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### 3. PARTICULARS OF THE IPO

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#### 3.1 PRELIMINARY

This Prospectus is dated 23 December 2003.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed the securities of Y.S.P.SAH as securities to be deposited into the CDS. In consequence thereof, the Shares issued through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of the MCD.

An application will be made to the KLSE within three Market Days from the date of issuance of this Prospectus for admission of Y.S.P.SAH to the Official List of the Second Board and for permission to deal in and for quotation of the entire issued and paid-up share capital of the Company, including the IPO Shares which are the subject of this Prospectus. The entire issued and paid-up share capital of Y.S.P.SAH will be admitted to the Official List of the Second Board and official quotation will commence after the receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and an undertaking that notices of allotment will be issued and despatched to all the successful applicants.

Acceptance of application for the IPO Shares will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire issued and fully paid-up share capital of Y.S.P.SAH before the expiration of six weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC (provided that the applicant is notified by or on behalf of the KLSE within the six weeks or such longer period as may be specified by the SC). Accordingly, monies paid in respect of any application accepted will be returned, without interest, if the said permission is not granted.

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications (refer to Sections 17.4 and 17.5 of this Prospectus) **MUST** have a CDS Account. Where an applicant does not presently have a CDS Account, he should open a CDS Account at an ADA prior to making an application for the IPO Shares.

In the case of an application by way of Application Forms, an applicant must state his CDS Account number in the space provided in the Application Form.

In the case of an application by way of Electronic Share Application, an applicant shall furnish his CDS Account number to the Participating Financial Institutions by way of keying in his CDS Account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Y.S.P.SAH, the Offerors or the Adviser. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Y.S.P.SAH or the Group since the date of this Prospectus.

The distribution of this Prospectus and the sale of the IPO Shares in certain other jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any IPO Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

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

### 3. PARTICULARS OF THE IPO (Cont'd)

#### 3.2 OPENING AND CLOSING OF APPLICATIONS

Applications for the IPO will be accepted from 10.00 a.m. on 23 December 2003 and will be closed at 5.00 p.m. on 31 December 2003 or for such further period or periods as the Directors of Y.S.P.SAH, the Offerors and the Underwriter/Placement Agent in their absolute discretion may mutually decide. **Late applications will not be accepted.**

#### 3.3 IMPORTANT TENTATIVE DATES

The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of 55,000,000 Shares on the Second Board is set out below:

Event	Tentative date
Opening date of the applications	23 December 2003
Closing date of the applications	31 December 2003 *
Tentative balloting date	5 January 2004
Tentative allotment date	9 January 2004
Tentative listing date	13 January 2004

**Note:**

\* Applications for the Shares will close at the time and date as stated above or such other date as the Directors of Y.S.P.SAH, the Offerors and the Underwriter/Placement Agent in their absolute discretion may mutually decide. Any extension of the abovementioned dates will be published in widely circulated English and Bahasa Malaysia newspapers within Malaysia.

#### 3.4 SHARE CAPITAL

	RM
<b>Authorised</b>	
100,000,000 ordinary shares of RM1.00 each	<u>100,000,000</u>
<b>Issued and fully paid-up as at the date of this Prospectus</b>	
46,750,000 ordinary shares of RM1.00 each	46,750,000
<b>To be issued pursuant to the Public Issue</b>	
8,250,000 new ordinary shares of RM1.00 each	8,250,000
<b>Enlarged issued and paid-up share capital</b>	<u>55,000,000</u>

There is only one class of shares in Y.S.P.SAH, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with each other. The IPO Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of liquidation of the Company.

### 3. PARTICULARS OF THE IPO (Cont'd)

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder, shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held by them. A proxy may but need not be a member of the Company.

#### 3.5 DETAILS OF THE IPO

The IPO is an offer by the Offerors to Bumiputera investors approved by the MITI and an offer by the Company to the eligible employees of the Group, the private placees and the Malaysian public, to apply for the respective 16,499,700 Offer Shares and 8,250,000 Issue Shares at an IPO price of RM1.43 per Share payable in full.

The IPO is subject to the terms and conditions of this Prospectus, and upon acceptance, the aggregate 24,749,700 IPO Shares will be allocated in the following manner:

##### (a) Bumiputera Investors

16,499,700 Offer Shares, representing 30% of the enlarged issued and paid-up share capital of Y.S.P.SAH, will be allocated to the Bumiputera Investors approved by the MITI. The Offerors are as follows:

Offerors	No. of Offer Shares
YSP(INV)	12,646,111
Dr. Lee Fang Hsin	883,077
Lee Tien-Te	301,040
Lee-Chang Yu-Ying	251,700
Lin Meng-Be	288,137
Lin Min-Ju	288,137
Dr. Lee Fang-Yu	287,448
Dr. Lee Fang-Chen @ Lee Fang-Chuan	229,020
Dr. Lee Fang-Jen	220,660
Lee Ling-Chin	172,592
Lee Ling-Fen	125,850
Lin Bao-Cheng	125,850
Chiang Hung-Wen	136,957
Lee I-Hsiung	136,957
Li Yu-Lin	136,957
Lee Wen-Chih	68,479
Lee Wen-Jung	68,479
Tang Wei-Chen	68,479
Leu Teh-Ming	35,057
Ho Kuo-Liang	28,713
<b>Total</b>	<b>16,499,700</b>

##### (b) Eligible employees

2,750,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of Y.S.P.SAH, have been reserved for 325 eligible employees of the Y.S.P.SAH Group.

The criteria for allocation of the 2,750,000 Issue Shares reserved for eligible employees of the Y.S.P.SAH Group is based on staff grades and length of service.

### 3. PARTICULARS OF THE IPO *(Cont'd)*

(c) **Private Placement**

2,500,000 Issue Shares, representing approximately 4.5% of the enlarged issued and paid-up share capital of Y.S.P.SAH, have been reserved for investors identified by the Placement Agent, of which at least 30% is placed out to Bumiputera individuals, companies, societies, co-operatives and institutions.

(d) **Malaysian public**

3,000,000 Issue Shares, representing approximately 5.5% of the enlarged issued and paid-up share capital of Y.S.P.SAH, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera applicants.

