

13. ACCOUNTANTS' REPORT

Shamsir Jasani Grant Thornton 

Chartered Accountants

(PREPARED FOR INCLUSION IN THIS PROSPECTUS)

Date: 16 December 2003

The Board of Directors
Y.S.P. Southeast Asia Holding Berhad
16th Floor, Plaza IBM
No. 1, Jalan Tun Mohd. Fuad
Taman Tun Dr. Ismail
60000 Kuala Lumpur

Dear Sirs,

**Y.S.P. SOUTHEAST ASIA HOLDING BERHAD
AND ITS SUBSIDIARY COMPANIES
ACCOUNTANTS' REPORT**

1. INTRODUCTION

This report has been prepared by a firm of approved company auditors for inclusion in the Prospectus issued in connection with the flotation of the share capital of Y.S.P Southeast Asia Holding Berhad ("YSPSAH") on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE") which includes the following:-

- (i) Offer for sale of 16,499,700 ordinary shares of RM1.00 each in YSPSAH ("Shares") representing 30% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to Bumiputra investors approved by Ministry of International Trade and Industry ("MITI") at an offer price of RM1.43 per Share ("Offer for sale");
- (ii) Public issue of 2,750,000 new Shares, representing 5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the eligible employees of the YSPSAH Group at an issue price of RM1.43 per Share;
- (iii) Private placement of 2,500,000 new Shares, representing approximately 4.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to investors identified by the placement agent at an issue price of RM1.43 per Share ("Private Placement");
- (iv) Public issue of 3,000,000 new Shares representing approximately 5.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the Malaysian general public at an issue price of RM1.43 per Share; and
- (v) Admission to the Official List of the Kuala Lumpur Stock Exchange ("KLSE") for the listing of and quotation for the entire issued and paid-up share capital of YSPSAH comprising 55,000,000 Shares on the Second Board of the KLSE.

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13. ACCOUNTANTS' REPORT (Cont'd)**2. GENERAL INFORMATION****2.1 Restructuring scheme**

In conjunction with and as part of the listing of and quotation for the entire issued and paid-up share capital of YSPSAH on the Second Board of the KLSE, the following was carried out:-

- a) Acquisition of the entire issued and paid-up share capital of YSSEA comprising 31,000,002 ordinary shares of RM1.00 each for a total purchase consideration of RM49,424,604 satisfied by the issuance of 44,125,416 new Shares at an issue price of approximately RM1.12 per Share ("Acquisition of YSSEA").
- b) Settlement of YSSEA's debts of RM2,938,660 to YSP SEA Investment Co. Ltd satisfied by the issuance of 2,623,584 new Shares at an issue price of approximately RM1.12 per Share, resulting in the creation of an amount owing by YSSEA to YSPSAH of RM2,938,660 ("Settlement of Inter-Company Debt").

The acquisition was completed on 30 September 2003.

2.2 Background

YSPSAH was incorporated in Malaysia under the Companies Act, 1965 on 10 July 2001 as a private limited company under the name of Y.S.P. South East Asia Holding Sdn. Bhd. The Company changed its name to YSPSAH on 9 May 2002. Subsequently, on 16 May 2002, the Company was converted into a public company and adopted its present name.

2.3 Share Capital

At the date of incorporation, the Company's authorised share capital was RM100,000 divided into 100,000 ordinary shares of RM1.00 each. Subsequently, on 11 June 2002, the authorised share capital was increased from RM100,000 to RM100,000,000 by the creation of 99,900,000 new ordinary shares of RM1.00 each.

The changes in the Company's issued and fully paid-up share capital since its incorporation are as follows:-

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative total (RM)
10.07.2001	2	1.00	Cash	2
30.11.2001	998	1.00	Cash	1,000
30.09.2003	44,125,416	1.00	Acquisition of YSSEA	44,126,416
30.09.2003	2,623,584	1.00	Settlement of Inter-Company Debt	46,750,000

13. ACCOUNTANTS' REPORT (Cont'd)**2. GENERAL INFORMATION (CONT'D)****2.4 Principal Activity**

The Company's principal activity is investment holding. The subsidiary companies are as follows:-

Name	Effective equity interest to be held by YSPSAH %	Principal activities	Date and place of incorporation
A. YSSEA	100	Investment holding	3 June 1998 Malaysia
B. Subsidiary companies of YSSEA			
Y.S.P. Industries (M) Sdn. Bhd. ("YSPI")	100	Importer and exporters and manufacturer of pharmaceutical products, veterinary products, aquatic products and pharmaceutical fine chemicals and provisions of management services. Distributors of pharmaceutical products, veterinary and aquatic products. Provider of management services.	22 January 1990 Malaysia
Kumpulan Y.S.P. (M) Sdn. Bhd. ("KYSP")	100	Importer, distributor of pharmaceutical and veterinary products and pharmaceuticals fine chemicals.	24 May 1988 Malaysia
Yung Shin Pharmaceutical (Singapore) Pte. Ltd. ("YSPS")	100	Importer and exporter and trading in all kinds of pharmaceutical products.	26 May 1990 Singapore
Yung Shin (Philippines), Inc. ("YS(P)")	99.99	Manufacturing, importing, exporting, buying and selling of goods such as parenterals (pharmaceutical), oral preparations, veterinary products, nutrition products, dermatological preparations and other related products.	14 August 2000 Philippines

13. ACCOUNTANTS' REPORT (Cont'd)**2. GENERAL INFORMATION (CONT'D)****2.4 Principal Activity (Cont'd)**

Myanmar Yung Shin Pharma Limited ("MYSP")	100	Importer and exporters, and trading in all kinds of pharmaceutical products.	8 June 1998 Myanmar
Y.S.P. Cambodia Pte. Ltd. ("YSP(C)")	100	Importer and exporter, and trading in all kinds of pharmaceutical products.	25 April 2001 Cambodia

YSPSAH and its subsidiary companies will be collectively referred to as the YSPSAH Group.

