

15. **DIRECTORS' REPORT**

(Prepared for inclusion in the Prospectus)



Y.S.P. Southeast Asia Holding Bhd. (552781X)

HEAD OFFICE

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Registered office:

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No. 1, Jalan Tun Mohd Fuad

Taman Tun Dr. Ismail

60000 Kuala Lumpur

16 December 2003

The shareholders of Y.S.P. Southeast Asia Holding Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Y.S.P. Southeast Asia Holding Berhad ("Y.S.P.SAH" or the "Company"), I report after due and careful enquiry that during the period from 31 August 2003 (being the date to which the last audited accounts of the Company and its subsidiary companies have been made) to 16 December 2003 (being a date not earlier than fourteen days before the issuance of this Prospectus):

- (i) the business of Y.S.P.SAH and its subsidiary companies has, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or of its subsidiary companies;
- (iii) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities by reason of any guarantees or indemnities given by the Company or any of its subsidiary companies;
- (v) since the last audited accounts of the Company and its subsidiary companies, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and
- (vi) since the last audited accounts of the Company and its subsidiary companies, save as disclosed in the Accountants' Report and the proforma consolidated balance sheets of Y.S.P.SAH as at 31 August 2003 enclosed in this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of Y.S.P.SAH and its subsidiary companies.

Yours faithfully

For and on behalf of the Board of Directors

Y.S.P. Southeast Asia Holding Berhad

Datuk Dr. Anis bin Ahmad
Chairman

16. FURTHER INFORMATION

16.1 Share capital

- (a) No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.
- (b) There are no founder, management or deferred shares in the Company. There is only one class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (c) Save for the 2,750,000 Issue Shares reserved for subscription by the eligible employees of the Y.S.P.SAH Group, there is at present no other scheme for or involving the employees in the share capital of the Company or its subsidiaries.
- (d) Save as disclosed in Section 6.3 of this Prospectus, no shares, stocks or debentures in the Company or its subsidiaries have been issued or are proposed to be issued as partly or fully paid-up in cash or otherwise than in cash within the 2 years preceding the date of this Prospectus.
- (e) As at the date of this Prospectus, the Company and its subsidiaries do not have any outstanding convertible debt securities.
- (f) None of the capital of the Company or any of its subsidiaries has been put under any option or has been agreed conditionally or unconditionally to be put under any option.

16.2 Articles of Association

The following provisions are reproduced from the Company's Articles of Association, the KLSE's Listing Requirements, the Act and the Rules of MCD.

Terms defined in the Articles of Association of the Company shall have the same meanings when used here unless otherwise defined or the context herein requires:

(a) Transfer of securities

The provisions in the Company's Articles of Association on the transfer of Shares are as follows:

Article 28 – Execution of transfer

Subject to the provisions of the Central Depositories Act, the Rules and these Articles, any Member may transfer all or any of his shares in the manner prescribed under the Rules and approved by the Exchange. The transfer of any shares shall be by way of book entry by the Central Depository in accordance with the Rules and notwithstanding Sections 103 and 104 of the Act but subject to Sections 107C(1) and 107C(2) of the Act, the Company shall be precluded from registering and effecting any transfer of shares.

16. FURTHER INFORMATION (Con't)

Article 29 – Liability over transfer

Subject to the provisions of the Act, the Central Depositories Act and the Rules, neither the Company nor any of its Directors or other officers shall incur any liability for acting upon a transfer of shares registered by the Central Depository, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although transferred, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Article 30 – Refusal to register

The Directors may decline to effect the registration of any transfer of shares if such shares are not fully paid up or the Company has a lien on them or otherwise if the transfer does not comply with the provisions of the Act, the Central Depositories Act and the Rules.

Article 31 – Notice of refusal

Any Member whose transfer of shares has been refused shall be notified of the precise reasons thereof or dealt with in accordance with the Act, the Central Depositories Act and the Rules.

Article 32 – Suspension of registration

The registration of transfers may be suspended at such times and for such duration as the Directors may from time to time determine provided the period shall not exceed thirty (30) days in the aggregate in any one year. Any suspension shall comply with the notice requirements applicable to Members and the Central Depository as prescribed by the Act, the Central Depositories Act or the Rules

Article 33 - Renunciation

Subject to the provisions of these Articles, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

Listing Requirements of the KLSE

The provisions of the Listing Requirements of the KLSE on the transferability of securities are as follows:

Paragraph 7.13 – Transfer of Securities

The transfer of any securities or class of securities of the company, shall be by way of book entry by the Central Depository in accordance with the Rules of the Central Depository and, notwithstanding Sections 103 and 103 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the company shall be precluded from registering and effecting any transfer of securities.