The 16,499,700 Offer Shares in respect of paragraph (a) above are not underwritten as irrevocable undertakings to subscribe for the said Offer Shares have been given by the respective Bumiputera Investors.

Any Issue Shares not subscribed for by the eligible employees of the Y.S.P.SAH Group under paragraph (b) shall be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions (of which at least 30% is to be set aside strictly for Bumiputera applicants) and if undersubscribed, such Issue Shares will be made available for subscription by the Underwriter (details of which are set out in Section 3.9 of this Prospectus).

The 2,500,000 Issue Shares in respect of paragraph (c) above are not underwritten and where possible, irrevocable undertakings to subscribe for the said Issue Shares have been given by the respective identified placees.

The 3,000,000 Issue Shares in respect of paragraph (d) above are underwritten by the Underwriter (details of which are set out in Section 3.9 of this Prospectus).

There is no minimum subscription amount to be raised from the IPO. All the IPO Shares will either be underwritten by the Underwriter, subscribed by the Bumiputera Investors or identified placees pursuant to their respective written irrevocable undertakings.

### 3.6 PURPOSES OF THE IPO

The purposes of the IPO are as follows:

- (a) to provide an opportunity for the Bumiputera investors, Malaysian investing public and institutions and eligible employees of the Y.S.P.SAH Group to participate in the continuing growth of the Group by way of equity participation;
- (b) to provide the Group access to the capital market to raise funds to finance its future expansion and continued growth; and
- (c) to obtain the listing of and quotation for the entire issued and paid-up share capital of Y.S.P.SAH comprising 55,000,000 Shares on the Second Board.

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**3. PARTICULARS OF THE IPO (Cont'd)**

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**3.7 BASIS OF ARRIVING AT THE IPO PRICE**

The IPO price of RM1.43 per IPO Share was determined and agreed upon by the Company, the Offerors and RHB Sakura as the Underwriter and Placement Agent based on various factors after taking into account the following:

- the Group's operating and financial history and conditions as set out in Sections 6.4 and 12.1 of this Prospectus;
- the prevailing equity market conditions;
- the estimate net PE Multiple of 9.0 times based on the estimate net EPS of 15.9 sen for the FYE 31 December 2003 (computed based on the consolidated PAT before pre-acquisition profits and the enlarged issued and paid-up share capital of 55,000,000 Shares) and the forecast net PE Multiple of 8.4 times based on the forecast net EPS of 17.0 sen for the FYE 31 December 2004 (computed based on the consolidated PAT and the enlarged issued and paid-up share capital of 55,000,000 Shares);
- the prospects of the Malaysian pharmaceutical industry and the prospects and future plans of the Group as set out in Sections 5.2 and 5.3 of this Prospectus;
- the proforma consolidated NTA per Share of Y.S.P.SAH of RM1.32 as at 31 August 2003 after the Flotation Scheme and net of estimated listing expenses; and
- the estimate tax-exempt dividend yield of 4.2% based on the estimate tax-exempt dividend of 6 sen per Share for both the FYE 31 December 2003 and FYE 31 December 2004.

However, investors should also take note that the market price of the Shares upon and subsequent to the listing of Y.S.P.SAH on the KLSE are subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded.

**3.8 UTILISATION OF PROCEEDS**

The Offer for Sale is expected to raise proceeds of RM23,594,571 while the Public Issue is expected to raise proceeds of RM11,797,500.

The proceeds of the Offer for Sale of RM23,594,571 will accrue to the Offerors and none of the proceeds of the Offer for Sale is receivable by Y.S.P.SAH. The Offerors shall bear all expenses such as stamp duty (if any), registration and share transfer fees relating to the Offer Shares.

All proceeds to be raised from the Public Issue will accrue to the Company. The Company shall bear all expenses relating to the Public Issue such as brokerage and underwriting commission and other expenses and fees incidental to the Listing estimated at RM1,500,000.

**3. PARTICULARS OF THE IPO (Cont'd)**

The total gross proceeds arising from the Public Issue of RM11,797,500 will be utilised in the following manner:

	Notes	RM'000	Utilisation Periods (FYE 31 December)
Purchase of land	(a)	4,000	2004
Extension of factory and purchase of machinery	(b)	3,546	2004 to 2005
Repayment of hire purchase creditors	(c)	1,971	2004
Working capital *	(d)	781	2004
Estimated listing expenses *	(e)	1,500	2004
		<u>11,798</u>	

**Notes:**

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

**(a) Purchase of Land**

The Y.S.P.SAH Group intends to utilise part of the proceeds arising from the Public Issue to acquire approximately 13,939 square meters of industrial land from Perbadanan Kemajuan Negeri Selangor ("PKNS") (located at Jalan 9/8 and Jalan 9/7, Taman IKS, Section 9, 43650 Bandar Baru Bangi) for approximately RM4.3 million. The Y.S.P.SAH Group will utilise RM4 million of the proceeds arising from the Public Issue to finance the cost of purchase, whilst the balance of approximately RM0.3 million will be funded through internally generated funds. The Y.S.P.SAH Group intends to construct a warehouse and a new manufacturing plant for the production of cephalosporin (a family of antibiotics to treat infections of the respiratory, urinary and gastrointestinal tracts) on the new site.

YSP1 (a wholly-owned subsidiary company of Y.S.P.SAH) has entered into the sale and purchase agreements ("SPA") with PKNS on 13 August 2003 and 19 August 2003 for the acquisition of the aforesaid land and the total considerations paid/to be paid by YSP1 are as follows:

Date of SPA	Lot No.	Cash sum paid by YSP1 as at 10 December 2003** (RM)	Balance of consideration to be paid by YSP1 (RM)
13 August 2003	1	91,578	824,202 (payable by 31 December 2003@)
13 August 2003	2	98,119	883,079 (payable by 31 December 2003@)
19 August 2003	3	74,911	674,195 (payable by 31 January 2004)
13 August 2003	4	895,684	-
13 August 2003	6	749,106	-
<b>Total</b>		<b>1,909,398</b>	<b>2,381,476</b>

\*\* The Y.S.P.SAH Group had arranged for bridging finances (comprising working capital facilities and bank borrowings) to fund the aggregate consideration of RM1,909,398 due prior to 10 December 2003. Such borrowings shall be repaid upon the receipt of the proceeds from the Public Issue.

