

10. RELATED PARTY TRANSACTIONS/CONFLICTS OF INTEREST

Save for the following, the Directors of YAR are not aware of any existing or potential related-party¹ transactions and conflicts of interest in relation to YAR and its related-parties.

1. A sale and purchase agreement dated 25 July 2000 ("SPA I") was entered into between TCSB as vendor and Yeo Yek Meng as purchaser in respect of the oil palm plantation held under the document of title H.S.(M) 1082 PT L/O 1206/6, Mukim of Lenga, Daerah Muar, State of Johor with an area measuring approximately 6 acres for the consideration of RM172,124.00. Yeo Yek Meng agreed to pay TCSB the sum of RM1,000.00 upon the execution of the SPA I and to pay the balance purchase price of RM171,124.00 not later than 3 months after the receipt of the approval from the relevant authorities. Although the approval from the relevant authorities is still pending, Yeo Yek Meng has paid the balance purchase price on 31 July 2000. Transfer of the title in respect of the said land in favour of Yeo Yek Meng is still pending.
2. A sale and purchase agreement dated 25 July 2000 ("SPA II") was entered into between TCSB as vendor and Yeo Eck Liong as purchaser in respect of the disposal of those pieces of land held under documents of title H.S.(M) 15167 PT 20745 and H.S.(M) 15169 PT 20746, both in the Mukim of Kapar, Daerah Kelang, State of Selangor and each with an area measuring approximately 184 square metres together with a one and a half storey terrace factory erected thereon bearing postal addresses at No.12, Jalan Keledang 6, Batu 5, Jalan Meru, Klang, Selangor and No.14, Jalan Keledang 6, Batu 5, Jalan Meru, Klang, Selangor for the consideration of RM431,969.75. Yeo Eck Liong agreed to pay TCSB the sum of RM1,000.00 upon the execution of the SPA II and to pay the balance purchase price of RM430,969.75 no later than 3 months after the receipt of the approvals from the relevant authorities. Although the approval from the relevant authorities is still pending, Yeo Eck Liong has paid the balance purchase price on 31 July 2000. Transfer of the title in respect of the said land in favour of Yeo Eck Liong is still pending.
3. A sale and purchase agreement dated 25 July 2000 ("SPA III") was entered into between TCSB as vendor and Yeo Ayk Ke as purchaser in respect of all that piece of land held under H.S.(D) 3911 PT 184 in the Mukim of Pegoh, Daerah Alor Gajah, State of Melaka with an area measuring approximately 949 square metres for the consideration of RM137,568.10. Yeo Ayk Ke agreed to pay TCSB the sum of RM1,000.00 upon the execution of the SPA III and to pay the balance purchase price of RM136,568.10 no later than 3 months after receipt of approval from the relevant authorities. Although the approval from the relevant authorities is still pending, Yeo Ayk Ke has paid the balance purchase price on 31 July 2000. Transfer of the title in respect of the said land in favour of Yeo Ayk Ke is still pending.

Alliance confirm that as at the date of this Prospectus, there are no existing or potential conflicts of interest in its capacity as Adviser and Underwriter to YAR Group for the Public Offering.

Zul Rafique & Partners confirm that as at the date of this Prospectus, there are no existing or potential conflicts of interest in its capacity as Solicitors to YAR Group for the Public Offering.

KPMG confirm that as at the date of this Prospectus, there are no existing or potential conflicts of interest in its capacity as Auditors and Reporting Accountants to YAR Group for the Public Offering.

Note 1: Means a director, major shareholder and/or persons connected with such director or major shareholder as defined under Section 122A of the Companies Act, 1965.

11. OTHER INFORMATION CONCERNING THE YAR GROUP

11.1 Licences and Permits Obtained

The major licences and permits obtained by the YAR Group together with the equity conditions attached are as follows:

YAW

Authority	Date of Issue	Nature of business	Equity Condition (if any)	Compliance
MITI	15.10.1998	Wooden furniture and wooden furniture parts	All shares in the company are required to be bought and held by Malaysians including at least 15% held by Bumiputera shareholders	Will be met upon completion of the Public Offering
Malaysian Timber Industry Board	27.05.1997	Furniture exporter	N/A	N/A
Majlis Daerah Jasin	26.12.2001	Licence to manufacture furniture	N/A	N/A
Royal Customs and Excise Malaysia	12.01.1994	Licensed Manufacturer	N/A	N/A
State Forestry Department, Melaka and Negeri Sembilan	02.03.2001	Licence for wood based manufacturing	Approval of the State Forestry Department is required for any changes in the shareholding of the factory	Will be met
California State Bureau of Home Furnishing and Thermal Insulation	09.06.1997	Licensed furniture and bedding manufacturer	N/A	N/A

WISB

Authority	Date of Issue	Nature of business	Equity Condition (if any)	Compliance
MITI	10.03.1999	Manufacture of wooden furniture and wooden parts	N/A	N/A
Royal Customs and Excise Malaysia	13.09.1989	Licensed manufacturer	N/A	N/A
Malaysian Timber Industry Board	26.10.2000	Timber exporter	N/A	N/A
State Forestry Department, Johor	10.08.2001	Licence for wood based manufacturing	Approval of the State Forestry Department is required for any changes in the shareholding of the factory	Will be met
Majlis Perbandaran Batu Pahat	*25.05.2000	Business licence	N/A	N/A

* Expired on 31 December 2001. Application for renewal has been made on 11 October 2001. The approval from Majlis Perbandaran Batu Pahat is currently pending.

11. OTHER INFORMATION CONCERNING THE YAR GROUP (Cont'd)**PPSB**

Authority	Date of Issue	Nature of business	Equity Condition (if any)	Compliance
MITI	16.05.2000	Corrugated cartons, corrugated pads	All shares in the company are required to be bought and held by Malaysians including at least 30% held by Bumiputera shareholders	Will be met upon completion of Public Offering
Royal Customs and Excise Malaysia	14.03.1997	Licensed manufacturer	N/A	N/A
Majlis Daerah Jasin	26.12.2001	Factory and advertising licence	N/A	N/A
Ministry of Home Affairs	03.04.2002	Printing	N/A	N/A

TCSB

Authority	Date of Issue	Nature of business	Equity Condition (if any)	Compliance
Majlis Daerah Jasin	26.12.2001	Printing licence	N/A	N/A

YAH

Authority	Date of Issue	Nature of business	Equity Condition (if any)	Compliance
State Forestry Department, Johor	01.08.2001	Licence for kiln-drying operations	Approval of the State Forestry Department is required for any changes in the shareholding of the factory	Will be met
Majlis Daerah Tangkak	04.01.2002	Licence to process rubberwood	N/A	N/A
Malaysian Timber Industry Board	03.12.2001	Timber operator, supplier and processor	N/A	N/A

[The rest of this page is intentionally left blank]

II. OTHER INFORMATION CONCERNING THE YAW GROUP (Cont'd)

11.2 Information on Properties

Details of the properties of the Group are as follows:

Registered / Beneficial Owner	Property	Tenure	Description/ Existing Use	Age of Building (years)	Land area (sq. meter)	Built-up area (sq. meter)	Net book value as at 30.4.02 RM
TCSB	H.S.(M) 308 P.T. No. 269, GM241 Lot No. 4027,	Freehold	Factory & Office Building	11	1,070	297	60,062
	GM240 Lot No. 4026,		Factory Building	11	2,920	4,378	632,532
	GM242 Lot No. 4028 and		Warehouse (Packaging)	6	4,653	3,986	615,130
	GM243 Lot No. 4029,		Factory Building (Furniture)	5	6,238	5,279	816,157
	Mukim of Sungai Rambai, Melaka		Vacant land	-	2,077	2	40,857
PPSB	H.S.(M) 1163 P.T. No. 1603,	99 years leasehold (Expiring on 20.07.2096)	Vacant industrial land	-	4,875	-	253,852
	H.S.(M) 1164 P.T. No. 1604,		Vacant industrial land	-	4,856	-	252,863
	H.S.(M) 1165 P.T. No. 1605 and		Vacant industrial land	-	4,888	-	254,529
	H.S.(M) 1166 P.T. No. 1606, Mukim of Merlimau, Melaka		Vacant industrial land	-	4,887	-	254,477
YAW	H.S.(M) 1183, P.T.No. 1644 and H.S.(M) 1531, PT No. 2051 Mukim of Merlimau, Melaka	Freehold	Factory Building	5	4,794	3,389	633,941
			Factory Building	5	17,014	7,024	1,437,794
YAW	H.S.D. 5808 P.T.D. No. 11656 and H.S.D. 5809 P.T.D. No. 11657, Mukim of Grisek, District of Muar, Johor (Pending issuance of individual titles in favour of YAW)	Freehold	Industrial land	-	11,840	-	800,000
			Factory building* (owned by YAH)	2	-	6,711	2,798,467

* Factory building owned by YAH is constructed on the piece of industrial land owned by YAW

11. OTHER INFORMATION CONCERNING THE YAW GROUP (Cont'd)

Registered / Beneficial Owner	Property	Tenure	Description/ Existing Use	Age of Building (Years)	Land area (sq. meter)	Built-up area (sq. meter)	Net book value as at 30.4.02 RM
YAW	H.S.D. 0025805 P.T.D. No. 00011653 Mukim of Chiseck, District of Muar, Johor (Pending transfer of title in favour of YAW)	Freehold	Vacant Industrial Land	-	4,428	-	319,651
YAW	GM156, Lot No. 133, Mukim of Sebatu, Melaka (Pending transfer of title in favour of YAW)	Freehold	Agriculture land	-	8,434	-	*
YAW	P.T.D. No. MB1068 and 1069 Mukim Semujuk, Daerah Jasin Merlimau, Melaka (Pending issuance of individual titles in favour of YAW)	99 years leasehold (Expiring on 04.08.2098)	Vacant Industrial Land	-	14,525	-	845,219
WHSB	331, Lot No. PTD 35104 Title No HS(D) 38295 Mukim of Simpang Kanan District of Batu Pahat Johor Darul Takzim	60 years leasehold expiring on 5/10/2057	Factory Building	6	8,094	5,278.6	3,719,983
WISB	Plo 337, Lot No. PTD 37809 Title No HS(D) 39280 Mukim of Simpang Kanan District of Batu Pahat Johor Darul Takzim	60 years leasehold expiring on 6/7/2059	Factory Building	4	9,777	5,731.7	5,748,445

* YAW entered into a sale and purchase agreement with Kamijah Binti Tukiran on 26 March 2002 to acquire the piece of land for a total cash purchase consideration of RM97,000. The cash consideration was financed by YAW's internally generated funds.

11. OTHER INFORMATION CONCERNING THE YAR GROUP (Cont'd)

Registered / Beneficial Owner	Property	Tenure	Description/ Existing Use	Age of Building (Years)	Land area (sq. meter)	Built-up area (sq. meter)	Net book value as at 30.04.02 RM
WISB	Plo 360, Mukim of Simpang Kanan District of Batu Pahat Johor Darul Takzim (Pending issuance of individual title in favour of WISB)	60 years leasehold	Factory and Office Building	4	20,235	9,526.3	8,312,187
WISB	Lot No. PTD 31719 (Formerly PTD 31089) Title No Geran 61861 (Formerly HS(D) 32210) Mukim of Simpang Kanan District of Batu Pahat Johor Darul Takzim	Freehold	Single-storey terrace house	6	313	101.1	117,990

There has been no revaluation of the properties of the YAR Group for the purpose of the Public Offering.

12. FINANCIAL INFORMATION

12.1 PROFORMA CONSOLIDATED PROFIT AND DIVIDEND RECORD

The following tables set out the proforma consolidated results of the Group for the five years ended 31 July 2001 and nine (9) months ended 30 April 2002 after such adjustments considered necessary assuming that the Group has been in existence throughout the above years/period and subject to the bases as set out in the notes.

12.1.1 Assuming WHSB and WISB are part of the Group since the effective date of acquisition on 19 June 2001[^]

	←—————Proforma ¹ —————→					
	←—————Financial year ended 31 July—————→					
	1997	1998	1999	2000	⁵ 2001	9 months ended 30 April 2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	30,727	40,368	57,135	82,976	98,605	72,305
EBITDA	6,547	8,632	14,189	17,607	20,554	14,298
Depreciation	(1,580)	(1,993)	(2,175)	(3,525)	(6,287)	(4,145)
Interest expenses	(414)	(350)	(260)	(118)	(388)	(303)
Interest income	89	396	460	235	185	240
Profit before taxation and exceptional items	4,642	6,685	12,214	14,199	14,064	10,090
Exceptional items	-	-	² (815)	-	-	-
Profit before taxation	4,642	6,685	11,399	14,199	14,064	10,090
Taxation ³	(723)	(1,486)	(510)	(4,046)	(3,531)	(2,637)
Profit after taxation	3,919	5,199	10,889	10,153	10,533	7,453
Number of ordinary shares assumed to be in issue ⁴ ('000)	91,290	91,290	91,290	91,290	91,290	91,290
Gross EPS (sen)	5.08	7.32	12.49	15.55	15.41	14.74*
Net EPS (sen)	4.29	5.70	11.93	11.12	11.54	10.89*

[^] 19 June 2001 was declared by the Special Administrators of WHSB and WISB as the implementation date where all conditions precedent set out in the Workout Proposal were met and as such, the auditors of YAW have taken 19 June 2001 as the effective date of the acquisitions of WHSB and WISB

* Annualised

Notes:

- The proforma consolidated results are prepared for illustrative purposes only and are based on the audited financial statements of YAR, YAW, PPSB, TCSB, YAH, WHSB and WISB. WHSB and WISB are assumed to form part of the Group from the effective date of acquisition of the WHSB Group by YAW on 19 June 2001.

The results of the following subsidiary companies have been time apportioned in order to be coterminous with the financial year end of the Group:-

Company	Financial Year Ended
PPSB	28 February 1997 to 28 February 1999 and 17-month period ended 31 July 2000
TCSB	31 May 1997 to 31 May 1999 and 14-month period ended 31 July 2000

- There were no extraordinary items or exceptional items during the above years/period other than the exceptional item in the financial year ended 31 July 1999 which was in respect of a deficit on revaluation of PPSB's leasehold land amounting to RM822,000, whereby RM7,000 has been charged against the revaluation reserve and the balance of RM815,000 has been charged to the income statement.

12. SUMMARY OF INFORMATION (Cont'd)

3. The effective tax rate for the financial years ended 31 July 1997 to 1999 were lower than the statutory tax rate due to the utilisation of reinvestment allowance for YAW granted under the Schedule 7A, Income Tax Act 1967 and the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act 1999. Taxation shown in 1999 was in respect of the apportionment of tax expense to coincide with the apportionment of certain subsidiary companies' results as mentioned in item 1 above and deferred taxation.

The effective tax rate for the financial year ended 31 July 2001 was lower than the statutory tax rate due to the utilisation of reinvestment allowance for PPSB granted under Schedule 7A, Income Tax Act 1967.

The effective tax rate for the financial period ended 30 April 2002 was lower than the statutory tax rate due to the utilisation of unabsorbed capital allowances and reinvestment allowance for WISB.