Paragraph 7.14 – Transmission of securities from foreign register

- (1) Where:
 - (a) the securities of a company are listed on an Approved Market Place; and

16. FURTHER INFORMATION (Con't)

- (b) such company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act, 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,

such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.

- (2) For the avoidance of doubt, no company which fulfils the requirements of paragraphs (a) and (b) of Paragraph 7.14 part (1) shall allow any transmission of securities from the Malaysian Register into the Foreign Register.

Companies Act, 1965

The provisions within the Act on the transferability of securities are as follows:

Section 103 – Instrument of transfer

- (1) Notwithstanding anything in its articles a company shall not register a transfer of shares or debentures unless a proper instrument of transfer in the prescribed form has been delivered to the company, but this subsection shall not prejudice any power to register as a shareholder or debenture holder any person to whom the right to any shares in or debentures of the company has been transmitted by operation of law.
- (1A) Nothing in this section shall be construed as affecting the validity of any instrument which would be effective to transfer shares or debentures apart from this section; and any instrument purporting to be made in any form which was common or usual in use, or in any other form authorised or required for that purpose apart from this section before the commencement of this Act, shall be sufficient, whether or not it is completed in accordance with the prescribed form, if it complies with the requirements as to execution and contents which apply to a transfer.

Provided that a company shall be precluded from registering a transfer of shares or debentures, the title of which is evidenced by a certificate that is issued on or after the date of coming into operation of this subsection unless a proper instrument of transfer in the prescribed form has been delivered to the company.

Section 107C – Transfer of securities is by way of book entry

- (1) On or after the coming into operation of this section, the transfer of any securities or class of securities of a company whose securities or any class of whose securities have been deposited with a central depository shall be by way of book entry by the central depository in accordance with the rules of the central depository and, notwithstanding Sections 103 and 104, such company shall be precluded from registering and effecting any transfer of securities.

16. FURTHER INFORMATION (Con't)

- (2) Subsection (1) shall not apply to a transfer of securities to a central depository or its nominees company.

Rules of MCD

The rules within MCD on the transferability of securities are as follows:

Rule 8.01 (2) – Rejection of transfer

The Central Depository may, in its absolute discretion, reject a transfer request made by a depositor thereunder, where the reason for the said transfer does not fall within any of the approved reasons stipulated under Rule 8.03(1)(c).

Rule 8.05A – Transfers from the principal or nominee account

Transfers made by the authorised depository agent from the agent's principal or nominee account shall be subject to the Rules in this Chapter.

Rule 9.03(2) – Documents to lodge

It shall be the responsibility of the authorised depository agent, in processing the transfer between two securities accounts belonging to different depositors (hereinafter the transfer is referred to as "the inter-account transfer"), to check and ensure the completeness, accuracy and/or genuineness of the documents lodged as follows:

- (a) the prescribed Form FTF010 (request for ordinary transfer of security form) or Form FTF015 (request for express transfer of securities form) fully and properly completed in triplicate;
- (b) the Transferring Depositor has executed the Transferor portion on the said form duly witnessed by another person (other than the Depositor's spouse);
- (c) the Transferring Depositor has stated his reason for the transfer and that the reason is or are amongst any of the approved reasons as stated herein below:
 - (i) transmission and transfer of securities arising from the provisions of any written law or an order of court of competent jurisdiction;
 - (ii) rectification of errors;
 - (iii) pledge, charge or mortgage;
 - (iv) mandatory offer pursuant to the provisions of the Malaysian Code On Take-over and Mergers 1998;
 - (v) any other circumstances as deemed fit by the Central Depository after consultation with the Securities Commission;
- (d) documents to support the reason for the transfer; and
- (e) such other accompanying documents duly processed in such manner as the Central Depository may from time to time determine in its Procedures Manual.