@ The Y.S.P.SAH Group had further arranged for an additional bank borrowing to fund the balance consideration of RM1,707,281 which is due for payment by 31 December 2003, pending the completion of the IPO. Such borrowings shall be repaid upon the receipt of the proceeds from the Public Issue.

**3. PARTICULARS OF THE IPO (Cont'd)**

The subsequent costs of construction of the new warehouse and manufacturing plant will be financed through internally generated funds.

**(b) Extension of factory and purchase of machinery**

The Y.S.P.SAH Group will utilise part of the proceeds arising from the Public Issue amounting to approximately RM3.5 million for the (i) expansion of its existing manufacturing plant located in Kawasan Perindustrian Bandar Baru Bangi; (ii) acquisitions of plant equipment and machinery for the existing and proposed new manufacturing facilities and (iii) upgrading of its R&D facilities. The aforesaid expansion plan is embarked to support the productions of 3 new product lines to be introduced by the Y.S.P.SAH Group, which include:

- (i) cephalosporin (the production facilities of which will be housed under the new manufacturing plant to be constructed, as mentioned in paragraph (a) above);
- (ii) eye-drops and injectables for human consumption; and
- (iii) veterinary injectables.

**(c) Repayment of hire purchase creditors**

In addition to the plant equipment and machinery to be acquired as set out in paragraph (b) above, the Y.S.P.SAH Group had also acquired certain new equipment and machinery by way of hire purchase. The Y.S.P.SAH Group proposes to utilise part of the proceeds to be raised from the Public Issue amounting to approximately RM2.0 million to repay the hire-purchase creditors in the FYE 31 December 2004.

**(d) Working capital**

The Y.S.P.SAH Group utilises overdrafts, short term revolving credits and trade facilities to meet part of its working capital requirements. The Group further proposes to utilise RM0.8 million of the funds to be raised from the Public Issue to support its business operations that include financing its raw material purchases and operating expenses.

**(e) Estimated listing expenses**

Y.S.P.SAH will bear all expenses incidental to the Listing estimated at RM1.5 million as follows:

	<b>RM'000</b>
Professional advisory fees	629
Fees to authorities and issuing house	177
Advertising and printing costs	220
Underwriting commission, brokerage fees and placement fees	400
MCD charges	20
Other incidental charges	54
	<u>1,500</u>

The financial impact of the above utilisation of proceeds on the Y.S.P.SAH Group for the FYE 31 December 2003 and FYE 31 December 2004 are summarised as follows:

	After Flotation Scheme		Incremental effects associated with utilisation of proceeds from Public Issue	
	2003 Estimate	2004 Forecast	2003 Estimate	2004 Forecast
(All amounts are stated in RM'000)				
Consolidated PAT after MI	8,725	9,331	-	638

### 3. PARTICULARS OF THE IPO (Cont'd)

#### 3.9 BROKERAGE AND UNDERWRITING COMMISSION

##### 3.9.1 Brokerage

Brokerage relating to the Issue Shares is payable by the Company at the rate of 1% of the IPO price of RM1.43 per Issue Share in respect of successful applications bearing the stamps of RHB Sakura, member companies of KLSE, members of the Association of Banks in Malaysia, members of Association of Merchant Banks in Malaysia or MIH.

##### 3.9.2 Underwriting commission

The Underwriter, namely RHB Sakura, has agreed to underwrite 3,000,000 Issue Shares to be issued to the Malaysian public. Underwriting commission is payable by the Company at the rate of 2% of the IPO price of RM1.43 per Issue Share.

The Underwriter has further agreed to underwrite any of the 2,750,000 Issue Shares not subscribed for by the eligible employees of the Y.S.P.SAH Group (as set out in Section 3.5 of this Prospectus) and therefore made available to the Malaysian public ("Unsubscribed Shares"). Underwriting commission is payable by the Company at an underwriting commission of 2% of the total value of Unsubscribed Shares (based on IPO price of RM1.43 per Issue Share).

##### 3.9.3 Placement fee

The Placement Agent's fee for the placement of 2,500,000 Issue Shares is payable by the Company at the rate of 0.5% of the IPO price of RM1.43 per Issue Share.

##### 3.9.4 Details of placement and underwriting agreement

A placement and underwriting agreement has been entered into between the Company and RHB Sakura on 18 November 2003 ("Placement and Underwriting Agreement") to appoint RHB Sakura as the Placement Agent for the 2,500,000 Issues Shares reserved for identified placees and as the Underwriter to underwrite up to 5,750,000 Issue Shares reserved for the Malaysian public and eligible employees of the Y.S.P.SAH Group. The salient terms of the Placement and Underwriting Agreement are summarised below:

- (i) Pursuant to Clause 2.3 of the Placement and Underwriting Agreement, the obligations of the Underwriter and the Placement Agent are conditional upon, *inter alia*, the following:
  - (a) the Company receiving the approval-in-principle of the KLSE for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE within 8 Market Days from the date of issuance of the Prospectus (or such other number of Market Days as the KLSE may permit);
  - (b) there have not been on or prior to the Closing Date:
    - any adverse change or any development reasonably likely to result in any adverse change in the condition (financial or otherwise) or the earnings, affairs or business prospects of the Group, which is material in the context of the Public Issue or affect the success of the IPO and the issuance of the Issue Shares;
    - the occurrence of any event which makes any of the representations and warranties contained in Clause 3 of the Placement and Underwriting Agreement untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting;