4. Gross earnings per share has been calculated by dividing the profit before taxation by the proforma number of 91,290,000 ordinary shares of RM0.50 each in issue for the financial years ended 31 July 1997 to 2001 after the Acquisitions and subdivision of the par value of the shares from RM1.00 to RM0.50 per share. The net earnings per share was similarly calculated using profit after taxation.
5. In accordance with the Operations Agreement, YAW consolidated the results of WHSB and WISB's operations for the period of sixteen (16) months to 19 June 2001 in the financial statements of YAW for the year ended 31 July 2001. However, for the purpose of presentation of the proforma consolidated results of the Group for the financial years ended 31 July 2000 and 2001, the 4-month period and 12-month period results respectively of WHSB and WISB were taken up accordingly to be consistent with the presentation of the Group.

Analysis of turnover and profit before taxation of the YAR Group by activities

The turnover and profit before taxation of the YAR Group in accordance with assumptions set out above analysed by activities are set out in the tables below:

	----- Financial year ended 31 July ----->					9 months ended
	1997	1998	1999	2000	2001	30.4.02
Turnover	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing and sale of furniture	22,269	22,879	37,802	53,277	68,147	53,885
Converting of corrugated boards to cartons	8,312	17,079	18,956	24,824	23,913	11,373
Letting of properties	4	36	25	32	-	-
Transport charges and printing	142	374	352	728	323	253
Treatment, processing and kiln-drying of rubberwood	-	-	-	4,115	6,222	6,794
Investment holding	-	-	-	-	-	-
	30,727	40,368	57,135	82,976	98,605	72,305

Further analysis of the turnover between exports and local sales are as follows:

	----- Financial year ended 31 July ----->					9 months ended
	1997	1998	1999	2000	2001	30.04.02
Turnover	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Export sales*	20,219	21,728	32,544	47,645	66,091	50,087
Local sales	10,508	18,640	24,591	35,331	32,514	22,218
	30,727	40,368	57,135	82,976	98,605	72,305

* The export sales are entirely contributed by the YAW Group.

12. SUMMARY OF INFORMATION (Cont'd)

Profit/(loss) before taxation	Financial year ended 31 July					9 months ended
	1997	1998	1999	2000	2001	30.4.02
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing and sale of furniture	4,215	4,726	8,635	8,720	10,281	7,370
Converting of corrugated boards to cartons	395	1,853	2,659	5,108	3,196	2,099
Letting of properties	3	27	20	15	(126)	(169)
Transport charges and printing	29	79	85	243	114	97
Treatment, processing and kiln-drying of rubberwood	-	-	-	120	601	695
Investment holding	-	-	-	(7)	(2)	(2)
	4,642	6,685	11,399	14,199	14,064	10,090

Commentary on past performance**Financial year ended 31 July 1997**

Proforma turnover and profit before tax of the YAR Group increased by 109.4% and 165.6% to RM30.7 million and RM4.6 million respectively.

Strong demand saw YAW's turnover and profit before tax increase by 71.6% and 150.0% to RM22.3 million and RM4.0 million respectively. To cater for the increasing demand, YAW spend approximately RM4.8 million to expand production capacity.

Financial year ended 31 July 1998

Proforma turnover and profit before tax of the YAR Group increased by 31.4% and 44.0% to RM40.4 million and RM6.7 million respectively.

YAW's turnover increased by a mere 2.7% to RM22.9 million whilst profit before tax increased by 9.7% to RM4.4 million. This is due to YAW being export oriented with major export markets based in the United States of America and Japan. YAW did not significantly benefit from the upsurge in the US dollar exchange rate vis a vis the Malaysian Ringgit as it had entered into forward contracts at less favourable rate during the financial year. Nevertheless, effective cost control measures and maintenance of high productivity in countering the unfavourable economic environment enable YAW to achieve a higher gross profit margin of 29.8% from 29.1% in the previous year.

PPSB took over the business of converting corrugated boards into carton boxes from TCSB and Pioneer Packing Industries on 1 March 1997. Strong demand for carton boxes from the furniture manufacturers in Muar contributed to PPSB's turnover of RM18.0 million and profit before tax of RM0.6 million for its financial year ended 28 February 1998.

TCSB's turnover decreased by 39.2% mainly due to the transfer of its business of converting corrugated boards to cartons to PPSB effective from 1 March 1997. Profit before tax however increased by 176.8% to RM0.8 million mainly due to higher rental income as a result of the construction of an additional factory building.

Financial year ended 31 July 1999

Proforma turnover and profit before tax of the YAR Group increased by 41.5% and 70.5% to RM57.1 million and RM11.4 million respectively.

12. FINANCIAL INFORMATION (Cont'd)

YAW's turnover and profit before tax increased by 65.2% and 86.2% to RM37.8 million and RM8.2 million respectively. The increase is mainly due to strong growth in sales to both the local and overseas market. During the financial year, YAW increased its exports to America, Japan and Australia. YAW increased its product range in the financial year to include computer tables and folding rockers.

PPSB's turnover and profit before tax increased by 2.6% and 337.0% to RM18.5 million and RM2.7 million respectively in the financial year ended 28 February 1999. Higher profit before tax is mainly due to the collection of the doubtful debts of approximately RM904,000 which was charged to income statement in the financial year ended 28 February 1998.

TCSB's turnover and profit before tax increased by 3.3% and 12.4% to RM1.9 million and RM0.8 million respectively for the financial year ended 31 May 1999. The increase is due to additional lorries and trailers acquired in the previous year to meet the increase in transportation activities.

Financial year ended 31 July 2000

Turnover and profit before tax of the YAR Group increased by 45.2% and 24.6% to RM83.0 million and RM14.2 million respectively.

YAW's turnover and profit before tax increased by 21.0% and 6.1% to RM45.7 million and RM8.7 million respectively. The increase is mainly due to YAW's aggressive marketing strategy to widen its customer base especially for its starter chairs and tables. During the year, YAW spent RM1.1 million to expand its production capacity. However, local sales were lower mainly due to a reduction in sales of plywood seat to a local customer.

PPSB's turnover and profit before tax increased by 98.5% and 107.9% to RM36.6 million and RM5.6 million for the 17-month period ended 31 July 2000. Higher revenue and profit before tax is mainly due to an increase in unit selling price of carton boxes by approximately 35% during the period and high demand from the furniture manufacturers around the Muar area.

TCSB's turnover and profit before tax increased by 64.4% and 36.5% to RM3.1 million and RM1.2 million respectively for the 14-month period ended 31 July 2000. Apart from the longer financial period, the increase in turnover is due to the company engaging in trading of printing papers.

YAH commenced its business operations in the treatment, processing and kiln-drying of rubberwood on 1 August 1999. Turnover stood at RM6.0 million whilst profit before tax was at RM154,000.

Financial year ended 31 July 2001

Turnover of the YAR Group increased by 18.8% while profit before tax of the YAR Group decreased by 1.0% to RM98.6 million and RM14.1 million respectively.

YAW's turnover increased by 10.6% to RM50.6 million while profit before tax decreased by 14.7% to RM7.4 million. Despite the increase in turnover, profit before tax decreased as a result of a slowdown in the economic activities in YAW's major export market namely the United States of America. In an attempt to stimulate sales, YAW had to reduce the selling price of their products.

The WHSB Group's results have been accounted as part of the YAR Group for the first time in this financial year. WISB recorded a turnover and loss before tax of RM19.1 million and RM6.0 million respectively for the seven (7)-month period ended 31 July 2001. Turnover on an annualised basis would be 22.8% higher than that achieved in the financial year ended 31 December 2000. WISB suffered a loss before tax and exceptional items of RM5.2 million mainly as a result of the recognition of an impairment loss on plant and machinery amounting to RM5.1 million. Without taking into consideration of the impairment loss, WISB would have recorded a loss before tax of RM35,742 compared to a loss before tax and exceptional items of RM3.9 million recorded in the financial year ended 31 December 2000.