16. FURTHER INFORMATION (Con't)

(b) Remuneration of Directors

The provisions in the Company's Articles of Association dealing with the remuneration of Directors are as follows:

Article 94 – Directors' remuneration

- (1) The fees payable to the Directors (except salaries payable to executive Directors for their services) shall from time to time be determined by a resolution of the Company in general meeting. Provided that such fees shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- (2) The Directors shall also be paid such travelling, hotel and other expenses properly and reasonably incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company as the Directors may determine.
- (3) Save as provided in Article 94(1) hereof, an executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another but shall not include a commission on or percentage of turnover) as the Directors may determine.
- (4) Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover.
- (5) Any fee paid to an Alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 95 – Reimbursement of expenses

- (1) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a Committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or by a percentage of profits (applicable only if he is an executive Director) or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors, provided that no Director shall be remunerated by a commission on or percentage of turnover.
- (2) No payment shall be made to any Directors by way of compensation for loss of office or as consideration for or in consideration with his retirement from office unless particulars with respect to the proposed payment (including the amount thereof) have been disclosed to the Members and the proposal has been approved by the Company in general meeting.

16. FURTHER INFORMATION (Con't)

(c) Voting and borrowing powers of Directors

The provisions in the Company's Articles of Association dealing with the voting and borrowing powers of Directors are as follows:

Article 99 – Directors' borrowing powers

- (1) The Directors may exercise all the powers of the Company to borrow any sum or sums of money from any person, bank, firm or company (expressly including any person holding the office of Director) and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its wholly owned subsidiaries or of any related or associated corporation. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for the payment of money, the performance of contracts or obligations, or for the benefit or interest of the Company or of any subsidiary corporation.
- (2) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 112 – Votes of Directors

Subject to these Articles any question arising at any meeting of Directors shall be decided by a majority of Directors shall for all purposes be deemed a determination of the Directors. Each Director shall have one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote except where at the meeting only two (2) Directors form the quorum or only two (2) Directors are competent to vote on the question at issue

Article 114 – Disclosure of interest

Every Director shall comply with the provisions of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interest might be created in conflict with his duty of interest as a Director of the Company. No Director shall as a Director vote in respect of any contract or arrangement in which he is so interested, and, if he does so vote, his vote shall not be counted.

Article 115 – Restriction on voting

A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a personal interest not shall he be counted for the purpose of any resolution regarding the same, in the quorum present at the meeting.

Article 116 – Relaxation of restriction on voting

A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the terms of any such appointment are considered, he may vote on any such matter other than in respect of his own appointment and/or the fixing of the terms thereof.

16. FURTHER INFORMATION (Con't)

Article 117 – Power to vote

A Director may vote in respect of:

- (1) any arrangement for giving the Director himself or any other Director for any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (2) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by deposit of a security.

(d) Changes in share capital and variation of rights

The provisions in the Company's Articles of Association dealing with the changes in share capital and variation of rights are as follows:

Article 52 – Power to increase capital and conditions of issue

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting

Article 56 – Power to alter capital

The Company may by ordinary resolution:

- (1) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; or
- (2) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the other or any other of such shares; or
- (3) cancel any shares which at the date of the passing of the resolution in that behalf have not been taken, agreed to be taken by any persons or shares which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 57 – Power to reduce capital

The Company may by special resolution reduce its share capital and any capital redemption reserve fund or any share premium account in any manner subject to any conditions and any consent required by law. The Company shall give notice to the Registrar in accordance with the Act of such alteration in capital.

16. FURTHER INFORMATION (Con't)

Article 48 – Conversion of shares into stock

The Company may by ordinary resolution passed at a general meeting convert any paid up shares into stock and reconvert any stock into paid up shares of any denomination.

Article 8 – Modification of class rights

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of these Articles (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares of the class or group, or with the sanction of any special resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of these Articles relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-third in nominal amount of the issued shares of the class or group (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively.

Article 9 – Ranking of class rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith but in no respect in priority thereto.

16.3 Directors and substantial shareholders

- (a) The names, addresses and occupations of the Directors are set out under the “Corporate Directory” section of this Prospectus.
- (b) A Director is not required to hold any qualification shares in the Company unless otherwise so fixed by the Company in general meeting.
- (c) As at the date of this Prospectus, none of the Directors of the Company have any existing or proposed service contracts with the Y.S.P.SAH Group, which is not terminable by notice without payments or compensation other than by statutory compensation.
- (d) Other than remuneration in the normal course of employment, no amount or benefit has been paid or given by the Company within the two years preceding the date of this Prospectus, nor is it intended to be so paid or given, to any Promoter.
- (e) Save as disclosed in Section 4.1(t) of this Prospectus, there are no persons who directly or indirectly, jointly or severally, exercise control over the Company and its subsidiaries.