**3. PARTICULARS OF THE IPO** *(Cont'd)*

- the occurrence of any breach of the undertakings contained in Clause 3 of the Placement and Underwriting Agreement;
- (c) the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia; and
- (d) the Company having complied and that the Public Issue is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto.
- (ii) Pursuant to Clause 9 of the Placement and Underwriting Agreement, notwithstanding anything therein contained, the Underwriter/Placement Agent may at any time be entitled to terminate its obligations under the Placement and Underwriting Agreement with a notice in writing delivered to the Company given on the occurrence of all or any of the matters stated hereof on or before the allotment and issuance of the Issue Shares:
- (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 of the Placement and Underwriting Agreement, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, or by Closing Date, whichever is earlier; or
- (b) there is failure on the part of the Company to perform any of its obligations therein contained; or
- (c) there is withholding of information of a material nature from the Underwriter/Placement Agent, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter/Placement Agent, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or
- (d) there shall have occurred, happened or come into effect any Government requisition or other occurrence of any nature whatsoever which adversely affects or will adversely affect the business or condition (financial or otherwise) of the Group; or
- (e) there shall have occurred, happened or come into effect any of the following circumstances:
- any material adverse change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
  - any new law or regulation or any change in existing law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority; or

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3. PARTICULARS OF THE IPO *(Cont'd)*

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- any event or series of events beyond the reasonable control of the Parties (including without limitation acts of government, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war, terrorism or accidents);

which, in the opinion of the Underwriter/Placement Agent, would have or can reasonably be expected to have, a material adverse effect on the business, operations or condition (financial or otherwise) of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares (whether in the primary or in respect of dealings on the secondary market), or which is likely to have the effect of making the Placement and Underwriting Agreement or a portion thereof incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting thereof; or

- (f) there is any imposition of any moratorium, suspension or restriction on trading in securities generally in the KLSE.

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## 4. RISK FACTORS

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Notwithstanding the prospects of the Y.S.P.SAH Group as outlined in this Prospectus, applicants for the IPO Shares should rely on their own evaluations and are advised to carefully consider the following risk factors (which may not be exhaustive) which may have a significant impact on the future performance of the Y.S.P.SAH Group in addition to other information contained in this Prospectus before applying for the IPO Shares.

### 4.1 BUSINESS RISKS

Business risks refer to the fundamental issues within the operational environment that create uncertainties.

The business risks faced by the Y.S.P.SAH Group are described below:

#### (a) Foreign competition

The local pharmaceutical industry is fairly liberal with relatively low barrier of entry. Further, the import of pharmaceutical products is tariff-free in the interest of national health, which has created an even playing field for local and foreign pharmaceutical manufacturers.

Whilst the domestic market is highly fragmented, imports account for a high percentage of domestic sales. This may be attributable to savvy marketing efforts and heavy investment in R&D by the foreign pharmaceutical companies. Due to the lack of financing and R&D expertise, most local players are confined to manufacturing basic formulations.

To mitigate this risk, YSPI, a wholly-owned subsidiary of Y.S.P.SAH, has signed a TTA with YSP(TW) which allows the Group to have access to YSP(TW)'s R&D facilities and expertise as well as technical transfer. The Group has access to the technological know-how and assistance on various operational aspects, including planning, design, engineering, construction, start-up and operation of pharmaceutical manufacturing plants and the rights to use the "YSP" trade mark. The Group's R&D team also works closely with YSP(TW) on product development.

The Group has also established a local R&D team to develop new products in Malaysia and to improve formulation of existing products. This will enhance the Group's ability in problem solving, own product development, product registration and improve production process. The Group's team of pharmacists and chemists will ensure that the quality standards of the Group's products are consistent and comply with the guidelines set by MoH and the manufacturing processes of the Group adhere to GMP.

Further, the Directors of Y.S.P.SAH believe that the implementation of AFTA will not have any material impact on the Group, as majority of the pharmaceutical products are presently imported or exported amongst the ASEAN countries at minimal tax rates or tariff-free.

Notwithstanding the aforesaid, there is no assurance that the Group will be able to maintain or strengthen its existing market share or the Group will not be affected by foreign pharmaceutical companies.

#### (b) Local competition

The rapid growth in the pharmaceutical industry over the past few years has attracted new entrants and hence increasing competition that continues to exert pressure on profit margin. Nevertheless, the Group believes that as its competitive edge lies in the quality of its products, sales network and marketing strategies, the Group believes that it is in the position to remain competitive in the pharmaceutical industry.

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

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Whilst the Group seeks to maintain its competitive position and enhance its market share by continuously broadening its array of products and dosage forms through R&D, there is no assurance that the Group will be able to maintain or strengthen its existing market share or the Group will not be affected by the competitive strategies adopted by other players within the industry.

**(c) Price competition**

Generic drugs are copies of branded drugs that have gone off patent. There is usually no significant distinction amongst generic products. In order to gain market share, market participants have to compete on price. As the price war rages, profit margins suffer as competitors bid to maintain market share.

*(Source: Frost & Sullivan)*

With the Group's expansion plans and introduction of new products, the Directors of Y.S.P.SAH believe that the Group is able to reduce its fixed unit costs as a consequence of economies of scale. Meanwhile, the Directors of Y.S.P.SAH also believe that the development of more generic drugs through local R&D will further allow the Group to have the flexibility to price its products more competitively.

Amidst the price competitions, the Group has not in the past years competed solely on price as the Group seeks to establish a long term customer relationship, good rapport and credibility amongst its customers through a trained sales team with good product knowledge, flexible marketing strategy, provisions of personalised customer services and products of consistent quality, which have been typically known to have low wastage due to stringent quality controls.

Whilst steps are taken and will continue to be taken by the Group to maintain its price competitiveness, there is no assurance that the Group will not be affected by the price-cutting strategies adopted by other players within the industry.

**(d) Perception of generic pharmaceutical products**

Pharmaceutical products imported from countries such as the USA, the United Kingdom, Germany, France and other European countries are generally perceived as being superior to locally manufactured pharmaceutical products. As reported by the MoH, local customers tend to buy branded drugs rather than the cheaper generic drugs manufactured locally. The perception of generic drugs as low quality compared with established brand names make some consumers reluctant to try generic drugs.

*(Source: Frost & Sullivan)*

The MoH has attempted to change the mindset and perception of the general population by encouraging private hospitals and clinics to use generic drugs that are manufactured locally. The MoH had announced in early 2000, the National Essential Drugs List, to ensure that patients are prescribed with equally potent and less expensive drugs manufactured locally as compared to similar imported drugs. Awareness campaigns are also held by local manufacturers to encourage the use of generic drugs. Nevertheless, there is no assurance that these campaigns will prove to be effective in changing the perceptions of generic drugs.