2.5 Share Capital History Of Subsidiary Companies

The changes in the issued and fully paid-up ordinary share capital are as follows:-

A. YSSEA

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative total (RM)
03.06.1998	2	1.00	Subscribers' shares	2
25.01.2000	27,000,000	1.00	Acquisition of 27,000,000 ordinary shares of RM1.00 each in YSPI	27,000,002
15.05.2001	4,000,000	1.00	Cash	31,000,002

B. Subsidiary companies of YSSEA :-**a) Y.S.P. Industries (M) Sdn. Bhd. ("YSPI")**

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative total (RM)
22.01.1990	3	1.00	Subscribers' shares	3
12.03.1990	205,800	1.00	Cash	205,803
10.12.1990	1,026,418	1.00	Cash	1,232,221
12.02.1991	1,240,640	1.00	Cash	2,472,861
09.09.1991	1,290,000	1.00	Cash	3,762,861
18.10.1991	1,045,860	1.00	Acquisition of leasehold property, plant and equipment from Yung Shin Pharmaceutical Industries Co. Ltd. Taiwan ("YSP(TW)")	4,808,721
08.04.1992	5,191,279	1.00	Cash	10,000,000
01.06.1993	6,000,000	1.00	Cash	16,000,000
12.01.1994	1,450,000	1.00	Acquisition of assets and liabilities of KYSP	17,450,000
01.03.1994	3,550,000	1.00	Cash	21,000,000
26.09.1994	1,000,000	1.00	Acquisition of freehold properties from KYSP	22,000,000
19.12.1995	5,000,000	1.00	Cash	27,000,000

13. ACCOUNTANTS' REPORT (Cont'd)**2. GENERAL INFORMATION (CONT'D)****B. Subsidiary companies of YSSEA (Cont'd):-****b) Kumpulan Y.S.P. (M) Sdn. Bhd. ("KYSP")**

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative total (RM)
24.05.1988	3	1.00	Subscribers' shares	3
03.08.1988	19,997	1.00	Cash	20,000
21.09.1988	80,000	1.00	Cash	100,000
08.04.1989	600,000	1.00	Cash	700,000
15.07.1989	500,000	1.00	Cash	1,200,000
12.08.1989	500,000	1.00	Cash	1,700,000
15.03.1990	400,000	1.00	Cash	2,100,000
10.12.1990	350,000	1.00	Acquisition of plant, equipment and inventories in trade from YSP(TW)	2,450,000

c) Yung Shin Pharmaceutical (Singapore) Pte. Ltd. ("YSPS")

Date of allotment	No. of shares	Par value (SGD)	Consideration	Cumulative total (SGD)
14.05.1990	2	1.00	Subscribers' shares	2
30.10.1990	64,998	1.00	Cash	65,000
15.04.1991	76,000	1.00	Cash	141,000
21.10.1991	112,000	1.00	Cash	253,000
29.06.1992	150,000	1.00	Cash	403,000
01.10.1993	200,000	1.00	Cash	603,000
01.02.1995	460,000	1.00	Cash	1,063,000
19.06.1997	1	1.00	Cash	1,063,001

d) Yung Shin (Philippines), Inc. ("YS(P)")

Date of allotment	No. of shares	Par value (Peso)	Consideration	Cumulative total (Peso)
14.08.2000	831,354	10.00	Subscribers' shares	8,313,543

e) Myanmar Yung Shin Pharma Limited ("MYSP")

Date of allotment	No. of shares	Par value (Kyat)	Consideration	Cumulative total (Kyat)
08.06.1998	484	1,000	Subscribers' shares	484,000
02.05.2002	18	1,000	Cash	502,000

13. ACCOUNTANTS' REPORT (Cont'd)**2. GENERAL INFORMATION (CONT'D)****B. Subsidiary companies of YSSEA (Cont'd):-****f) Y.S.P. Cambodia Pte. Ltd. ("YSP(C)")**

Date of allotment	No. of shares	Par value (Reils)	Consideration	Cumulative total (Reils)
25.04.2001	1,000	20,000	Subscribers' shares	20,000,000
17.04.2003	972	20,000	Cash	39,448,500

3. FINANCIAL STATEMENTS AND AUDITORS

We have been appointed as auditors for YSPSAH since the date of incorporation on 10 July 2001. Except for YS(P), MYSP, YSPS and YSP(C), we have been the auditors of the subsidiaries of YSSEA for the relevant years/period under review and has reported on the financial statements of these subsidiaries without qualification and their Auditors' Reports did not include any emphasis of matter.

The financial statements of YS(P), MYSP and YSPS since their respective date of incorporation was audited by other auditors and were reported on without qualification. In addition, their Auditors' Reports did not include any emphasis of matter.

The financial statements of YSP(C) have not been audited since its incorporation.

In the relevant financial years/period under review, the financial accounting dates of YSPSAH's subsidiaries are coterminous with YSPSAH, namely 31 December, except for MYSP whereby its accounting year end is 31 March.

Special audits of MYSP have been carried out for financial years ended 31 December 2000 to 2002 for consolidation purposes.

4. ACCOUNTING POLICIES AND STANDARD

This report is prepared on a basis consistent with the accounting policies normally adopted by YSPSAH and in accordance with applicable approved accounting standards in Malaysia.

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION****(a) Summarised income statements****(i) YSPSAH Proforma Group**

The proforma consolidated financial results of YSPSAH Group for the five (5) financial years ended 31 December 2002 and eight (8) months ended 31 August 2003 are provided for illustrative purposes based on the audited financial statements of its subsidiary companies, assuming that the YSPSAH Group has been in existence since the beginning of the financial year ended 31 December 1998.