12. FINANCIAL INFORMATION (Cont'd)

PPSB's turnover of RM27.4 million represented an increase of 5.9% over the annualised turnover achieved for the seventeen (17)-month financial period ended 31 July 2000. Despite the increase in turnover, PPSB's profit before tax declined by 8.2% to RM3.7 million. The lower profit margin achieved by PPSB is a result of increased competition.

TCSB's turnover of RM2.1 million represented a decrease of 18.9% over the annualised turnover achieved for the fourteen (14)-month financial period ended 31 July 2000. Despite the decrease in turnover, TCSB's profit before tax increased by 11.6% to RM1.1 million as a result of successful cost cutting measures.

YAH's turnover and profit before tax increased by 45.9% and 244.2% to RM8.8 million and RM0.5 million respectively mainly due to increased orders from the YAW Group and sound cost control measures implemented by YAH.

Financial period ended 30 April 2002.

Turnover and profit before tax of the YAR Group stood at RM72.3 million and RM10.1 million respectively. On an annualised basis, the Group's turnover and profit before tax would be RM96.4 million and RM13.5 million respectively.

On an annualised basis, YAW's turnover increased by 10.4% but its profit before tax declined by 4.2%. The increasingly competitive market environment in YAW's major export market, namely, the United States of America, has a negative impact on YAW's profit margin.

On an annualised basis, WISB's turnover increased by 8.8%. WISB swung from a loss before tax of RM6.0 million for the seven (7)-month period ended 31 July 2001 to a profit before tax of RM1.2 million for the nine (9)-month period ended 30 April 2002 as a result of successful cost control measures and the fact that impairment loss on plant and machinery amounting to RM5.1 million had been provided for in 2001.

On an annualised basis, PPSB's turnover and profit before tax declined by 30.5% and 23.0% respectively. The slowdown in PPSB's customers' businesses had resulted in the decline in PPSB's turnover. Successful cost control measures taken by PPSB resulted in it achieving higher net profit margin.

On an annualised basis, TCSB's turnover decreased by 5.7% while its profit before tax increased by 0.3%. Higher profit margin was achieved on the back to its successful implementation of cost control measures.

On an annualised basis, YAH's turnover and profit before tax increased by 16.1% and 49.7% respectively. As YAH's operations entered its third year, increased efficiency resulted in higher profit margin.

[The rest of this page is intentionally left blank]

12. FINANCIAL INFORMATION (Cont'd)**12.1.2 Assuming WHSB and WISB are part of the Group since the Group's existence**

	←-----Proforma ¹ ----->					9 months ended 30 April 2002 RM'000
	←-----Financial year ended 31 July----->					
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	
Turnover	53,050	82,340	113,397	116,424	98,605	72,305
EBITDA	10,644	12,754	9,407	10,408	14,645	14,298
Depreciation	(2,581)	(3,856)	(5,267)	(5,899)	(6,287)	(4,145)
Interest expenses	(1,909)	(3,546)	(4,609)	(2,019)	(388)	(303)
Interest income	101	431	496	267	185	240
Profit before taxation and exceptional items	6,255	5,783	27	2,757	8,155	10,090
Exceptional items	-	-	² (3,844)	² 38,496	² (1,315)	-
Profit before taxation	6,255	5,783	(3,817)	41,253	6,840	10,090
Taxation ³	(821)	(1,547)	(506)	(4,032)	(3,531)	(2,637)
Profit after taxation	5,434	4,236	(4,323)	37,221	3,309	7,453
Number of ordinary shares assumed to be in issue ⁴ ('000)	91,290	91,290	91,290	91,290	91,290	91,290
Gross EPS (sen)	6.85	6.33	(4.18)	45.19	7.49	14.7*
Net EPS (sen)	5.95	4.64	(4.74)	40.77	3.62	10.9*

* Annualised

Notes:

1. The proforma consolidated results are prepared for illustrative purposes only and are based on the audited financial statements of YAR, YAW, PPSB, TCSB, YAH, WHSB and WISB and on the assumption that the Group has been in existence throughout the above years/period.

The results of the following subsidiary companies have been time apportioned in order to be coterminous with the financial year end of the Group:-

<u>Company</u>	<u>Financial Year Ended</u>
PPSB	28 February 1997 to 28 February 1999 and 17-month period ended 31 July 2000
TCSB	31 May 1997 to 31 May 1999 and 14-month period ended 31 July 2000
WHSB	31 December 1996 to 31 December 2000 and 7-month period ended 31 July 2001
WISB	31 December 1996 to 31 December 2000 and 7-month period ended 31 July 2001

[The rest of this page is intentionally left blank]

12. FINANCIAL INFORMATION (Cont'd)

2. There were no extraordinary items or exceptional items during the above years/period other than the following:-
- (a) The exceptional items in the financial year ended 31 July 1999 which were in respect of the following:
- deficit on revaluation of PPSB's leasehold land amounting to RM822,000 whereby RM7,000 has been charged against the revaluation reserve and the balance of RM815,000 has been charged to the income statement.
 - loss on termination of foreign exchange forward contracts undertaken by WISB amounting to RM3,029,000.
- (b) The exceptional items for the years ended 31 July 2000 and 31 July 2001 were in respect of the waiver of WHSB and WISB's liabilities in accordance with the Workout Proposal prepared by the Special Administrators as of 5 July 2000.
3. The effective tax rate for the financial year ended 31 July 1997 was lower than the statutory rate due to the utilisation of reinvestment allowance for YAW granted under Schedule 7A, Income Tax Act 1967.
- There was no tax charge for the financial year ended 31 July 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999. Taxation shown was in respect of the apportionment of tax expense to coincide with the apportionment of certain subsidiary companies' results as mentioned in item 1 above and deferred taxation.
- The effective tax rate for the financial year ended 31 July 2000 was lower than the statutory tax rate as the exceptional gain in respect of waiver of liabilities in WISB and WHSB was not subject to tax.
- The effective tax rate for the financial year ended 31 July 2001 was higher than the statutory tax rate due to significant loss incurred by WISB during the financial year which reduced the Group profit before tax.
- The effective tax rate for the financial period ended 30 April 2002 was lower than the statutory tax rate due to the utilisation of unabsorbed capital allowances and reinvestment allowance for WISB.
4. Gross earnings per share has been calculated by dividing the profit before taxation by the proforma number of 91,290,000 ordinary shares of RM0.50 each in issue for the financial years ended 31 July 1997 to 2001 after the Acquisitions and subdivision of the par value of the shares from RM1.00 to RM0.50 per share. The net earnings per share was similarly calculated using profit after taxation.

Directors' declaration on financial conditions

Save as disclosed in Sections 2, 4 and 12 of this Prospectus, the Directors of YAR declare that the financial conditions and operations of the YAR Group are not materially affected by any of the following as at 30 August 2002 (being the latest practicable date prior to the registration of this Prospectus):

- (a) known trends, demands, commitments, events or uncertainties that have had or that YAR reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the YAR Group;
- (b) material capital expenditure commitments;
- (c) substantial increase in revenue;
- (d) unusual or infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the YAR Group; and
- (e) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

12. FINANCIAL INFORMATION (*Cont'd*)

12.2 WORKING CAPITAL, BORROWINGS AND CONTINGENT LIABILITIES

Working Capital

The Directors of YAR are of the opinion that, after taking into account the cashflow, forecast and projections and the banking facilities available, the YAR Group has adequate working capital for its present and foreseeable requirements.

