.5   | 106.1  | *88.3                          | 99.1                           | 99.8                         |
| Gross dividend per<br>share (%)            | -                               | -      | -      | -                              | -                              | -                            |

\* Annualised

<sup>^</sup> Weighted average issued and paid-up share capital

### (d) Subsidiary and Associated Companies

As at the date of this Prospectus, TCSB does not have any subsidiary nor associated company.

#### 5.5.4 Information on YAH (430442-K)

##### (a) History and Business

YAH was incorporated on 6 May 1997 as a private limited company under the Companies Act, 1965. The principal activities of YAH are pressure treatment and kiln-drying of rubberwood. YAH carries out its kiln-drying operations in its factory located at the Grisek Industrial Area, Muar with a total land area and total built-up area of 11,840 sq. metres and 6,711 sq. metres respectively.

## 5. INFORMATION ON THE YAR GROUP (Cont'd)

## (b) Changes in Share Capital

Movement in the issued and paid-up share capital of YAH since incorporation is as follows:

| Date of Allotment | No. of ordinary shares | Par Value RM | Consideration | Cumulative issued and paid-up share capital RM |
|-------------------|------------------------|--------------|---------------|------------------------------------------------|
| 06.05.97          | 2                      | 1.00         | Cash          | 2                                              |
| 23.07.99          | 24,998                 | 1.00         | Cash          | 25,000                                         |
| 29.04.00          | 975,000                | 1.00         | Cash          | 1,000,000                                      |

## (c) Profit and Dividend Record

The audited profit and dividend record of YAH for the period since incorporation on 6 May 1997 to 31 July 1998, the financial years ended 31 July 1999 to 31 July 2001 and the nine (9) months ended 30 April 2002 are summarised as follows:

|                                         | Period from date of incorporation to 31 July 1998<br>RM'000 | ←Financial year ended 31 July→ |                |                | 9 months ended 30 April 2002<br>RM'000 |
|-----------------------------------------|-------------------------------------------------------------|--------------------------------|----------------|----------------|----------------------------------------|
|                                         |                                                             | 1999<br>RM'000                 | 2000<br>RM'000 | 2001<br>RM'000 |                                        |
| Turnover                                | -                                                           | -                              | 6,045          | 8,818          | 7,676                                  |
| EBITDA                                  | -                                                           | -                              | 176            | 1,347          | 1,189                                  |
| Depreciation                            | -                                                           | -                              | (18)           | (475)          | (352)                                  |
| Interest expense                        | -                                                           | -                              | (4)            | (342)          | (242)                                  |
| Profit before taxation                  | -                                                           | -                              | 154            | 530            | 595                                    |
| Taxation                                | -                                                           | -                              | (42)           | (155)          | (95)                                   |
| Profit after taxation                   | -                                                           | -                              | 112            | 375            | 500                                    |
| Issued and paid-up share capital ('000) | -#                                                          | -#                             | 269            | 1,000          | 1,000                                  |
| Gross EPS (sen)                         | -                                                           | -                              | 57.3           | 53.0           | 79.3*                                  |
| Net EPS (sen)                           | -                                                           | -                              | 41.6           | 37.5           | 66.7*                                  |
| Gross dividend per share (%)            | -                                                           | -                              | -              | -              | -                                      |

\* Annualised

# Issued and paid-up share capital of RM2

^ Weighted average issued and paid-up share capital

## (d) Subsidiary and Associated Companies

As at the date of this Prospectus, YAH does not have any subsidiary nor associated company.