Years/Period ended	31/12/1998 RM	31/12/1999 RM	31/12/2000 RM	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Revenue	32,271,926	36,515,981	47,176,911	56,253,110	61,248,523	45,811,339
Gross profit	15,558,849	16,828,191	23,535,131	28,331,286	31,108,723	22,671,730
Profit before amortisation, depreciation, interest and taxation	3,102,636	5,867,749	8,219,639	12,014,231	11,965,760	7,793,691
Amortisation	(181,829)	(23,826)	-	-	-	(186)
Depreciation	(980,206)	(1,098,920)	(1,287,972)	(1,059,118)	(1,418,123)	(970,840)
Interest expenses	(971,381)	(1,062,941)	(861,391)	(432,762)	(220,569)	(96,984)
Profit before taxation and exceptional item but after amortisation, depreciation and interest	969,220	3,682,062	6,070,276	10,522,351	10,327,068	6,725,681
Exceptional item	215,393	-	-	-	-	-
Profit after exceptional item but before taxation	1,184,613	3,682,062	6,070,276	10,522,351	10,327,068	6,725,681
Taxation	171,333	(29,775)	(988,245)	(2,237,384)	(2,544,472)	(1,734,324)
Profit after taxation	1,355,946	3,652,287	5,082,031	8,284,967	7,782,596	4,991,357
Weighted average number of ordinary shares issued *	46,750,000	46,750,000	46,750,000	46,750,000	46,750,000	46,750,000
Gross Earning per share ("EPS") (sen)	2.53	7.88	12.98	22.51	22.09	21.58*
Net EPS (sen)	2.90	7.81	10.87	17.72	16.65	16.02*

* Annualised

Notes :

- (1) The gross earning per share has been calculated based on the profit before taxation on the assumption that the issued and paid-up share capital of YSPSAH of 46,500,000 ordinary shares of RM1.00 each in issue after the Acquisition of YSSEA and Settlement of Inter-Company Debt but before the public issue.

The net earning per share has been calculated based on the profit after taxation and on the assumption that the issued and paid-up share capital of YSPSAH of 46,500,000 ordinary shares of RM1.00 each in issue after the Acquisition of YSSEA and Settlement of Inter-Company Debt but before the public issue.

13. ACCOUNTANTS' REPORT (Cont'd)

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)**(a) Summarised income statements (cont'd)****(i) YSPSAH Proforma Group (cont'd)**

- (2) The increase in revenue in 1999 by 13.15% was due to the expansion of both local and foreign markets by securing local government tender.

The revenue was subsequently increased further by 29.17% in 2000 as compared to 1999, was due to reorganisation of marketing division into smaller groups in order to be more focused on the market expansion.

Despite the economic uncertainty, the revenue of 2001 grew by 19.24% as compared to 2000 that was mainly attributable to the increase in sales to general practitioners, hospitals and launching of new aquatic products.

The increase in revenue by 8.88% and 12.19% (after time apportioned) in 2002 and 2003 respectively were secured from the existing and new general practitioners hospital and aquatic products.

The increase in net profit margin from 4% to 10% in 1999 was mainly due to better sales performance and the reversal of provision for doubtful debts.

The slight increase in the net profit margin in 2000 mainly controlled by efficiency gains from streamlining the operation, upgrading of manufacturing facility and strong growth in sales.

In 2001 the increase in net profit margin is in line with the increase in gross profit margin.

The slight decrease in net profit margin is in line with the decrease in gross profit margin for 2002 and 2003.

- (3) The exceptional item for 1998 was due to a foreign exchange gain derived from the translation of a USD denominated term loan from United World Chinese Commercial Bank, an offshore bank based in the Federal Territory of Labuan.
- (4) YSPSAH Group's results have been restated through appropriate consolidation adjustments to eliminate inter-company transactions under the proposed group structure.
- (5) No dividend was declared by YSPSAH since its incorporation.
- (6) There is no extraordinary items reported by YSPSAH Group during the financial years/period under review.

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(a) Summarised income statements (cont'd)****(ii) YSPSAH**

The following table set out the summary of the results of YSPSAH prepared based on the audited financial statements of YSPSAH.

Periods/year ended	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Revenue	-	-	-
Gross profit	-	-	-
Loss before amortisation, depreciation, interest and taxation	(1,208)	(2,696)	(1,621)
Amortisation	-	-	-
Depreciation	-	-	-
Interest expenses	-	-	-
Loss before taxation but after amortisation, depreciation and interest	(1,208)	(2,696)	(1,621)
Taxation	-	-	-
Profit after taxation	(1,208)	(2,696)	(1,621)
Weighted average number of ordinary shares issued	86	1,000	1,000
Gross loss per share (sen)	(1,404.65)	(269.60)	(243.15)*
Net loss per share (sen)	(1,404.65)	(269.60)	(243.15)*

* Annualised

There were no extraordinary items in all the periods/year under review.

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(a) Summarised income statements (cont'd)****(iii) YSPI**

The following table set out the summary of the results of YSPI prepared based on audited financial statements of YSPI.