16. FURTHER INFORMATION (Con't)

- (f) Based on the Register of Directors' shareholdings as at 10 December 2003, the Directors and their respective shareholdings in the Company before and after the IPO are as follows:

Directors	←-----Before the IPO *----->				←-----After the IPO----->			
	←---Direct--->		←--Indirect-->		←---Direct--->		←--Indirect-->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Dr. Anis bin Ahmad	300	#	-	-	2,555,000	4.6	-	-
Dr. Lee Fang Hsin	2,503,237	5.4	40,326,009(a)	86.2	1,620,160	2.9	26,091,588(a)	47.4
Lee Tien-Te	854,095	1.8	41,975,151(b)	89.8	553,055	1.0	27,158,693(b)	49.4
Dr. Lee Fang-Yu	813,500	1.7	42,015,746(c)	89.9	526,052	1.0	27,185,588(c)	49.4
Dato' Koay Soon Eng	-	-	-	-	-	-	-	-
Tu Shu Yao	-	-	-	-	-	-	-	-

Notes:

Negligible.

* After Acquisition of YSSEA and Settlement of Inter-company Debt.

(a) Deemed interested by virtue of his family members' direct shareholding in Y.S.P.SAH and by virtue of his own together with his family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(b) Deemed interested by virtue of his family members' direct shareholding in Y.S.P.SAH and by virtue of his own together with his family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(c) Deemed interested by virtue of his family members' direct shareholding in Y.S.P.SAH and by virtue of his own together with his family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

- (g) Based on the Register of Substantial Shareholders' shareholdings as at 10 December 2003, the substantial shareholders and their respective shareholdings in the Company before and after the IPO are as follows:

Substantial shareholders	←-----Before the IPO *----->				←-----After the IPO----->			
	←---Direct--->		←--Indirect-->		←---Direct--->		←--Indirect-->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
YSP(INV)	35,830,411	76.6	-	-	23,184,300	42.2	-	-
Lee Tien-Te	854,095	1.8	41,975,151(a)	89.8	553,055	1.0	27,158,693(a)	49.4
Dr. Lee Fang-Yu	813,500	1.7	42,015,746(b)	89.9	526,052	1.0	27,185,696(b)	49.4
Dr. Lee Fang Hsin	2,503,237	5.4	40,326,009(c)	86.2	1,620,160	2.9	26,091,588(c)	47.4
Dr. Lee Fang-Chen @ Lee Fang-Chuan	650,062	1.4	42,179,184(d)	90.2	421,042	0.8	27,290,706(d)	49.6
Dr. Lee Fang-Jen	623,700	1.3	42,205,546(e)	90.3	403,040	0.7	27,308,708(e)	49.7
Lee Ling-Chim	486,623	1.0	42,342,623(f)	90.6	314,031	0.6	27,397,717(f)	49.8
Lee Ling-Fen	355,873	0.8	42,473,373(g)	90.8	230,023	0.4	27,481,725(g)	50.0
Lee-Chang Yu- Ying	711,745	1.5	42,117,501(h)	90.1	460,045	0.8	27,251,703(h)	49.6
Lembaga Tabung Haji	-	-	-	-	8,250,000#	15.0	-	-

16. FURTHER INFORMATION (Con't)

Substantial shareholders	←-----Before the IPO *----->				←-----After the IPO----->			
	←--Direct-->		←--Indirect-->		←--Direct-->		←--Indirect-->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Permodalan Nasional Berhad	-	-	-	-	4,000,000#	7.3	-	-
YSP International	-	-	35,830,411(i)	76.6	-	-	23,184,300(j)	42.2
YSP(TW)	-	-	35,830,411(j)	76.6	-	-	23,184,300(j)	42.2

Notes:

* After Acquisition of YSSEA and Settlement of Inter-company Debt.

Represent the number of Shares allocated to Lembaga Tabung Haji and Permodalan Nasional Berhad pursuant to the Offer for Sale, and assuming that they subscribe in full for the respective number of Shares allocated to them.