*(Source: The Star, 28 January 2000)*

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

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**(e) Product distribution channel**

In Malaysia, the large distributors of pharmaceutical products generally distribute drugs manufactured by multinational companies (“MNCs”). Some of these MNCs may command a substantial share of the distributors’ revenues or pressure the distributors for not dealing with other non-patented generic products. As a consequence, generic drug manufacturers, such as the Y.S.P.SAH Group, is obliged to find their own network of distributors, which will in turn compete with the dominant distributors. This challenge is expected to remain so long as the MNCs’ presence shall remain dominant in the local pharmaceutical market.

*(Source: Frost & Sullivan)*

In order to mitigate the aforesaid risks, the Y.S.P.SAH Group has established its own in-house distribution network and sales force over the years, consisting of 120 personnel, to support its large customer base located in various parts of Malaysia. In addition, the Group has four distribution centres located in Bangi, Kuching, Kota Kinabalu and Bukit Mertajam. The warehouse in Bangi caters to demand from the central and southern regions of Peninsular Malaysia, whereas the Bukit Mertajam warehouse supports demand from the northern region of Peninsular Malaysia. The marketing team of the Group also adopts a “door-to-door” marketing strategy which enable the Group to reduce the lead times in procuring customers’ orders and delivery of products without employing any intermediate agents or distributors. Notwithstanding these measures, the operations of the Group is potentially vulnerable to any disruption to the existing distribution channel such as loss of experienced marketing personnel, employees disputes and introduction of other more effective mode of ordering and delivery by other competitors.

**(f) Domestic market size**

The main disadvantage of the Malaysian pharmaceutical market over the other ASEAN countries such as Thailand or Indonesia is its small population size. With a total population of approximately 23 million people, the expected growth in demand for pharmaceutical products is limited. Coupled with the high level of competitions faced by the industry, pharmaceutical manufacturers are finding it difficult to achieve satisfactory sales volume and certain market participants are looking beyond the borders of Malaysia in order to increase sales. Countries with relatively undeveloped pharmaceutical industries present better prospects in terms of penetration and population size.

*(Source: Frost & Sullivan)*

To address this market constraint, the Y.S.P.SAH Group has expanded its market coverage to neighbouring countries such as Singapore, the Philippines, Thailand, Myanmar and Cambodia. The Group also plans to expand its reach to other Middle East and Islamic countries, such as Bangladesh and Sri Lanka. The large population size and affordability of the generic drugs would provide the Y.S.P.SAH Group an opportunity to penetrate these markets. There is, however, no assurance that the Y.S.P.SAH Group will be able to successfully penetrate and launch its existing or new products into these new markets.

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

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**(g) Product liability**

The Directors of Y.S.P.SAH are of the opinion that product liability associated with generic drugs is relatively minimal in comparison with patented drugs. The formulations for generic drugs are duplicated and adapted from patented drugs, which have been previously introduced to the market for 10 to 15 years prior to the expiry of the patent. The side effects of the patented drugs, if any, are likely to have been discovered and the patented drugs would have been subsequently improved during the patent period and before the commencement of the bulk manufacturing of generic drugs.

The Directors of Y.S.P.SAH recognises the potential risk of product liability, which may be detrimental to the Company's reputation and the Group is fully aware of the potential commercial sensitivities which may be faced by companies presented with such product liability exposure. In this regard, steps are taken by the Y.S.P.SAH Group to minimise the risks of product liability, including the provisions of continuous training to its QA personnel, strict enforcement of GMP and adherence to internal risk management policies. In addition, all labels or packaging of the Group's products contain caution statements, which serve to alert consumers on the specific usage and purpose of a particular drug.

Nevertheless, researching and manufacturing of pharmaceutical products entail significant product liability risks. Such product liability may arise if any drug developed and manufactured by the Y.S.P.SAH Group causes any adverse effect, discomfort, injury or is deemed to be unsuitable for consumption or application.

**(h) Negative publicity due to product recalls**

The MoH may recall a particular product or a particular batch of product from the market out of concern for public safety or a failure to meet regulations and standards prescribed by the MoH from time to time. The public is likely to view all product recalls negatively despite the cause of the product recalls.

The Y.S.P.SAH Group has not experienced any product recall to date. Nevertheless, the Group has incorporated in its SOP, the detailed procedures for possible product recalls. The decision to recall any of the Group's products from the market will be decided by the product recall committee and endorsed by the President/Group Managing Director of Y.S.P.SAH. The product which is being recalled will be withdrawn from the market according to the procedures set out in the SOP.

The decision for product recalls shall be made when any of the following occurs:

- (i) Adverse risk to users of the specified products as a result of faulty production or medical reasons;
- (ii) The respective manufacturer or importer decides to recall a specific product; and
- (iii) The MoH issues a directive to recall a specific product.

The Group seeks to maintain a good relationship with the MoH to enable the Group to be up-to-date with the current developments in pharmaceutical industry as well as the new health standards or regulations adopted by the MoH. There is, however, no assurance that any product recall in the future would not have an adverse impact on the Group's business, operations and financial performance.

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

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**(i) Intellectual property rights**

The Group manufactures mainly generic drugs. However, the Group must not infringe patents and proprietary rights of third parties in developing the generic version of patented drugs. Any infringement of third party rights, whether deliberate or inadvertent, may result in litigation against the Group.

The Group may also initiate legal proceedings against parties deemed to have infringed upon the Group's proprietary rights and licences. The resources and cost involved in defending or challenging such rights and licences locally or abroad may adversely impact the financial performance of the Group.

**(j) Technological risks**

The pharmaceutical market is characterised by rapid technological change and emerging and future technology advancements may adversely affect the viability or competitiveness of the Group's business. One or more of the Group's products may be rendered obsolete by the advancement of formulations and approaches used in medicine or pharmacy.