Years/Period ended	31/12/1998 RM	31/12/1999 RM	31/12/2000 RM	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Revenue	30,418,400	34,569,582	44,767,293	52,001,018	56,953,226	39,964,106
Gross profit	14,056,891	14,986,338	21,413,403	25,760,232	28,261,545	19,991,788
Profit before amortisation, depreciation, interest and taxation	3,261,861	5,549,731	8,042,645	10,569,284	11,765,869	7,397,360
Amortisation	(161,258)	-	-	-	-	-
Depreciation	(934,743)	(1,055,489)	(1,239,330)	(1,035,543)	(1,364,356)	(939,730)
Interest expenses	(971,381)	(1,062,941)	(861,391)	(432,762)	(220,569)	(116,092)
Profit before taxation and exceptional item but after amortisation, depreciation and interest	1,194,479	3,431,301	5,941,924	9,100,979	10,180,944	6,341,538
Exceptional item	215,393	-	-	-	-	-
Profit after exceptional item but before taxation	1,409,872	3,431,301	5,941,924	9,100,979	10,180,944	6,341,538
Taxation	169,000	-	(900,000)	(2,200,000)	(2,512,332)	(1,555,625)
Profit after taxation	1,578,872	3,431,301	5,041,924	6,900,979	7,668,612	4,785,913
Weighted average number of ordinary shares issued	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000
Gross EPS (sen)	5.22	12.71	22.01	33.71	37.71	35.23*
Net EPS (sen)	5.85	12.71	18.67	25.56	28.40	26.59*

* Annualised

There were no extraordinary items in all the financial years/period under review.

There were no dividend declared or paid during the years/period under review.

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(a) Summarised income statements (cont'd)****(iv) YSPS**

The following table set out the summary of the results of YSPS prepared based on audited financial statements of YSPS.

Years/Period ended	31/12/1998 RM	31/12/1999 RM	31/12/2000 RM	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Revenue	2,731,967	4,152,302	4,108,075	4,244,202	4,705,470	4,612,901
Gross profit	1,501,958	1,841,853	2,072,898	2,352,445	2,527,080	2,501,191
(Loss)/Profit before amortisation, depreciation, interest and taxation	(156,708)	320,622	389,424	44,042	279,477	546,069
Amortisation	(20,571)	(23,826)	-	-	-	-
Depreciation	(45,463)	(43,432)	(48,642)	(62,037)	(38,138)	(22,599)
Interest expenses	-	-	-	-	-	-
(Loss)/Profit before taxation but after amortisation, depreciation and interest	(222,742)	253,364	340,782	(17,995)	241,339	523,470
Taxation	2,390	(29,777)	(88,245)	(11,701)	(11,997)	(115,755)
(Loss)/Profit after taxation	(220,352)	223,587	252,537	(29,696)	229,342	407,715
Weighted average number of ordinary shares issued	1,063,001	1,063,001	1,063,001	1,063,001	1,063,001	1,063,001
Gross (Loss per share)/EPS (sen)	(20.95)	23.83	32.06	(1.69)	22.70	73.87*
Net (Loss per share)/EPS (sen)	(20.73)	21.03	23.76	(2.79)	21.57	57.53*

* Annualised

13. ACCOUNTANTS' REPORT (Cont'd)

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)**(a) Summarised income statements (cont'd)****(iv) YSPS (cont'd)**

There were no extraordinary items in all the financial years/period under review.

There were no dividend declared or paid during the years/period under review.

Foreign Currency Translation

- The above are translated into Ringgit Malaysia ("RM") at the approximate exchange rates prevailing at the respective balance sheet dates
- The exchange rate used in the translation for the respective years/period under review are as follows :-

<u>Year ended 31 December</u>	<u>Exchange rate</u>
1998	SGD 1 : RM2.2766
1999	SGD 1 : RM2.2809
2000	SGD 1 : RM2.2107
2001	SGD 1 : RM2.0710
2002	SGD 1 : RM2.1917
 <u>Period ended 31 August</u>	
2003	SGD 1 : RM2.1703

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(a) Summarised income statements (cont'd)****(v) YS(P)**

The following table set out the summary of the results of YS(P) prepared based on audited financial statements of YS(P).

Periods/Years ended	31/12/2000 RM	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Revenue	-	1,583,993	2,520,285	2,182,762
Gross profit	-	269,464	428,785	434,720
Profit before amortisation, depreciation, interest and taxation	20,245	96,289	68,492	141,496
Amortisation	-	(2,340)	(19,854)	(6,497)
Depreciation	-	(9,412)	(14,896)	(8,511)
Interest expenses	-	(6,487)	-	-
Profit before taxation but after amortisation, depreciation and interest	20,245	78,050	33,742	126,488
Taxation	-	(11,625)	(686)	(42,384)
Profit after taxation	20,245	66,425	33,056	84,104
Weighted average number of ordinary shares issued	311,758	831,354	831,354	831,354
Gross EPS (sen)	6.49	9.39	4.06	15.21
Net EPS (sen)	6.49	7.99	3.98	10.12

13. ACCOUNTANTS' REPORT (Cont'd)

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)**(a) Summarised income statements (cont'd)****(v) YS(P) (Cont'd)**

YS(P) was incorporated on 14 August 2000 and its first set of audited financial statements was for the financial period ended 31 December 2000.

There were no extraordinary items in all the financial periods/years under review.

There were no dividend declared or paid during the years/period under review.

Foreign Currency Translation

- The above are translated into RM at the approximate exchange rates prevailing at the respective balance sheet dates
- The exchange rate used in the translation for the respective periods/years under review are as follows :-

<u>Period/Year ended 31 December</u>	<u>Exchange rate</u>
2000	PESO 1: RM0.0761
2001	PESO 1: RM0.0757
2002	PESO 1 :RM0.0715
 <u>Period ended 31 August</u>	
2003	PESO 1 :RM0.0694

- (vi) The summarised income statements for KYSP, MYSP and YSP (C) were not prepared as they are immaterial to the Group.

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(b) Summarised balance sheets**

The summarised balance sheets of the major subsidiary companies in the YSPSAH Group based on the audited financial statements are set out below:

The Proforma Group below is provided for illustrative purposes only to show the effects of the Acquisition of YSSEA and Settlement of Inter-Company Debts of YSPSAH with the assumption that these transactions were completed on 31 December and 31 August of the respective years/period.