(a) Deemed interested by virtue of his family members' direct shareholding in Y.S.P.SAH and by virtue of his own together with his family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(b) Deemed interested by virtue of his family members' direct shareholding in Y.S.P.SAH and by virtue of his own together with his family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(c) Deemed interested by virtue of his family members' direct shareholding in Y.S.P.SAH and by virtue of his own together with his family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(d) Deemed interested by virtue of his family members' direct shareholding in Y.S.P.SAH and by virtue of his own together with his family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(e) Deemed interested by virtue of his family members' direct shareholding in Y.S.P.SAH and by virtue of his own together with his family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(f) Deemed interested by virtue of her family members' direct shareholding in Y.S.P.SAH and by virtue of her own together with her family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(g) Deemed interested by virtue of her family members' direct shareholding in Y.S.P.SAH and by virtue of her own together with her family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(h) Deemed interested by virtue of her family members' direct shareholding in Y.S.P.SAH and by virtue of her own together with her family members' shareholding of more than 15% in YSP(TW) which wholly owns YSP International which in turn wholly owns YSP(INV).

(i) Deemed interested by virtue of Section 6A of the Act, through its 100% interest in YSP(INV).

(j) Deemed interested by virtue of Section 6A of the Act, through its 100% interest in YSP International which in turn wholly owns YSP(INV).

16. FURTHER INFORMATION (Con't)

16.4 General

- (a) The nature of the Company's business is set out in Section 6.1 of this Prospectus.
- (b) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 17 of this Prospectus.
- (c) The time of the opening of the Application List for the IPO Shares is set out in Section 17.1 of this Prospectus.
- (d) The amount payable in full upon application is RM1.43 per IPO Share.
- (e) Particulars relating to the outstanding borrowings and contingent liabilities of the Group are disclosed in Section 12.1.5 of this Prospectus.
- (f) The name and address of the Auditors and Reporting Accountants of the Company are set out in the "Corporate Directory" section of this Prospectus.

16.5 Expenses and commissions

The estimated expenses in respect of the Public Issue relating to the underwriting commission, placement fees, brokerage, registration, share transfer fees and other expenses and fees incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board amounting to approximately RM1.5 million will be fully borne by the Company.

Brokerage is payable in respect of the Issue Shares at the rate of 1% of the IPO price of RM1.43 per Issue Share in respect of successful applications which bear the stamp of the parties disclosed in Section 3.9 of this Prospectus.

Placement fee is payable by the Company to the Placement Agent at the rate of 0.5% of the IPO price of RM1.43 per Issue Share as disclosed Section 3.9 of this Prospectus.

Underwriting commission is payable by the Company to the Underwriter at the rate of 2% of the IPO price of RM1.43 per Issue Share as disclosed in Section 3.9 of this Prospectus.

Save as disclosed above, no commissions, discounts, placement fees, brokerages or other special terms have, within the two years preceding the date of this Prospectus, been paid or granted or is payable to any Director, Promoter or expert or proposed Director for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in or debentures of the Company in connection with the issue or sale of any capital of the Company.

16.6 Public take-overs

During the last financial year and current financial year up to the date of this Prospectus:

1. there were no public take-over offers by third parties in respect of the Shares; and
2. there were no public take-over offers by the Company in respect of other company's ordinary shares.

16. FURTHER INFORMATION (Con't)**16.7 Material litigation**

Neither Y.S.P.SAH nor its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of Y.S.P.SAH or its subsidiaries and the Directors of Y.S.P.SAH have no knowledge of any proceedings pending or threatened against Y.S.P.SAH or its subsidiaries or of any facts likely to give rise to any proceedings which may materially and adversely affect the position and business of Y.S.P.SAH or its subsidiaries.

16.8 Material contracts

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Y.S.P.SAH and its subsidiary companies within the two years preceding the date of this Prospectus:

- (i) Contract dated 7 August 2003 entered between YSP(S) and Ubi Development Pte Ltd, Singapore ("Ubi"), wherein YSP(S) agreed to purchase from Ubi the terraced factory located at No. 10 Ubi Crescent, #06-57, Singapore 408564, measuring approximately 209 square metres for a cash consideration of SGD346,700.
- (ii) Contract dated 7 August 2003 entered between YSP(S) and Ubi Development Pte Ltd, Singapore ("Ubi"), wherein YSP(S) agreed to purchase from Ubi the terraced factory located at No. 10 Ubi Crescent, #06-58, Singapore 408564, measuring approximately 216 square metres for a cash consideration of SGD358,300.
- (iii) Sale and Purchase Agreement dated 13 August 2003 entered between YSPI and Perbadanan Kemajuan Negeri Selangor ("PKNS"), wherein YSPI agreed to purchase from PKNS the land known as Tapak No. 6, Jalan 9/7, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan measuring approximately 2,723.5 square metres for a cash consideration of RM749,106.00.
- (iv) Sale and Purchase Agreement dated 13 August 2003 entered between YSPI and PKNS, wherein YSPI agreed to purchase from PKNS the land known as Tapak No. 1, Jalan 9/8, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan measuring approximately 2,784.7 square metres for a cash consideration of RM915,780.00.
- (v) Sale and Purchase Agreement dated 13 August 2003 entered between YSPI and PKNS, wherein YSPI agreed to purchase from PKNS the land known as Tapak No. 4, Jalan 9/7, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan measuring approximately 2,723.5 square metres for a cash consideration of RM895,684.00.
- (vi) Sale and Purchase Agreement dated 13 August 2003 entered between YSPI and PKNS, wherein YSPI agreed to purchase from PKNS the land known as Tapak No. 2, Jalan 9/7, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan measuring approximately 2,983.8 square metres for a cash consideration of RM981,198.00.
- (vii) Sale and Purchase Agreement dated 19 August 2003 entered into between YSPI and PKNS, wherein YSPI agreed to purchase from PKNS the land known as Tapak No. 3, Jalan 9/8, Taman IKS, Seksyen 9, 43650 Bandar Baru Bangi, Selangor Darul Ehsan measuring approximately 2,723.5 square metres for a cash consideration of RM749,106.00.
- (viii) Sale and Purchase Agreement dated 30 September 2003 entered into between the Company and the shareholders of YSSEA for the 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.

16. FURTHER INFORMATION (Con't)

- (ix) Placement and Underwriting Agreement dated 18 November 2003 between the Company and RHB Sakura to:
- a) to act as the Placement Agent for the 2,500,000 Issue Shares reserved for identified places for a placement fee of 0.5% of the IPO price of RM1.43 per Share; and
 - b) to underwrite:
 - the entire 3,000,000 Issue Shares reserved for the Malaysian public for an underwriting commission of 2% of the IPO price of RM1.43 per Share; and
 - such number of up to 2,750,000 Issue Shares reserved for the eligible employees of the Y.S.P.SAH Group which are not subscribed for by the eligible employees of the Y.S.P.SAH Group and therefore made available to the Malaysian public ("Unsubscribed Shares"), for an underwriting commission of 2% of the total value of Unsubscribed Shares (based on the IPO price of RM1.43 per Share).

16.9 Material agreements

Save as disclosed below, there are no material agreements (including but not limited to shareholders' agreements, agreements underlying the basis of the Company or Group's business, supplier agreements, customer agreements, insurance policies and Directors' service agreements), which have been entered into by Y.S.P.SAH and its subsidiary companies:

- (i) YSPI has entered into various insurance policies with Malaysian Assurance Alliance Berhad. The details of the material insurance policies are as follows:

Insurance Policies	Description	Location	Period of Insurance	Amount Insured (RM'000)
Fire	a) Renovation b) Office Equipment c) Furniture and Fittings d) IT Hardware	16 th Floor, Plaza IBM No 1 Jalan Tun Mohd. Fuad Taman Tun Dr. Ismail 60000 Kuala Lumpur	From 1.1.2003 to 31.12.2003#	360
	a) Building, excluding foundation b) Office Equipment c) Furniture, Fixtures and Fittings	18-20, Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur		2,440
	a) Office Equipment, Furniture, Fixtures and Fittings b) Stock in trade	Bukit Mertajam, Penang		
	a) Office Equipment, Furniture, Fixtures and Fittings b) Stock in trade	Kota Kinabalu, Sabah		
	a) Building, excluding foundation b) Office Equipment, Furniture, Fixtures and Fittings c) Stock in trade	Kuching, Sarawak		
	a) Office Equipment	Mezzanine Floor, Plaza IBM, No 1 Jalan Tun Mohd. Fuad Taman Tun Dr. Ismail 60000 Kuala Lumpur		