Borrowings

As at 30 August 2002 (being the latest practicable date at which such amounts could be determined prior to the registration of this Prospectus), the total interest bearing borrowings of the Group amounted to RM23.7 million as follows:

	RM'000
Long term borrowings	
• YAW's term loans	550
• YAH's term loans	3,126
• Amount owing to the creditors of WHSB Group pursuant to the Workout Proposal. Kindly refer to Section 5.5.1.1 for more details.	15,078
Short-term borrowings	
• YAW (bankers' acceptance)	3,156
• YAH (bankers' acceptance)	1,613
• PPSB (bankers' acceptance)	-
Hire purchase	
• YAW	122
• YAH	2
• PPSB	46
	<u>23,693</u>

As at 30 August 2002, the Group does not have any non-interest bearing borrowings.

Contingent Liabilities

Save for the following, as at 30 August 2002 (being the latest practicable date at which such amounts could be determined prior to the registration of this Prospectus), the Directors declare that the Group does not have any other contingent liabilities.

- Pursuant to a Guarantee ("Guarantee") dated 16 May 2000 issued by YAW (the "Guarantor") in favour of Danaharta Urus Sdn Bhd; Bank Pembangunan (Malaysia) Berhad (currently known as Bank Pembangunan & Infrastruktur Malaysia Berhad); Public Bank Berhad; Malayan Banking Berhad; Inland Revenue Board ("IRB")/Social Security Organisation ("SOCSO")/Employees Provident Fund ("EPF"); MBf Finance Berhad; Arab-Malaysian Credit Berhad; Arab-Malaysian Finance Berhad; BBMB Kewangan Berhad; United Merchant Finance Berhad; BSN Finance Berhad; Bank Utama Malaysia Berhad; Sime Diamond Credit Berhad; BSNC Leasing Berhad; Perniagaan Seng Dee; Muh Chan Machinery and the Essential Creditors under the Workout Proposal (the "Beneficiaries" and each a "Beneficiary") and Pengurusan Danaharta Nasional Berhad ("Creditors' Agent"), the Guarantor, in consideration of the Secured Creditors (defined in the Workout Proposal) and Creditor's Agent approving the Workout Proposal:-
 - guarantees the due and punctual payment by WIISB, WISB and YAW all sums of money comprising the Guaranteed Obligations (defined in the Guarantee);

12. FINANCIAL INFORMATION (*Cont'd*)

- (b) irrevocably and unconditionally undertake to pay or cause to be paid to the Creditors' Agent upon first written demand by the Creditors' Agent on behalf of the Beneficiaries all sums comprising the Guaranteed Obligations from time to time due and payable by WHSB, WISB and YAW pursuant to the Workout Proposal and the Investment Agreement; and
- (c) agrees, as primary obligation and not as surety only, to fully and effectively indemnify, hold harmless and reimburse each of the Beneficiaries upon first written demand by the Creditors' Agent from and against reasonable cost or expense which the Beneficiaries may incur as a consequence of default by WISB, WISB or YAW under the Workout Proposal and Investment Agreement.

Obligations of the Guarantor under the Guarantee shall not be discharged by:

- (a) any time, waiver or other indulgence granted by any Beneficiary; or
- (b) amendments or grant of waiver pursuant to or any variation of the Investment Agreement and/or Workout Proposal.

The Guarantee shall be effective from 19 June 2001, being the Implementation Date for the Workout Proposal.

2. On 4 February 1997, WHSB issued a guarantee and indemnity of up to RM1.0 million in favour of BSNC Leasing (M) Sdn Bhd ("BSNC") in consideration of BSNC granting an industrial hire purchase credit line of up to RM1.0 million to WISB. Pursuant to the above guarantee, WHSB, inter alia, guarantees the payment on demand of all moneys and liabilities owing by WISB under the aforesaid facility.
3. On 6 June 1997, WHSB issued a guarantee and indemnity of up to RM1.0 million in favour of BSNC in consideration of BSNC granting an industrial hire purchase credit line of up to RM1.0 million to WISB. Pursuant to the above guarantee, WHSB, inter alia, guarantees the payment on demand of all moneys and liabilities owing by WISB under the aforesaid facility.
4. On 13 June 1998, WHSB together with Chu Nam Tun and Chiew Nam Jin (collectively "the Guarantors") issued a guarantee of up to RM3.0 million in favour of Bank Pembangunan Malaysia Berhad ("BPMB") (currently known as Bank Pembangunan & Infrastruktur Malaysia Berhad) in consideration of BPMB granting an aggregate loan facility of RM3.0 million in favour of WISB. Pursuant to the above guarantee, the Guarantors (jointly and severally), inter alia, guarantee the payment on demand of all moneys and liabilities owing by WISB under the aforesaid facility.

Pursuant to Section 3.2.14 of the Workout Proposal, the existing securities (whether it is a charge, mortgage or guarantee provided to the Creditors (as defined in the Workout Proposal) other than the guarantees by Chu Nam Tun and Chiew Nam Jin) held by the Secured Creditors (as defined in the Workout Proposal) on or before 15 December 1999 (being the cut-off date under the Workout Proposal) shall continue to exist and shall remain in full force and effect and be enforceable until WISB's obligations to repay to the Secured Creditors under the Workout Proposal being fulfilled and completed that Secured Creditors shall forthwith discharge all security charged or pledged to it by executing the discharge documents.

According to the Workout Proposal, the guarantees set out above shall be fully discharged after sixty (60) equal monthly instalments of RM320,811 have been fully paid by YAW. As at 30 August 2002, YAW has paid twelve (12) monthly instalments.

12. FINANCIAL INFORMATION (Cont'd)

12.3 MATERIAL LITIGATION

Save as disclosed below, neither the Company nor its subsidiaries are engaged in any litigation either as plaintiff or defendant which has a material effect on the financial position of the Company or its subsidiaries and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company or its subsidiaries.

1. Mirotone (M) Sdn Bhd ("Mirotone") issued a notice under Section 218 of the Companies Act 1965 dated 16 April 2002 against WISB for an alleged outstanding sum of RM97,800. The solicitors acting for WISB had on 17 May 2002 rebutted the claim made by Mirotone. As Mirotone is an unsecured creditor of WISB, pursuant to the Workout Proposal, the unsecured debts owing by WISB would have been deemed waived. Therefore, the solicitors acting for WISB are of the opinion that WISB will be able to successfully refute Mirotone's claim against WISB. WISB has not received further correspondence from Mirotone on the matter.
2. Affin Bank Berhad ("Affin") vide its solicitors have issued two (2) letters of demand dated 12 June 2002 to WISB ("Hirer") in respect of two (2) hire purchase agreements dated 6 June 1997 and 4 December 1997 between WISB and BSNC Leasing (M) Sdn Bhd ("BSNC"). In addition two (2) letters of demand dated 12 June 2002 was also issued to WHSB as the guarantor for the above facilities ("Guarantor"). Affin demanded from WHSB and WISB for payment of RM1,195,462.72 and RM1,076,630.96 being the amount due as at 15 May 2002 under the above agreements or deliver the hire purchase goods to them within fourteen (14) days.

The solicitors for WISB are of the opinion that Affin's claim cannot be sustained as it is bound by the terms and provisions of the Workout Proposal and as such, the debts owed to Affin have been waived completely.