(i) YSPSAH PROFORMA GROUP

Years/Period ended	31/12/1998 RM	31/12/1999 RM	31/12/2000 RM	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Share capital	46,750,000	46,750,000	46,750,000	46,750,000	46,750,000	46,750,000
Share premium	5,614,264	5,614,264	5,614,264	5,614,264	5,614,264	5,614,264
Reserve	-	-	-	1,376	5,212,826	10,147,169
Accumulated loss	-	-	-	(1,208)	(3,904)	(5,525)
	52,364,264	52,364,264	52,364,264	52,364,432	57,573,186	62,505,908
Minority interest	-	-	-	3	3	5
Deferred taxation	529,000	529,000	529,000	529,000	529,000	529,000
Term loans	13,022,000	8,426,000	4,572,000	5,334,000	3,048,000	762,000
Hire purchase creditors	43,114	-	-	-	-	-
	65,958,378	61,319,264	57,465,264	58,227,435	61,150,189	63,796,913
Property, plant and equipment	17,228,940	17,490,302	21,200,416	21,647,122	23,307,839	23,633,525
Intangible assets	35,334	30,899	-	1,376	1,441	1,348
Goodwill	19,059,591	15,697,480	7,690,611	-	-	-
Current assets	34,300,164	37,354,482	39,545,390	47,934,900	51,957,798	54,288,818
Less : Current liabilities	4,665,651	9,253,899	10,971,153	11,355,963	14,116,889	14,126,778
Net current assets	29,634,513	28,100,583	28,574,237	36,578,937	37,840,909	40,162,040
	65,958,378	61,319,264	57,465,264	58,227,435	61,150,189	63,796,913
Net tangible assets per share (RM)	0.71	0.78	0.96	1.12	1.23	1.34

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(b) Summarised balance sheets (cont'd)****(ii) YSPSAH**

Period/year ended	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Share capital	1,000	1,000	1,000
Unappropriated profit	(1,208)	(3,904)	(5,525)
	(208)	(2,904)	(4,525)
Current assets	3,000	2,980	2,960
Less : Current liabilities	3,208	5,884	7,485
Net current liabilities	(208)	(2,904)	(4,525)
	(208)	(2,904)	(4,525)
Net tangible liabilities per share (RM)	0.21	2.90	4.53

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(b) Summarised balance sheets (cont'd)****(iii) YSPI**

Years/ Period ended	31/12/1998 RM	31/12/1999 RM	31/12/2000 RM	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Share capital	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000
Share premium	-	-	-	-	-	-
Revaluation reserve	-	-	2,927,852	2,927,852	2,927,852	2,927,852
Unappropriated profit	620,869	4,052,170	9,094,094	15,995,073	20,963,685	25,749,598
	27,620,869	31,052,170	39,021,946	45,922,925	50,891,537	55,677,450
Deferred taxation	529,000	529,000	529,000	529,000	529,000	529,000
Term loans	13,022,000	8,426,000	4,572,000	5,334,000	3,048,000	762,000
Hire purchase creditors	43,114	-	-	-	-	-
	41,214,983	40,007,170	44,122,946	51,785,925	54,468,537	56,968,450
Property, plant and equipment	16,214,411	16,508,043	20,240,151	20,971,723	22,583,676	22,945,261
Investment in subsidiary companies	-	416,154	301,061	-	-	-
Current assets	31,406,464	33,523,696	36,870,234	39,676,108	44,121,474	48,516,427
Less: Current liabilities	6,405,892	10,440,723	13,288,500	8,861,906	12,236,613	14,493,238
Net current assets	25,000,572	23,082,973	23,581,734	30,814,202	31,884,861	34,023,189
	41,214,983	40,007,170	44,122,946	51,785,925	54,468,537	56,968,450
Net tangible assets per share (RM)	1.02	1.15	1.45	1.70	1.88	2.06

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(b) Summarised balance sheets (cont'd)****(iv) YSPS**

Years/ Period ended	31/12/1998 RM	31/12/1999 RM	31/12/2000 RM	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Share capital	2,224,861	2,224,861	2,224,861	2,224,861	2,224,861	2,224,861
Exchange fluctuation reserve	252,558	257,728	166,504	(31,125)	137,892	105,689
Unappropriated profit	259,877	483,464	736,001	706,305	935,647	1,343,360
	<u>2,737,296</u>	<u>2,966,053</u>	<u>3,127,366</u>	<u>2,900,041</u>	<u>3,298,400</u>	<u>3,673,910</u>
Property, plant and equipment	1,014,529	982,259	953,915	615,070	678,419	649,528
Intangible assets	31,439	24,848	-	-	-	-
Current assets	2,119,782	2,368,095	2,755,558	2,994,411	3,286,914	4,242,541
Less: Current liabilities	428,454	409,149	582,107	709,440	666,933	1,218,159
Net current assets	<u>1,691,328</u>	<u>1,958,946</u>	<u>2,173,451</u>	<u>2,284,971</u>	<u>2,619,981</u>	<u>3,024,382</u>
	<u>2,737,296</u>	<u>2,966,053</u>	<u>3,127,366</u>	<u>2,900,041</u>	<u>3,298,400</u>	<u>3,673,910</u>
Net tangible assets per share (RM)	2.55	2.77	2.94	2.73	3.10	3.46

Foreign Currency Translation

- The above are translated into RM at the approximate exchange rates prevailing at the respective balance sheet dates.
- The exchange rate used in the translation for the respective years/period under review are as follows :-

<u>Year ended 31 December</u>	<u>Exchange rate</u>
1998	SGD 1 : RM2.2766
1999	SGD 1 : RM2.2809
2000	SGD 1 : RM2.2107
2001	SGD 1 : RM2.0710
2002	SGD 1 : RM2.1917
<u>Period ended 31 August</u>	
2003	SGD 1 : RM2.1703

13. ACCOUNTANTS' REPORT (Cont'd)**5. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(b) Summarised balance sheets (cont'd)****(v) YS(P)**