16. FURTHER INFORMATION (Con't)

Insurance Policies	Description	Location	Period of Insurance	Amount Insured (RM'000)
Fire (Cont'd)	a) Fire Protection System b) Electrical and Telephone Installation c) Air Conditioning d) Plant and Machinery e) Laboratory Equipment f) Miscellaneous Equipment, Air Conditioners, Office Renovations, Electrical Fittings and the like g) Business furniture, fixtures and fittings h) Office Equipment i) Stock in Trade of Pharmaceutical and Veterinary Products, Raw Material and Packing Material	Lot 3, 5 & 7, Jalan P/7 Section 13 Kawasan Perindustrian Bandar Baru Nilai 43000 Kajang	From 1.1.2003 to 31.12.2003#	17,060
Group Hospitalisation and Surgical	On all confirmed YSPI's employees and their respective spouses and children between the ages of 15 days to 65 years (the policy only covers children who are below 18 years old)	18-20, Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur	From 1.1.2003 to 31.12.2003#	Different class of employees fall under different categories for the amount insured.
Group Personal Accident	Accidental death, disablement, accidental hospital income, travelling allowance and accidental medical expenses for employees	18-20, Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur	From 1.1.2003 to 31.12.2003#	17,585
Burglary	On all real and personal property in relation to YSPI's business, the property of YSPI or held in trust or on commission (excluding jewellery effects)	A. 18-20, Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur B. Lot 3, 5 & 7, Jalan P/7 Section 13 Kawasan Perindustrian Bandar Baru Nilai 43000 Kajang C. Bukit Mertajam, Penang D. Kota Kinabalu, Sabah F. Kuching, Sarawak 16 th Floor, Plaza IBM No. 1 Jalan Tun Mohd Fuad Taman Tun Dr. Ismail 60000 Kuala Lumpur	From 1.1.2003 to 31.12.2003#	1,000

Note:# *These insurance policies will be renewed by the Group upon expiry.*

16. FURTHER INFORMATION (Con't)

- (ii) TTA dated 1 September 1998 between YSP(TW) and YSPI for technical assistance in connection with planning, design, engineering, construction, start-up and operation of plants for the manufacture of pharmaceutical products in Malaysia. The TTA allows YSPI to be the registered user of "YSP" trade mark in Malaysia, Singapore and Thailand for a royalty fee equivalent to 2% of the overall net sales (based on gross sales less sales discounts or returns, transport costs (including freight), insurance, duties, taxes and other charges) of the products manufactured. Pursuant to the terms of the TTA, YSP(TW) would furnish technical data and know-how to YSPI.
- (iii) Letter of Confirmation/Undertaking dated 10 July 2001 from YSP(TW) to Y.S.P.SAH confirming non-competition between YSP(TW) and Y.S.P.SAH. No royalty/commission is payable by Y.S.P.SAH.
- (iv) Distributorship Agreement dated 18 June 2001 between YSPI and Medsupplies Pvt. Ltd. ("MPL") appointing MPL as YSPI's distributor in Sri Lanka of the pharmaceutical products manufactured by YSPI. MPL shall be entitled to a commission of 10% (based on trading term cost and freight, USD invoice value) in respect of all order(s) obtained direct by MPL in Sri Lanka which have been accepted and executed by YSPI.
- (v) Distributorship Agreement dated 1 January 2002 between YSPI and Thai Amn Co. Ltd. ("TAC"), a company in Vietnam, appointing TAC as YSPI's sole agent in Vietnam for the sale of veterinary and aquatic products manufactured or OEM by YSPI. No royalty/commission is payable by YSPI to TAC.
- (vi) Letter of undertaking to the SC dated 23 October 2003 by Y.S.P.SAH confirming that Y.S.P.SAH shall continue its business arrangements with YSP(TW) in connection with, amongst others, transfer of technology and know-how, technical assistance and rights to use the trade mark as stipulated in the TTA for as long as Y.S.P.SAH requires the same.
- (vii) Letter of undertaking to the SC and Y.S.P.SAH dated 23 October 2003 by YSP(TW) on the following:
- a) YSP(TW) shall continue its business arrangements with Y.S.P.SAH in connection with, amongst others, transfer of technology and know-how, technical assistance and rights to use the trade mark as stipulated in the TTA for as long as Y.S.P.SAH requires the same;
 - b) YSP(TW), its subsidiary and associated companies and parties related to them, the major shareholders of Y.S.P.SAH and the Directors of Y.S.P.SAH who are representatives of YSP(TW) undertake that they shall not, *inter alia*, compete directly or indirectly with the Y.S.P.SAH Group in the country(ies) served by the Y.S.P.SAH Group; and
 - c) YSP(TW), its subsidiary and associated companies and parties related to YSP(TW), the major shareholders of Y.S.P.SAH and the Directors of Y.S.P.SAH who are representatives of YSP(TW) undertake that they shall not establish or involve themselves in any business or enterprise which will directly or indirectly compete with the business of the Y.S.P.SAH Group in country(ies) presently served by the Y.S.P.SAH Group as well as future country(ies) which may be served by the Y.S.P.SAH Group, particularly in the ASEAN markets and Islamic countries, for the products listed in YSP(TW)'s Letter of Confirmation/Undertaking dated 10 July 2001 to Y.S.P.SAH.
- (viii) Letter of undertaking to the SC dated 18 November 2003 by Dr. Lee Fang Hsin, the President/Group Managing Director of Y.S.P.SAH, to undertake that he will continue to play an active role in the management of the Y.S.P.SAH Group for at least 3 full years from the date of admission of Y.S.P.SAH to the KLSE.