12.4 CONSOLIDATED PROFIT ESTIMATE AND FORECAST

The Directors of YAR estimate and forecast that, barring any unforeseen circumstances and on the bases and assumptions set out in Section 2 of Appendix A of the Reporting Accountants' letter on consolidated profit estimate and forecast, the consolidated profit before taxation and profit after taxation of YAR for the financial years ended/ending 31 July 2002 and 31 July 2003 will be as follows:

Financial year ended/ending 2002 and 2003

	Estimate 2002 RM'000	Forecast 2003 RM'000
Revenue	97,582	108,552
Consolidated profit before taxation	14,196	16,636
Less: Taxation	(3,675)	(4,110)
Consolidated profit after taxation	10,521	12,526
Less: Pre-acquisition profit	(10,123)	-
Profit attributable to shareholders	398	12,526
Weighted average number of shares in issue ('000)	3,752	**104,708
Net EPS* (sen)	10.6	12.0
Net PE Multiple based on issue price of RM0.65 per YAR Share (times)	6.13	5.42

* Based on the weighted average number of shares in issue

** Assuming the Public Issue is completed on 30 September 2002

12. FINANCIAL INFORMATION (Cont'd)

Directors' commentary on the achievability of the consolidated profit estimate and forecast

The Board of Directors of YAR confirms that the consolidated profit estimate and forecast of the YAR Group for the financial years ended/ending 31 July 2002 and 31 July 2003 respectively have been prepared on the bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements. The Board of Directors of YAR also confirms that the underlying bases and assumptions stated in Section 2 of Appendix A of the Reporting Accountants' letter on consolidated profit estimate and forecast have been reviewed by them after due and careful enquiry and after taking into account the future prospects of the industry, the future plans of the YAR Group and its level of gearing, liquidity and working capital requirements. The Board of Directors of YAR confirms that, barring any unforeseen circumstances, the profit estimate and forecast of the Group are achievable and the assumptions are reasonable.

[The rest of this page is intentionally left blank]

12. FINANCIAL INFORMATION (Cont'd)

12.5 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST

(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
179-3, Jalan Munshi Aboullah
75100 Melaka, Malaysia

Te. + (606) 284 8204
Fax + (606) 283 2009

The Board of Directors
Yeo Aik Resources Berhad
Level 7, Setia 1
15, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Our ref: DHSL/KC/TLC

30 August 2002

Dear Sirs

Reporting Accountants' Letter On The Consolidated Profit Estimate and Forecast For The Financial Year Ending 31 July 2002 and 31 July 2003

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of Yeo Aik Resources Berhad ("YAR") and its subsidiary companies (hereinafter referred to as "YAR Group") for the financial year ending 31 July 2002 and 31 July 2003 for which the Directors are solely responsible, as set out in Appendix A, prepared for the purpose of inclusion in the Prospectus to be dated 12 September 2002 in connection with the Public Issue of 16,110,000 new ordinary shares of RM0.50 each in YAR at an issue price of RM0.65 per ordinary share and the offer for sale of 31,120,000 ordinary shares of RM0.50 each in YAR at an offer price of RM0.65 per ordinary share and the listing of and quotation for the entire issued and fully paid-up share capital of YAR on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by YAR Group.

Yours faithfully

KPMG
(No AF: 0758)
Chartered Accountants

Lim Hun Soon @ David Lim

Partner

Approval Number: 1514/5/04(J)



KPMG, a membership established under Malaysian law, is a member of KPMG International, a Swiss association

12. FINANCIAL INFORMATION (Cont'd)

Appendix A

Yeo Aik Resources Berhad
Consolidated profit estimate and forecast
31 July 2002 and 2003

Yeo Aik Resources Berhad
And Its Subsidiary Companies

Consolidated Profit Estimate And Forecast
For The Financial Year Ending 31 July 2002 And 31 July 2003
Together With The Underlying Bases And Assumptions

Barring unforeseen circumstances, the Directors estimate and forecast that the consolidated profit before and after taxation of YAR Group for the financial year ending 31 July 2002 and 31 July 2003 will be as follows:

	2002	2003
	RM'000	RM'000
Revenue	97,582	108,552
Consolidated profit before taxation	14,196	16,636
Less: Taxation	(3,675)	(4,110)
Consolidated profit after taxation	10,521	12,526
Less: Pre-acquisition profit	(10,123)	-
Profit after taxation attributable to shareholders	398	12,526
Enlarged issued and paid-up share capital ('000)	3,752*	104,708**
<i>Based on consolidated profit</i>		
Gross earnings per share (sen)	378.36	15.89
Net earnings per share (sen)	280.41	11.96
<i>Based on profit attributable to shareholders</i>		
Gross earnings per share (sen)	108.56	15.89
Net earnings per share (sen)	10.61	11.96

* Based on the weighted average shares in issue of 3,751,644 shares of YAR whereby the acquisition has been completed on 16 July 2002.

** Based on the weighted average shares in issue of 104,707,644 shares of YAR assuming the Public Issue is completed by 30 September 2002.

12. FINANCIAL INFORMATION (Cont'd)

Yeo Aik Resources Berhad
Consolidated profit estimate and forecast
31 July 2002 and 2003

1. Restructuring Scheme And Proposed Listing

The restructuring scheme and proposed listing are as follow:

- 1.1 The payment of special dividend by:-
- (a) Yeo Aik Wood Sdn. Bhd. ("YAW") of 385.96% tax exempt based on its entire issued and paid-up share capital comprising 1,000,000 ordinary shares of RM1.00 each;
 - (b) Pine Packaging (M) Sdn. Bhd. ("PPSB") of 123.33% tax exempt and 82.67% less tax at 28% based on its entire issued and paid-up share capital comprising 2,235,000 ordinary shares of RM1.00 each;
 - (c) Total Creation Sdn. Bhd. ("TCSB") of 117.82% tax exempt and 47.29% less tax at 28% based on its entire issued and paid-up share capital comprising 800,000 ordinary shares of RM1.00 each; and
 - (d) Yeo Aik Hevea (M) Sdn. Bhd. ("YAH") of 43.00% tax exempt and 30.03% less tax at 28% based on its entire issued and paid-up share capital comprising 1,000,000 ordinary shares of RM1.00 each.
- 1.2 Acquisition of the entire issued and paid-up share capital of YAW comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM36,717,885 via the issuance of 32,793,718 new ordinary shares of RM1.00 each of YAR at an issue price of approximately RM1.12 per share.
- 1.3 Acquisition of the entire issued and paid-up share capital of PPSB comprising 2,235,000 ordinary shares of RM1.00 each for a total consideration of RM10,002,541 via the issuance of 8,933,535 new ordinary shares of RM1.00 each of YAR at an issue price of approximately RM1.12 per share.
- 1.4 Acquisition of the entire issued and paid-up share capital of TCSB comprising 800,000 ordinary shares of RM1.00 each for a total consideration of RM3,274,635 via the issuance of 2,924,664 new ordinary shares of RM1.00 each of YAR at an issue price of approximately RM1.12 per share.
- 1.5 Acquisition of the entire issued and paid-up share capital of YAH comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM1,111,915 via the issuance of 993,081 new ordinary shares of RM1.00 each of YAR at an issue price of approximately RM1.12 per share.
- 1.6 Sub-division of 45,645,000 ordinary shares of RM1.00 each to 91,290,000 ordinary shares of RM0.50 each of YAR held after the above acquisitions.

12. FINANCIAL INFORMATION (Cont'd)

Yeo Aik Resources Berhad
Consolidated profit estimate and forecast
31 July 2002 and 2003

- 1.7 Public issue of 16,110,000 new ordinary shares of RM0.50 each of YAR at an issue price of RM0.65 per share.
- 1.8 Offer for sale of 31,120,000 ordinary shares of RM0.50 each of YAR at an offer price of RM0.65 per share.
- 1.9 The listing of and quotation for the entire enlarged issued and paid-up share capital of YAR comprising 107,400,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange.