Periods/Years ended	31/12/2000 RM	31/12/2001 RM	31/12/2002 RM	31/8/2003 RM
Share capital	762,000	762,000	762,000	762,000
Exchange fluctuation reserve	(129,340)	(130,772)	(153,735)	(179,725)
Unappropriated profit	20,245	86,670	119,727	207,837
	<u>652,905</u>	<u>717,898</u>	<u>727,992</u>	<u>790,112</u>
Property, plant and equipment	-	53,474	39,638	30,417
Intangible assets	-	1,376	1,441	1,348
Current assets	664,748	2,831,798	2,452,629	2,638,779
Less: Current liabilities	11,843	2,168,750	1,765,716	1,880,432
Net current assets	<u>652,905</u>	<u>663,048</u>	<u>686,913</u>	<u>758,347</u>
	<u>652,905</u>	<u>717,898</u>	<u>727,992</u>	<u>790,112</u>
Net tangible assets per share (RM)	0.79	0.86	0.88	0.95

YS(P) was incorporated on 14 August 2000 and its first set of audited financial statements was for the period ended 31 December 2000.

Foreign Currency Translation

- The above are translated into RM at the approximate exchange rates prevailing at the respective balance sheet dates
- The exchange rate used in the translation for the respective periods/years under review are as follows :-

<u>Year ended 31 December</u>	<u>Exchange rate</u>
2000	PESO 1: RM0.0761
2001	PESO 1: RM0.0757
2002	PESO 1: RM0.0715
<u>Period ended 31 August</u>	
2003	PESO 1: RM0.0694

- (vi) The summarised balance sheets for KYSP, MYSP and YSP (C) were not prepared as they were immaterial to the Group.

13. ACCOUNTANTS' REPORT (Cont'd)**6. STATEMENT OF ASSETS AND LIABILITIES**

The following is a statement of assets and liabilities of Y.S.P. Southeast Asia Holding Berhad ("YSPSAH") and the proforma Group prepared based on the audited financial statements of YSPSAH and YSSEA Group as at 31 August 2003.

The Proforma YSPSAH Group's statement of assets and liabilities have been prepared for illustrative purposes, based on the balance sheets as at 31 August 2003 incorporating the effects of the Acquisitions of YSSEA Group, Settlement of Inter-Company Debt, Offer for Sale and initial public offerings (including the Private Placement and public issue) on the assumption that these transactions had been effected on 31 August 2003.

	Note	Proforma Group RM	Company RM
PROPERTY, PLANT AND EQUIPMENT	6.2	23,633,525	-
INTANGIBLE ASSETS		1,348	-
CURRENT ASSETS			
Inventories	6.3	18,896,712	-
Receivables	6.4	27,375,369	-
Tax recoverable		273,805	-
Fixed deposits and licensed banks	6.5	2,094,155	-
Cash and bank balances		15,946,277	2,960
		<u>64,586,318</u>	<u>2,960</u>
CURRENT LIABILITIES			
Payables	6.6	10,915,177	7,485
Loan and borrowings	6.7	3,048,000	-
Tax payable		163,601	-
		<u>14,126,778</u>	<u>7,485</u>
NET CURRENT ASSETS/(LIABILITIES)		50,459,540	(4,525)
LOAN AND BORROWINGS	6.7	(762,000)	-
MINORITY INTEREST		(5)	-
DEFERRED TAXATION		(529,000)	-
		<u>72,803,408</u>	<u>(4,525)</u>
SHARE CAPITAL	6.8	55,000,000	1,000
RESERVES	6.9	17,803,408	(5,525)
SHAREHOLDERS' FUNDS		<u>72,803,408</u>	<u>(4,525)</u>

13. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES****6.1 SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Preparation of the Financial Statements**

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Accounting Convention

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the other significant accounting policies.

(c) Basis of Consolidation

The consolidated financial statements incorporated the audited financial statements of YSPSAH and its subsidiary companies made up to 31 August 2003, except for Myanmar Yung Shin Pharma Limited and Y.S.P. Cambodia Pte Ltd which are based on unaudited management financial statements made up to 31 August 2003. All significant inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The results of the subsidiary companies acquired is included in the consolidated income statement from the date of acquisition until the date of disposal.

Any difference between the cost of investment and the net worth at the date of acquisition is included in the consolidated balance sheet as reserve/goodwill arising on consolidation. It is retained in the consolidated balance sheet and will be written off immediately to the recoverable amount where an indication impairment exists.

(d) Subsidiary Company

A subsidiary company is a company in which the Group or the Company has a long term equity interest of more than 50 per cent where there is management participation through Board of Directors' representation.

Investments in subsidiary companies are stated at cost unless, in the opinion of the Directors, there has been an indication of impairment, in which case, provision is made for the diminution in value.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation on property, plant and equipment is calculated on a straight line method at the following annual rates based on their estimated useful life:-

Freehold building	2%
Long leasehold building	2%
Furniture and fittings	10%
Office equipment	10%
Plant and machinery	10%
Motor vehicles	20%
Laboratory equipment	10%
Long leasehold land	over the remaining term of lease of 83 years

13. ACCOUNTANTS' REPORT (Cont'd)**6.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) Property, plant and equipment (cont'd)**

The Group revalues its properties comprising land and buildings every 5 years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surplus arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount will be charged to the income statement.

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is permanently less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

(f) Foreign currency translation

Foreign currencies translation have been translated into Ringgit Malaysian at the rates of exchange ruling on the transaction dates. All foreign currency assets and liabilities at the balance sheet date are translated into Ringgit Malaysian at approximate exchange rates ruling at that date. Unrealised gains and losses arising from the translation of current assets and liabilities are dealt with in the income statement.