16. FURTHER INFORMATION (Con't)**16.10 Material capital commitments**

As at 10 December 2003 (being the latest practicable date of which such amounts could be calculated prior to the printing of this Prospectus), the material capital commitments incurred or known to be incurred by the Y.S.P.SAH Group that may have a substantial impact on the results of the financial position of the Group are as follows:

	RM'000
Approved and contracted for	10,493
Approved but not contracted for	-
TOTAL	<u>10,493</u>

16.11 Letters of consent

- (a) The written consents of the Adviser, Underwriter and Placement Agent, Principal Bankers, Issuing House, Solicitors, Company Secretaries and Registrar to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (b) The written consent of the Auditors and Reporting Accountants to the inclusion of its name, Accountants' Report and letters relating to the consolidated profit estimate and forecast and proforma consolidated balance sheets in the manner, form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.
- (c) The written consent of the Independent Market Research Consultant to the inclusion of its name and report in the manner and form in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.
- (d) The written consent of The Star to the inclusion of its name and extract of article in the manner and form in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

16.12 Responsibility statements

RHB Sakura, being the Adviser, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO and is satisfied that the consolidated profit estimate and forecast of Y.S.P.SAH for the FYE 31 December 2003 and 31 December 2004 (for which the Directors of Y.S.P.SAH are solely responsible) prepared for inclusion in this Prospectus have been stated by the Directors of Y.S.P.SAH after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

This Prospectus has been seen and approved by the Directors and Promoters of Y.S.P.SAH and the Offerors and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm having made all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

16. FURTHER INFORMATION (Con't)

16.13 Documents available for inspection

Copies of the following documents may be inspected at the Registered Office of the Company or such other places as the SC may determine, during normal business hours for a period of 12 months from the date of this Prospectus:

- (a) Memorandum and Articles of Association of the Company and its subsidiary companies;
- (b) Material contracts and agreements as referred to in Sections 16.8 and 16.9 respectively of this Prospectus;
- (c) Reporting Accountants' letters on the consolidated profit estimate and forecast and the proforma consolidated balance sheets as included in Sections 12.2.4 and 12.4 respectively of this Prospectus;
- (d) Accountants' report as included in Section 13 of this Prospectus;
- (e) Independent market research report as included in Section 14 of this Prospectus;
- (f) Directors' report as included in Section 15 of this Prospectus;
- (g) Audited accounts of KYSP, YSPI, YSP(S) for the past five FYE 31 December 2002 and 8 months financial period ended 31 August 2003;
- (h) Audited accounts of Y.S.P.SAH, YSSEA and YS(P) from the date of incorporation to the FYE 31 December 2002 and 8 months financial period ended 31 August 2003;
- (i) Audited accounts of MYSP from the date of incorporation to the FYE 31 December 2002 and unaudited management accounts for 8 months financial period ended 31 August 2003;
- (j) Unaudited management accounts of YS(C) from the date of incorporation to 31 August 2003; and
- (k) Letters of consent referred to in Section 16.11 of this Prospectus.