In order to mitigate the aforesaid risks, the R&D team of the Y.S.P.SAH Group works closely with YSP(TW) via the TTA for the technology transfer. Pursuant to the TTA, YSP(TW) will provide the Group with the necessary documentation, materials, guidance and training to manufacture the new products developed by YSP(TW). Y.S.P.SAH and YSP(TW) have provided written undertakings to the SC confirming that both parties shall continue with their business arrangements in connection with, amongst others, transfer of technology and know-how, technical assistance and rights to use the "YSP" trade mark as stipulated in the TTA for as long as Y.S.P.SAH requires the same.

The local R&D team is also tasked with the responsibility of developing new drug formulations and improving existing drug formulations to enhance the marketability of its products.

However, there can be no assurance that the Y.S.P.SAH Group will be successful in responding to such technology change in a timely manner in light of the additional capital expenditure which may be required to implement or to gain access to the new technology.

**(k) Reliance on YSP(TW)**

The Group's operations and financial performance may be largely affected should YSP(TW) decide to terminate the TTA, which currently allows YSPI to manufacture and sell pharmaceutical products under YSP(TW)'s licence and allows YSPI to be the registered user of "YSP" trade mark.

Pursuant to the terms of the TTA, YSP(TW) would furnish technical data and know-how as well as providing technical assistance to the Group and training to the Group's employees. The TTA expired on 30 August 2003 with a 2 years extension up to 30 August 2005. YSP(TW) has given a written unconditional and irrevocable undertaking that YSP(TW) would not terminate the TTA during the 2 years' period up to 30 August 2005.

Further, as highlighted in Section 4.1(j) above, Y.S.P.SAH and YSP(TW) have provided written undertakings to the SC confirming that both parties shall continue with their business arrangements in connection with, amongst others, transfer of technology and know-how, technical assistance and rights to use the "YSP" trade mark as stipulated in the TTA for as long as Y.S.P.SAH requires the same.

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

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In addition to the above, the Group's continuous commitment in the local R&D activities (details of which are set out in Section 6.4.6 of this Prospectus) and the exploration of possible joint R&D collaboration with a local university are also some of the steps initiated by the Directors of Y.S.P.SAH to reduce the Group's reliance and dependence on YSP(TW).

**(l) Foreign operational risks**

Certain subsidiary companies of Y.S.P.SAH are currently operating in Singapore, the Philippines, Cambodia and Myanmar. Y.S.P.SAH has also established a representative office in Vietnam. The establishment of these foreign subsidiary companies and representative office forms part of the Group's business strategies to expand its overseas markets and to assist the Group in obtaining the relevant regulatory approvals and product registrations in these foreign countries. The expansion of the Group's businesses and operations internationally may however expose the Group to other business risks and divert the management's attention from domestic operations. Some of the risks associated with international operations shall include, but not limited to, the following:

- Regulatory requirements of differing nations
- Inadequate protection of intellectual property
- Difficulties and costs associated with compliance with domestic and foreign laws and treaties
- Legal uncertainties and time delays associated with tariffs, procurement of business and export licences and other trade barriers
- Currency fluctuations

Although the Group seeks to limit these risks by prudent financial management and employment of local professional advisers, which enables the Group to evaluate and take necessary actions to mitigate any potential foreign operational risks, there is no assurance that any adverse development or change in these factors would not have an adverse impact on the Group's ability to compete in international markets.

**(m) Dependence on range of products**

The pharmaceutical products which consist of generic prescription drugs account for approximately 65% of the Group's turnover for the 8 months financial period ended 31 August 2003. The Group attempts to minimise the risk of over reliance on this product segment by diversifying into veterinary, aquatic and OTC products, supported by the Group's local R&D team which continuously undertakes efforts on product development and diversification. The Group plans to introduce its range of veterinary, aquatic and OTC products to overseas markets, which is expected to reduce the contribution of generic prescription drugs to the Group's turnover to approximately 58% by the FYE 31 December 2005.

**(n) Demand for new products**

The Group plans to introduce 3 new product lines, namely eye drops, injectable drugs and cephalosporin (details of which are set out in Section 5.3 of this Prospectus) in the FYE 31 December 2004 and FYE 31 December 2005. The Directors of Y.S.P.SAH expect the introduction of these new products to contribute positively to the forecast earnings of the Group. However, should there be any delay in the launching of these products due to factors which are beyond the control of the Group or the actual demand for these products is lower than those originally forecast by the Directors of Y.S.P.SAH, the future financial performance of the Group may be materially affected.



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


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**(o) Dependence on imported raw materials**

The Y.S.P.SAH Group purchases its imported raw materials predominately from Asian countries (such as Japan, China, India, Taiwan R.O.C.) and Europe through suppliers based in Malaysia, Singapore and Taiwan R.O.C.. Whilst the Group depends on imported raw materials due to the fact that most of the active ingredients required could not be procured locally, the Group is not dependent on any single supplier for sourcing its raw materials as these raw materials are readily available from numerous suppliers in various countries in Asia and Europe. With long-term relationships with its raw materials suppliers and mutual trust and collaborations, the Group has not in the past experienced any difficulty or disruption in production due to difficulty in procuring such raw materials.

In addition, the Group has established a vendor assessment system to assess the capability of suppliers to provide quality raw materials and timely delivery of raw materials. There is, however, no assurance that the Group's operations will not be adversely affected should there be any inadequate supply or delays in the delivery of raw materials.

**(p) Foreign exchange exposure**

The majority of the Group's overseas sales are denominated in USD. Meanwhile, the imports/purchases of raw materials are denominated in RM, USD and Euro in the following composition:

Currency	%
RM	25% - 30%
USD	60% - 65%
SGD, Euro and others	10%

The risk of foreign currency fluctuation is largely mitigated by the implementation of exchange control rules on 1 September 1998, which pegged the RM to the USD at RM3.80 to USD1.00, thereby mitigating the foreign exchange risk to the Y.S.P.SAH Group for exports and imports denominated in USD. However, there is no assurance that the fixed exchange rate will be maintained and in the event that the exchange rate peg is lifted, the Group will be exposed to foreign currency risk.