2. Principal Bases And Assumptions

The consolidated profit estimate and forecast has been prepared on the basis of the principal bases and assumptions set out below:

- 2.1 There will be no material changes in the present legislation or government regulations, rates and bases of duties, levies and taxes which will adversely affect the operations of YAR Group or the market in which it operates.
- 2.2 There will be no major industrial disputes or any abnormal circumstances, which will adversely affect the operations of YAR Group or sales at the forecast levels or disrupt its planned operations, its suppliers or its customers.
- 2.3 There will be no significant changes in the prevailing political, economic and market conditions which will materially affect the activities of YAR Group and the demand, saleability and pricing of its products and services or the markets in which it operates.
- 2.4 Existing financial facilities will remain available to YAR Group and interest rates will not change significantly from those presently prevailing at approximately 8%. YAR Group will also be able to obtain new financing facilities as and when required at current prevailing interest rates.
- 2.5 There will be no material changes in YAR Group's current management and existing accounting, management and operation policies.
- 2.6 There will be no material changes in the current principal activities, composition and structure of YAR Group.
- 2.7 There will be no material fluctuations in the average selling price of YAR Group's products.
- 2.8 YAR Group will continue to receive support from its existing established customers.
- 2.9 Capital expenditure programme will be implemented and incurred on schedule with no material changes in the costs and prices of contracts. There will be no material addition of property, plant and equipment other than those planned.

12. FINANCIAL INFORMATION (Cont'd)

Yeo Aik Resources Berhad
Consolidated profit estimate and forecast
31 July 2002 and 2003

- 2.10 There will be no major delay in the production schedules.
- 2.11 There will be no major breakdown or disruption in the manufacturing facilities, or will there be any disruption in the sourcing of suppliers and material by YAR Group.
- 2.12 There will be no significant changes in the supply and prices of raw material and labour.
- 2.13 The average level of stockholding will be maintained at 15 days to 85 days.
- 2.14 There will be no major capital and revenue cost items variations that are beyond the control of YAR Group.
- 2.15 There will be no material deviation in the administration and operating cost as forecasted by the management.
- 2.16 Inflation rate will not vary significantly from its current level.
- 2.17 Where prices quoted are in US Dollar, the Ringgit Malaysia conversion is fixed at RM3.80 per USD for the sales/profit forecast purpose. The rates utilised are expected to remain stable without major fluctuations throughout the period of the forecast.
- 2.18 The sales/profit forecast may differ significantly from that to be actually encountered if the Ringgit Malaysia conversion of RM3.80 per USD changes significantly which will adversely affect the consolidated profit forecast.
- 2.19 No allowance for diminution in value or write off of any assets is required.
- 2.20 The consolidated profit estimate and forecast have been prepared as if YAR Group has been in existence throughout the year.
- 2.21 The public issue of 16,110,000 new ordinary shares of RM0.50 each at RM0.65 per share, and the offer for sale of 31,120,000 ordinary shares of RM0.50 each at an offer price of RM0.65 per share will be completed by September 2002.
- 2.22 The acquisition of the subsidiaries in paragraph 1.2 to 1.5 has been completed as at the date of this letter. The pre-acquisition profit has been determined based on the time-apportioned estimated profit after taxation of the YAR Group for the year ending 31 July 2002.

12. FINANCIAL INFORMATION (Cont'd)

Yeo Aik Resources Berhad
Consolidated profit estimate and forecast
31 July 2002 and 2003

- 2.23 The gross proceeds from the public issue are expected to be received in September 2002 and the proceeds will be utilised as follows:-

	RM'000
Proceeds from public issue	10,472
	<u>=====</u>
Utilisation:	
Part repayment of term loans	3,014
Working capital	5,958
Listing expenses	1,500
	<u>-----</u>
Total	10,472
	<u>=====</u>

12. FINANCIAL INFORMATION (Cont'd)**12.6 DIRECTORS' ANALYSIS OF CONSOLIDATED PROFIT ESTIMATE AND FORECAST**

For the financial years ended/ending 31 July 2002 and 31 July 2003, the Directors estimate and forecast a profit after taxation of RM10.5 million and RM12.5 million respectively on the back of a turnover of RM97.6 million and RM108.6 million respectively.

After taking into consideration the following factors and barring any unforeseen circumstances:

- assumptions set out in the preceding sections;
- the YAR Group's business plans and strategy for the future as set out in Section 7; and
- the Group's level of gearing, cashflow and working capital requirements after the flotation;

the Directors of YAR believe that the profit after taxation estimate and forecast for the financial years ended/ending 31 July 2002 and 31 July 2003 are achievable.

For the financial years ended 31 July 2002, the Group is expected to record a slight decrease of 1.0% in turnover to RM97.6 million. For the financial year ending 31 July 2003, the Group is expected to register an increase of 11.3% to RM108.6 million mainly due to an expected increase in demand for the Group's products.

Profit before tax is expected to increase by 0.9% and 17.2% for the financial years ended/ending 31 July 2002 and 31 July 2003 respectively. The Group expects profit margins for these two (2) years to improve due to the expected synergistic benefits resulting from the acquisition of the WHSB Group that are set out in Section 5.1 of this Prospectus.

12.7 DIVIDEND FORECAST

YAR intends to pursue a dividend policy in line with its profitability, which would allow its shareholders to participate in the profits of the Group as well as leaving adequate reserves for its future growth.

The Directors anticipate that the Company will be in a position to propose a gross dividend of 2.5 sen per Share for the financial year ending 31 July 2003 on the enlarged issued and paid-up share capital of RM53,700,000 comprising 107,400,000 Shares.

The intended appropriation of the consolidated profit forecast for the financial year ending 31 July 2003 would be as follows:

	Forecast for the financial year ending 31 July 2003 RM'000
Consolidated profit before taxation	16,636
Taxation	(4,110)
Consolidated profit after taxation	<u>12,526</u>
Less : Dividend of 2.5 sen per Share (net of tax at 28%)	(1,933)
Consolidated profit retained for the financial year	<u><u>10,593</u></u>
Gross dividend yield based on the issue price of RM0.65 per YAR Share (%)	3.8
Net dividend yield based on the issue price of RM0.65 per YAR Share (%)	2.8
Gross dividend cover (times)	6.2
Net dividend cover (times)	6.5

12. FINANCIAL INFORMATION (Cont'd)

Future dividend payments will be determined by the Directors of YAR subject to, inter alia, the tax exempt income with the tax authorities, available for distribution as tax-exempt dividends. Notwithstanding the above, the Directors of YAR may at their discretion waive any future dividend payments as and when deemed necessary in the best interests of the Group. Such circumstances may include but not limited to:

- (a) the Group being in a loss position for the relevant financial year; and
- (b) the Group having insufficient cash flows to meet any dividend payments.

[The rest of this page is intentionally left blank]

12. FINANCIAL INFORMATION (*Cont'd*)

12.8 PROFORMA CONSOLIDATED BALANCE SHEETS

The proforma consolidated balance sheets of the YAR Group as at 30 April 2002 set out below are for illustrative purposes only to show the effects of the payment of special dividends, Acquisitions, subdivision of shares, Offer For Sale, Public Issue and utilisation of proceeds from the Public Issue and was prepared on the assumption that these transactions had taken place on that date:

Yeo Aik Resources Berhad
Proforma consolidated balance sheet

**Proforma Consolidated Balance Sheets Of
Yeo Aik Resources Berhad And Its Subsidiary Companies
As At 30 April 2002**

	Audited As at 30 April 2002 RM'000	Proforma I RM'000	Proforma II RM'000
Property, plant and equipment	-	46,112	46,112
Deferred expenditure	424	424	-
Current assets			
Inventories	-	19,204	19,204
Trade and other receivables	-	16,342	16,342
Cash and cash equivalents	-	15,065	21,446
	-----	-----	-----
	-	50,611	56,992
	-----	-----	-----
Less: Current liabilities			
Trade and other payables	436	7,833	7,833
Secured creditors	-	4,170	4,170
Hire purchase liabilities	-	140	140
Bankers' acceptances	-	3,828	3,828
Term loans	-	681	-
Bank overdrafts	-	651	651
Taxation	-	1,062	1,062
Dividends payable	-	9,808	9,808
	-----	-----	-----
	436	28,173	27,492
	-----	-----	-----
Net current (liabilities)/ assets	(436)	22,438	29,500
	-----	-----	-----
	(12)	68,974	75,612
	=====	=====	=====

12. FINANCIAL INFORMATION (Cont'd)

Yeo Aik Resources Berhad
Proforma consolidated balance sheet

	Audited As at 30 April 2002 RM'000	Proforma I RM'000	Proforma II RM'000
Financed by: -			
Capital and reserves			
Share capital	*	45,645	53,700
Share premium	-	5,462	6,378
Reserve on consolidation	-	1,757	1,757
Accumulated loss	(12)	(12)	(12)
(Deficit)/Surplus in shareholders' fund	(12)	52,852	61,823
Long term and deferred liabilities			
Secured creditors	-	12,512	12,512
Hire purchase liabilities	-	61	61
Term loans	-	3,066	733
Deferred taxation	-	483	483
	(12)	68,974	75,612
Net tangible (liabilities)/ assets per share (RM)	(218,000)	0.57	0.58

* Denotes issued and paid-up share capital of RM2.