For the purposes of consolidation, net assets of the foreign subsidiary companies are translated into Ringgit Malaysia at the exchange rate ruling at the balance sheet date while the income statement is translated into Ringgit Malaysian at the average exchange rate for the financial year. Exchange differences arising from such transaction are taken to the exchange fluctuation reserve. The Directors regard all the foreign subsidiary companies as foreign entity.

The closing rates used in the translation were as follows:-

Foreign Currency	RM
1 SGD	2.1703
1 US Dollar	3.8037
1 Peso	0.06937
1 New Taiwan Dollar	0.1112

(g) Intangible assets

Expenditure on acquired patents, trademarks and licenses is capitalised and amortised using the straight line method over their useful lives or 20 years, which ever is shorter. Intangible assets are not revalued.

13. ACCOUNTANTS' REPORT (Cont'd)

6.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(h) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work in progress are determined using the weighted average method. Cost of raw material and packaging material is determined using the First-In-First-Out method. Cost includes all expenses incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

(i) Receivables

Receivables are carried at anticipated realizable value. Bad debts are written off in the period in which they are identified. An allowance is made for doubtful debts based on a review of all outstanding amounts at the financial year end.

(j) Deferred Taxation

Deferred taxation is provided on the liability method for taxation which is deferred due to differences between the net book value of property, plant and equipment eligible for capital allowances and the tax written down value of these property, plant and equipment and on any other timing differences existing at the end of the financial year.

Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(k) Revenue Recognition**Group**

Revenue are recognised upon delivery of products to customer, net of sales tax and trade discounts.

Company

Investment income is recognised when the right to receive payment is established.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(m) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit.

13. ACCOUNTANTS' REPORT (Cont'd)

6.1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Impairment of assets (cont'd)

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same assets.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in income statement.

(n) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6.2 PROPERTY, PLANT AND EQUIPMENT

Proforma Group	<u>Land and buildings</u> RM	<u>Plant, machinery and equipment</u> RM	<u>Motor vehicles</u> RM	<u>Furniture, fittings and renovation</u> RM	Total RM
At cost or at valuation					
Additions through acquisition of subsidiary companies/ At end of period	17,758,090	10,051,420	1,036,203	3,514,915	32,360,628
Accumulated depreciation					
Additions through acquisition of subsidiary companies/ At end of period	786,338	6,135,963	611,136	1,193,666	8,727,103
Net book value					
31 August 2003	16,971,752	3,915,457	425,067	2,321,249	23,633,525

13. ACCOUNTANTS' REPORT (Cont'd)**6.2 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Analysis of land and buildings:-

At valuation	<u>Freehold land</u> RM	<u>Freehold buildings</u> RM	<u>Long leasehold Land</u> RM	<u>Long leasehold building</u> RM	<u>Total</u> RM
Additions through acquisition of subsidiary companies/ At end of period	1,870,000	530,000	4,565,000	10,793,090	17,758,090
Accumulated depreciation					
Additions through acquisition of subsidiary companies/ At end of period	-	42,941	144,207	599,190	786,338
Net book value 31 August 2003	1,870,000	487,059	4,420,793	10,193,900	16,971,752

Freehold and leasehold properties of certain subsidiary companies were revalued by Directors in year 2001 and 2000 based on an independent professional valuations using the open market basis and incorporated into financial statements in the same year.

Long leasehold land and building have been pledged to a licensed bank as collateral for credit facilities granted to a subsidiary company.

Had the land and buildings been carried at historical cost less accumulated depreciation, the net book value of the revalued assets at the end of the financial year are as follows:-

	<u>RM</u>
Freehold land and buildings	1,076,186
Long leasehold land	977,581
Long leasehold building	<u>12,277,445</u>

6.3 INVENTORIES

	Proforma Group RM
At cost:-	
Raw material	4,172,581
Work-in-progress	2,823,040
Finished goods	10,632,235
Packaging materials	<u>1,268,856</u>
	<u>18,896,712</u>

13. ACCOUNTANTS' REPORT (Cont'd)**6.4 RECEIVABLES**

	Proforma Group RM
Trade receivables	23,092,509
Less: Provision for doubtful debts	<u>(949,590)</u>
	22,142,919
Other receivables	5,168,444
Amount due from related companies	<u>64,006</u>
	<u>27,375,369</u>

Amount due from related companies is unsecured, interest free and has no fixed term of repayment.

6.5 FIXED DEPOSITS WITH LICENSED BANKS

The above fixed deposits are pledged to the banks for banking facilities granted to a subsidiary company.

6.6 PAYABLES

	Proforma Group RM	Company RM
Trade payables	3,872,493	-
Other payables	4,331,398	7,485
Amount due to ultimate holding company	2,561,290	-
Amount due to companies in which Directors have interest	<u>149,996</u>	<u>-</u>
	<u>10,915,177</u>	<u>7,485</u>

Amounts due to ultimate holding company and companies in which Directors have interest are unsecured, interest free and have no fixed term of repayment.

13. ACCOUNTANTS' REPORT (Cont'd)**6.7 BANK BORROWINGS**

	Proforma Group RM
Unsecured:	
Payable after 12 months	762,000
Payable within 12 months	<u>3,048,000</u>
Term loan	<u>3,810,000</u>

The term loan of the subsidiary company is guaranteed by a substantial shareholder and a Director of the subsidiary company, bears interest at the rate of 1% per annum above London Interbank Offered Rate (LIBOR) and repayable in 8 quarterly instalments of USD 200,000 each commencing 10 August 2001 with a final payment of USD 400,000.