Notwithstanding the above, the Y.S.P.SAH Group has entered into and will continue to enter into financial contracts (in particularly forward contracts) with certain financial institutions to hedge the currency fluctuations for USD, SGD and Euro (or any other major currency exposure) as and when the Y.S.P.SAH Group deems necessary.

**(q) Dependence on key management**

The Group believes that its continued success depends, to a significant extent, upon the abilities and continued efforts of its Directors and senior management. The loss of any member of its key personnel could adversely affect the Group's operations and business. No service contract has been entered into between the Group and its key management.

As part of the Group's management succession plan, the Directors of the Y.S.P.SAH Group has implemented the following steps to retain its key management:

- continuous management development programmes are scheduled throughout the year for the key management of the Y.S.P.SAH Group, which include the conduct of annual management conference and provisions of overseas and local training, to consistently enhance the management's knowledge and to instill a sense of leadership;

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

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- the allocation of Y.S.P.SAH Shares to all employees of the Group to participate in the Flotation Scheme in accordance to the staff grades and length of service of the employees. This is to instill a sense of ownership in the key management through direct equity participation in Y.S.P.SAH as well as to increase the level of commitment and loyalty amongst the key management to the Group; and
- career development programme which include the options given to key management to be posted to a different department within the Group after serving the Group for 2 to 3 years, depending on his/her individual strength. This is to enable the key management to gain greater exposure and knowledge on the different aspects of the operations of the Y.S.P.SAH Group, which will allow the Group not to be over-reliant on a certain key personnel to perform a particular job function.

Dr. Lee Fang Hsin, the President/Group Managing Director of Y.S.P.SAH, has furnished a written undertaking to the SC 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.

Notwithstanding the above, there is no assurance that the above measures would be successful in retaining the Group's key management and employees. For further details on the Group's management succession plan, please refer to Section 7.8 of this Prospectus.

**(r) Production uncertainties**

The occurrence of a natural disaster, fire, equipment failure, electricity failure, water shortage or strike will disrupt the manufacturing process of the Group and impede the Group's ability to achieve its operational objectives and delivery schedules, resulting in financial losses. The Y.S.P.SAH Group has not experienced any major disruptions to its business that had an adverse effect on its operations. However, there is no assurance that the occurrence of any production uncertainty which is outside the control of the Y.S.P.SAH Group would not have any adverse impact on the Group.

**(s) Risk associated with borrowings**

As at 10 December 2003, the Y.S.P.SAH Group has a total bank borrowings of approximately RM7.2 million (comprising short term borrowings amounted to approximately RM6.1 million and long term borrowings amounted to approximately RM1.1 million). Meanwhile, the capital commitments of the Group as at 10 December 2003 stood at RM10.5 million. The Directors of Y.S.P.SAH intend to fund some of the capital commitments through internally generated cash flows and bank borrowings. The Group further proposes to utilise RM0.8 million of the funds to be raised from the Public Issue to reduce its working capital facilities.

Potential investors should note that any significant fluctuation in interest rates may increase the cost of borrowings for the Y.S.P.SAH Group. There is no assurance that the financial performance of the Y.S.P.SAH Group will not be adversely affected in the event of such adverse change notwithstanding that the Group had maintained a low gearing historically.

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

##### (t) Ownership and control of the Group

By virtue of their shareholdings disclosed in Section 7.1 of this Prospectus, Dr. Lee Fang Hsin, who is the President/Group Managing Director of Y.S.P.SAH, will hold more than 50% of the enlarged issued and paid-up share capital of the Company upon completion of the IPO (including indirect interests held by his family member or corporation in which himself and his family members have substantial interests). Being the single largest group of shareholders of the Company, Dr. Lee Fang Hsin and his family members are able to exercise their voting rights attached to the Shares held by them and influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

##### (u) Related party transactions and potential conflict of interests

As disclosed in Section 9 of this Prospectus, certain Directors and substantial shareholders of the Company have interests in companies carrying on similar business as the Y.S.P.SAH Group. In order to minimise any potential conflict of interests, YSP(TW) (including its subsidiary and associated companies, 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)) has provided a written undertaking to the SC and Y.S.P.SAH that it 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. In the event that YSP(TW) wishes to distribute a product/range of products ("Products") in any of the country(ies) served by the Y.S.P.SAH Group, YSP(TW) undertakes that it shall first make an offer in writing to Y.S.P.SAH to distribute the Products on such terms and conditions to be considered by the management of Y.S.P.SAH and if the management of Y.S.P.SAH rejects such terms and conditions, then such terms and conditions shall be considered by the independent Directors of Y.S.P.SAH ("Independent Directors"). If the offer made by YSP(TW) is declined by the Independent Directors, YSP(TW) agrees that it shall not then offer/sell the Products in the country(ies) served by the Y.S.P.SAH Group directly or indirectly *via* a third party upon terms which are more favourable than those offered to Y.S.P.SAH.

Further, 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) have also undertaken 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.

#### 4.2 ECONOMIC, POLITICAL AND REGULATORY RISKS

Adverse developments in the economic, political and regulatory conditions in Malaysia could materially affect the financial prospects of the Group. Such uncertainties include, but are not limited to, the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, changes in existing regulations, government policies, controls or support for industry and change of government.

In Malaysia, the Group's operations are subject to the jurisdiction of numerous governmental agencies with respect to health care and other regulatory matters. Apart from the rules and regulations of the MoH, the Group is also subject to the following legislation:

- Registration of Pharmacist Act 1951 (Revised 1989)
- Dangerous Drugs Act 1952 (Revised 1989)
- Poisons Act 1952 (Revised 1989)
- Sale of Drugs Act 1952 (Revised 1989)

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

- Medicines (Advertisement & Sale) Act 1956 (Revised 1983)
- Trade Descriptions Act 1972
- Weights and Measures Act 1972
- Medicine Act (Chapter 176)
- Occupational Safety and Health Act 1994

In its effort to develop foreign markets, there is no assurance that the Y.S.P.SAH Group will not be affected by shifts in trade and economic policies. Should any foreign countries which serve as markets for the Group's products decide to impose a ban on the import of certain pharmaceutical products, the Group may be adversely affected as a consequence of lost of market share. Furthermore, pharmaceutical products which have been successfully registered by the Group in Malaysia do not necessarily guarantee its acceptance abroad. However, the risks are mitigated by the fact that the Group exports to several countries and through its present subsidiary companies and representative offices established in the Philippines, Singapore, Cambodia, Myanmar and Vietnam, the Group is able to assess the regulatory requirements and conduct the product registrations ahead of the launch of any new product in a particular foreign country in a large scale.