12. FINANCIAL INFORMATION (Cont'd)

*Yeo Aik Resources Berhad
Proforma consolidated balance sheet*

**Yeo Aik Resources Berhad And Its Subsidiary Companies
Notes To The Proforma Consolidated Balance Sheets
As At 30 April 2002**

1. The proforma consolidated balance sheets of YAR Group as at 30 April 2002 have been prepared for illustrative purposes only and are based on the audited financial statements of YAR and its subsidiary companies as at 30 April 2002.
2. The proforma consolidated balance sheets have been prepared on accounting policies consistent with those adopted in the preparation of the audited financial statements of YAR Group.
3. The proforma consolidated balance sheets incorporate the following transactions as though they were effected on 30 April 2002:-

Proforma I – Restructuring Scheme**(i) Payment of special dividend**

Payment of special dividend by:-

- (a) Yeo Aik Wood Sdn. Bhd. (“YAW”) of 385.96% tax exempt based on its entire issued and paid-up share capital comprising 1,000,000 ordinary shares of RM1.00 each;
- (b) Pine Packaging (M) Sdn. Bhd. (“PPSB”) of 123.33% tax exempt and 82.67% less tax at 28% based on its entire issued and paid-up share capital comprising 2,235,000 ordinary shares of RM1.00 each;
- (c) Total Creation Sdn. Bhd. (“TCSB”) of 117.82% tax exempt and 47.29% less tax at 28% based on its entire issued and paid-up share capital comprising 800,000 ordinary shares of RM1.00 each; and
- (d) Yeo Aik Hevea (M) Sdn. Bhd. (“YAH”) of 43.00% tax exempt and 30.03% less tax at 28% based on its entire issued and paid-up share capital comprising 1,000,000 ordinary shares of RM1.00 each.

(ii) Acquisition of YAW

The acquisition of the entire issued and paid-up share capital of YAW comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM36,717,885 based on the audited net tangible assets (“NTA”) as at 31 July 2000 to be satisfied by the issuance of 32,793,718 new ordinary shares of RM1.00 each of YAR at an issue price of approximately RM1.12 per share.

The acquisition of YAW is based on the audited NTA as at 31 July 2000 which includes the NTA of its wholly-owned subsidiary, Winshine Holdings Sdn. Bhd. (“WHSB”) and Winshine Industries Sdn. Bhd. (“WISB”), a wholly owned subsidiary of WHSB.

12. FINANCIAL INFORMATION (Cont'd)

Yeo Aik Resources Berhad
Proforma consolidated balance sheet

(iii) Acquisition of PPSB

The acquisition of the entire issued and paid-up share capital of PPSB comprising 2,235,000 ordinary shares of RM1.00 each for a purchase consideration of RM10,002,541 based on the audited NTA as at 31 July 2000 to be satisfied by the issuance of 8,933,535 new ordinary shares of RM1.00 each of YAR at an issue price of approximately RM1.12 per share.

(iv) Acquisition of TCSB

The acquisition of the entire issued and paid-up share capital of TCSB comprising 800,000 ordinary shares of RM1.00 each for a purchase consideration of RM3,274,635 based on the audited NTA as at 31 July 2000 to be satisfied by the issuance of 2,924,664 new ordinary shares of RM1.00 each of YAR at an issue price of approximately RM1.12 per share.

(v) Acquisition of YAH

The acquisition of the entire issued and paid-up share capital of YAH comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,111,915 based on the audited NTA as at 31 July 2000 to be satisfied by the issuance of 993,081 new ordinary shares of RM1.00 each of YAR at an issue price of approximately RM1.12 per share.

(vi) Sub-division of ordinary shares

The sub-division of 45,645,000 ordinary shares of RM1.00 each to 91,290,000 ordinary shares of RM0.50 each held after the acquisitions.

Proforma II – Public Issue

Proforma II incorporated the effects of Proforma I and the public issue of 16,110,000 new ordinary shares of RM0.50 each of YAR at an issue price of RM0.65 per share and the offer for sale of 31,120,000 ordinary shares of RM0.50 each of YAR at an offer price of RM0.65 per share.

In respect of this proforma, total estimated listing expenses of RM1,500,000 will be set-off against share premium account.

The proceeds from the public issue will be utilised as follows:-

	RM'000
Part repayment of term loans	3,014
Working capital	5,958
Listing expenses	1,500
	10,472
	10,472

12. FINANCIAL INFORMATION (Cont'd)

Yeo Aik Resources Berhad
Proforma consolidated balance sheet

4. Share Capital and Share Premium

The movement of the issued and paid-up share capital and share premium of YAR after taking into account the restructuring and public issue are as follows:

	Share Capital RM'000	Share Premium RM'000
Balance as at 30 April 2002	*	-
Shares issued pursuant to the acquisition of the entire issued and paid-up share capital of the following subsidiary companies		
- YAW	32,794	3,924
- PPSB	8,933	1,069
- TCSB	2,925	350
- YAH	993	119
	-----	-----
Proforma I	45,645	5,462
Public issue	8,055	2,416
Estimated listing expenses	-	(1,500)
	-----	-----
Proforma II	53,700	6,378
	=====	=====

* Denotes issued and paid-up share capital of RM2.

12. FINANCIAL INFORMATION (*Cont'd*)

12.9 REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
179-3, Jalan Munshi Abdullah
75100 Melaka, Malaysia

Tel + (606) 284 8204
Fax + (606) 283 2009

The Board of Directors
Yeo Aik Resources Berhad
Level 7, Setia 1
15, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Our ref: DHSL/KC/TLC

30 August 2002

Dear Sirs

Reporting Accountants' Letter On The Proforma Consolidated Balance Sheets As At 30 April 2002

We have reviewed the presentation of the proforma consolidated balance sheets of Yeo Aik Resources Berhad ("YAR") and its subsidiary companies (hereinafter referred to as "YAR Group") as at 30 April 2002, together with the notes thereon as set out in Section 12.8 of the Prospectus, for which the Directors are solely responsible, prepared for the purpose of inclusion in the Prospectus to be dated 12 September 2002 in connection with the Public Issue of 16,110,000 new ordinary shares of RM0.50 each in YAR at an issue price of RM0.65 per ordinary share and the offer for sale of 31,120,000 ordinary shares of RM0.50 each in YAR at an offer price of RM0.65 per ordinary share and the listing of and quotation for the entire issued and fully paid-up share capital of YAR on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the proforma consolidated balance sheets of YAR Group together with the notes thereon, which are prepared for illustrative purposes only, have been properly compiled on the basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

KPMG
(No AF: 0758)
Chartered Accountants

Lim Hun Soon @ David Lim

Partner

Approval Number: 1514/5/04(J)



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.