6.8 SHARE CAPITAL

	Proforma Group RM
Authorised :-	
Ordinary shares of RM1.00 each	<u>100,000,000</u>
Issued and fully paid:-	
Ordinary shares of RM1.00 each	1,000
Ordinary shares of RM1.00 each issued as consideration for acquisition of subsidiary companies	44,125,416
Ordinary shares of RM1.00 each issued as settlement of intercompany debts	2,623,584
Public offer	<u>8,250,000</u>
	<u>55,000,000</u>

6.9 RESERVES

	Proforma Group RM	Company RM
Distributable		
Unappropriated profit	(5,525)	(5,525)
Non-distributable		
Share premium	7,661,764	-
Reserve on consolidation	<u>10,147,169</u>	<u>-</u>
	<u>17,803,408</u>	<u>(5,525)</u>

13. ACCOUNTANTS' REPORT (Cont'd)**6.10 FINANCIAL INSTRUMENTS****(a) Interest rate risk**

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interests rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities, are as follows:-

Group 31 August 2003	Less than <u>1 year</u> RM	1 to 5 <u>years</u> RM	<u>Total</u> RM	Effective Interest rate during the <u>period</u>
<u>Finance assets</u>				
Fixed deposits with licensed bank	2,094,155	-	2,094,155	1.10% - 2.20%
<u>Financial liabilities</u>				
Term loan	3,048,000	762,000	3,810,000	2.78% - 3.05%

(b) Credit risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

The Group has no significant concentration of credit risk with any single counterparty.

(c) Fair values

The carrying amounts of financial assets and liabilities at the balance sheet date approximated their fair values.

6.11. SIGNIFICANT EVENTS SUBSEQUENT TO 31 AUGUST 2003

On 26 September 2003, the Securities Commission had approved the Initial Public Offer ("IPO") scheme of YSPSAH. Among the salient terms of the agreement were as follows:-

- (i) Offer for sale of 16,499,700 ordinary shares of RM1.00 each in YSPSAH ("Shares"), representing 30% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to Bumiputra investors approved by MITI at an offer price of RM1.43 per Share ("Offer for sale");
- (ii) Public issue of 2,750,000 new Shares, representing 5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the eligible employees of the YSPSAH Group at an issue price of RM1.43 per Share;

13. ACCOUNTANTS' REPORT (Cont'd)**6.11. SIGNIFICANT EVENTS SUBSEQUENT TO 31 AUGUST 2003 (CONT'D)**

- (iii) Private placement of 2,500,000 new Shares, representing approximately 4.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to investors identified by the placement agent at an issue price of RM1.43 per Share ("Private Placement");
- (iv) Public issue of 3,000,000 new Shares representing approximately 5.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the Malaysian general public at an issue price of RM1.43 per Share; and
- (v) Admission to the Official List of the KLSE for the listing of and quotation for the entire issued and paid-up share capital of YSPSAH comprising 55,000,000 Shares on the Second Board of the KLSE.

On 30 September 2003, the Company has allotted additional 46,749,000 shares by way of acquisition of YSSEA and Settlement of Inter-Company Debt.

6.12. NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the statement of assets and liabilities of YSPSAH Group as at 31 August 2003, the net tangible assets per share is calculated as follows: -

	Proforma Group RM
Net tangible assets (NTA) as per YSPSAH Group's statement of assets and liabilities	<u>72,802,060</u>
Total number of fully issued and paid-up ordinary shares of RM1.00 each	<u>55,000,000</u>
NTA per ordinary share of RM1.00	<u>1.32</u>

13. ACCOUNTANTS' REPORT (Cont'd)**7. CONSOLIDATED CASH FLOW STATEMENT**

The following is a cash flow statement of the Proforma YSPSAH Group prepared based on the audited financial statements of YSPSAH and YSSEA for the financial period ended 31 August 2003.

The Proforma YSPSAH Group's cash flow statement has been prepared for illustrative purposes based on the audited financial statements for the financial period ended 31 August 2003 by incorporating the effects of the acquisitions of YSSEA.

	<u>Note</u>	<u>31 August 2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		RM
Profit before taxation		6,725,681
Adjustment for:-		
Amortisation of intangible asset		186
Bad debts written off		9,626
Depreciation		970,840
Exchange loss-unrealised		50,282
Gain on disposal of property, plant and equipment		(58)
Interest expenses		96,984
Interest income		(65,152)
Inventories written off		83,202
Provision for doubtful debts		194,027
Provision for doubtful debts no longer required		(67,512)
Operating profit before working capital changes		7,998,106
Changes in working capital:-		
Receivables		(3,810,451)
Inventories		(3,561,793)
Payables		2,125,549
Ultimate holding company		(1,375,265)
Holding company		111,151
Related companies		9,282
Cash generated from operations		1,496,579
Interest paid		(96,984)
Tax paid		(1,975,827)
Interest received		65,152
Net cash used in operating activities		(511,080)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of intangible assets		(137)
Purchase of property, plant and equipment		(1,304,346)
Proceeds from sale of property, plant and equipment		61
Net cash used in investing activities		(1,304,422)

13. ACCOUNTANTS' REPORT (Cont'd)**7. CONSOLIDATED CASH FLOW STATEMENT (CONT'D)**

	<u>Note</u>	<u>31 August 2003</u>
		RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans		<u>(2,286,000)</u>
Net cash used in financing activities		<u>(2,286,000)</u>
CASH AND CASH EQUIVALENTS		
Net decrease		(4,101,502)
At beginning of period		<u>11,844,434</u>
At end of period	A	<u><u>7,742,932</u></u>

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balance sheet amounts:-

	RM
Cash and bank balances	5,648,777
Fixed deposits	<u>2,094,155</u>
	<u><u>7,742,932</u></u>

13. ACCOUNTANTS' REPORT *(Cont'd)*


Shamsir Jasani Grant Thornton 

8. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 August 2003.

Yours faithfully,


SHAMSIR JASANI GRANT THORNTON
Firm Number: AF-737
Chartered Accountants


Dato' N K Jasani
Partner
Approval Number: 708/03/04(J/PH)