#### 4.3 ENVIRONMENTAL RISKS

In Malaysia, the operations of pharmaceutical manufacturers are subject to certain environmental regulations imposed by the Department of Environment, Malaysia, such as the Environment Quality Act 1974, Environment Quality (Clean Air) Regulations 1978, Environment Quality (Sewage and Industrial Effluents) Regulations 1979 and Environment Quality (Scheduled Wastes) Regulations 1989, which regulate, *inter alia*, the industrial effluent/water discharge and air pollution arising from the manufacturing processes. Prior to the commencement of operations of its manufacturing plant, Y.S.P.SAH is required to put in place the necessary pre-emptive measures to ensure compliance with the relevant environmental laws and regulations, including the construction and installation of a water treatment plant to treat all used water discharged from the manufacturing plant.

The Directors of Y.S.P.SAH believe that the existing operations of the Group are in strict compliance with the relevant environmental laws and regulations. The Group upholds strict adherence to the GMP guidelines as well as the SOP to ensure that each production process or step is carried out in accordance with the said guidelines and practices, without compromising the environment.

Nevertheless, there is a possibility that the Government may alter its existing regulations with regards to environmental matters in light of increasing environmental awareness, which may require the Group to incur additional expenses to modify or improve its manufacturing facilities and processes, which may in turn affect the operations and financial performance of the Group.

#### 4.4 POTENTIAL DELAY OR FAILURE OF THE LISTING

The Listing may be potentially delayed or aborted in the event of the following:

- (a) the places identified under the Private Placement fail to pay for the Issue Shares allocated to them notwithstanding that they have furnished their irrevocable undertaking letters to subscribe for such Issue Shares; or
- (b) the Bumiputera Investors identified under the Offer for Sale fail to pay for the Offer Shares allocated to them notwithstanding that they have furnished their irrevocable undertaking letters to subscribe for such Offer Shares; or
- (c) Y.S.P.SAH is unable to meet the public spread requirements of at least 25% of the issued and paid-up share capital of Y.S.P.SAH being held by a minimum of 1,000 public shareholders holding not less than 100 Issue Shares each; or

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

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- (d) An application will be made to the KLSE within three Market Days from the date of issuance of this Prospectus for admission of Y.S.P.SAH to the Official List of the Second Board and for permission to deal in and for quotation of the entire issued and paid-up share capital of the Company, including the IPO Shares which are the subject of this Prospectus. In the event that permission is not granted by the KLSE, monies paid in respect of any application accepted will be returned to applicants without interest.

**4.5 NO PRIOR MARKET FOR THE SHARES**

The IPO price of RM1.43 per Share has been determined and agreed upon by Y.S.P.SAH, the Officers and RHB Sakura as Adviser, Underwriter and Placement Agent, after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the Group's future prospects, the prospects of the Malaysian pharmaceutical industry and the prevailing market conditions.

Prior to this IPO, there was no public market for Y.S.P.SAH's Shares. There can be no assurance that an active market for the Shares will develop upon its listing on KLSE or, if developed, that such market can be sustained.

**4.6 VOLATILITY IN THE SHARE PRICE AND TRADING VOLUME**

The IPO price of RM1.43 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, the Group's future prospects, the prospects of the Malaysian pharmaceutical industry, the market prices for shares of companies engaged in a business similar to that of the Group and the prevailing market conditions. There is no assurance that the market price that Y.S.P.SAH Shares will remain at or above the IPO price of RM1.43 upon or subsequent to its listing on the KLSE.

The market price of the Shares may also fluctuate as a result of variations in its financial performance and low trading volume. The market price of the Shares is also susceptible to certain new development or technology advancement within the pharmaceutical industry, acquisition or strategic alliance by the Company or its competitors or gain or loss of major customers/contracts.

The performance of the KLSE is very much dependent on external factors such as the performance of the regional and world bourses and the inflow/outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various economic sectors. These factors invariably contribute to the volatility of trading volumes witnessed on the KLSE, thus adding risk to the market price of the listed Y.S.P.SAH Shares.

**4.7 ABILITY TO PAY DIVIDENDS**

Y.S.P.SAH is principally an investment holding company and the core operations of the Group are carried out through its subsidiary companies. Accordingly, the major source of income of Y.S.P.SAH is dividends and other distributions received from its subsidiary companies. The Company's ability to pay dividends or make other distributions to its shareholders is dependent upon a number of factors, including the operating results and financial conditions of the subsidiary companies, the capital expenditure requirements, availability of tax credits and other factors that the respective boards of directors of the subsidiary companies may consider to be relevant.

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

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**4.8 PROFIT ESTIMATE AND FORECAST AND FORWARD-LOOKING STATEMENTS**

This Prospectus contains the consolidated profit estimate and forecast of Y.S.P.SAH (details of which are set out in Section 12.2 of this Prospectus) which have been prepared based on various bases and assumptions that the Directors of Y.S.P.SAH consider reasonable based on the prevailing market and operation conditions. These bases and assumptions are subject to uncertainties and contingencies that are often outside the control of the Y.S.P.SAH Group. There is no assurance that the actual results of the Y.S.P.SAH Group will not differ materially from the consolidated profit estimate and forecast in the event that the market and operating environment varies from those assumed.

In addition, certain statements in this Prospectus are based on historical data which may not be reflective of future results. Other forward-looking statements regarding the Group's financial position, business strategy, plans and prospects are subject to inherent uncertainties, unknown risks or other factors which may cause the actual performance or achievements to differ materially from those expressed or implied in such forward-looking statements.

Potential investors will be deemed to have read and understood the assumptions and uncertainties underlying the profit estimate and forecast that are contained herein.

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