

14. INDEPENDENT MARKET RESEARCH REPORT

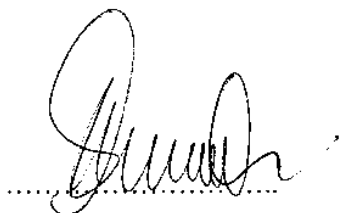
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This Report has been prepared for inclusion in the Prospectus dated **23 December 2003** pursuant to the proposed listing of Y.S.P Southeast Asia Holding Berhad ("Y.S.PSAH") on the Second Board of the Kuala Lumpur Stock Exchange.

The report serves to provide strategic insights into the development and prospects of the Asian Generic Pharmaceutical Market. Frost & Sullivan has conducted the research as an independent party basing its report on in-depth primary interviews and extensive secondary research at the point of study to facilitate a comprehensive overview of the market.



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14. INDEPENDENT MARKET RESEARCH REPORT *(Cont'd)*

**Market Engineering Research
for the Asian Generic Pharmaceutical Market**

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1

Executive Summary

Objective and Purpose

The Objective of this report is to evaluate the generic pharmaceutical markets in Malaysia, Philippines, Singapore, and Taiwan. Primary research was performed on the supply side of the market. This report is prepared for inclusion in the Prospectus of Y.S.P Southeast Asia Holding Berhad and provides in-depth information about the generic pharmaceutical markets in these regions, particularly the market size, revenue forecast, and market share. It also provides an insight into the challenges faced by players in the market, the drivers and restraints, and our strategic recommendations to improve market shares in these countries.

The objectives of this study for the supply side are given below:

- Challenges, drivers, and restraints of the market
- Government regulations
- Revenue forecasts and growth trends from 1997 to 2007
- Distribution and pricing trends
- Competitive structure and market share analysis

14. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**Summary of Findings****Market Growth and Total Forecast**

The total generic pharmaceutical market in the four countries was estimated at \$506.9 million in 2001. By 2007, the market is expected to reach over \$1 billion at a compound annual growth rate (CAGR) of 12.3 percent. Each country is likely to record double-digit growth rates, except Taiwan where the market is already mature.

Figure 1-1 shows the market age for the generic pharmaceutical market in each country.

Figure 1-1

Total Generic Pharmaceutical Market: Market Age by Country (Asia), 2001

Country	Market Age	CAGR % (2001–2007)
Malaysia	Growth	12.5
Philippines	Growth	19.7
Singapore	Growth	10.6
Taiwan	Mature	4.0

Source: Frost & Sullivan

Competitive Analysis

The generic pharmaceutical market in each country is dominated by a local company. For example, the Taiwan generic pharmaceuticals market is dominated by generic giant, Yung Shin Pharmaceutical Industries Co. Ltd. In the Philippines, pharmaceutical giant United Laboratories dominates the market. In Malaysia, UPHA has the largest presence; while in Singapore, Drug House of Australia (DHA) is a prominent player. In addition to marketing in their countries of origin, the manufacturers also venture out to the neighboring countries. However, their stronghold still lies in their countries of origin and/or where their manufacturing facilities are located.

Realizing that exploring new markets is important to enhance revenues, some generic companies have expanded and become multinational companies. Some active multinational

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generic pharmaceutical companies include Ranbaxy, Soul-Pattinson, Yung Shin Pharmaceuticals, etc. These companies have marketing/representative offices or have joint working agreements with local manufacturers in the Asian countries.

Strategic Recommendations

As the characteristics for all the markets are different, Frost & Sullivan customizes strategic recommendations for each country covered.

Malaysia

Recommendations to enhance market share of players in the generic pharmaceutical market in Malaysia include the following:

- Add new products in the pipeline, taking opportunity of patent expirations of blockbuster drugs
- Enter niche market in sectors with low competition
- Focus on the less explored hospital markets
- Conduct bioequivalent tests for high revenue and potential products to establish quality acknowledgement

Philippines

Recommendations to enhance market share of manufacturers in the generic pharmaceutical market in the Philippines include the following:

- Establish a strong sales force to market and promote products
- Establish a good distribution network to ensure availability of products
- Develop products in less competitive therapeutic areas

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Singapore

Recommendations to enhance market share of manufacturers in the generic pharmaceutical market in Singapore include:

- Establish R&D department to grasp valuable market opportunities
- Engage in contract manufacturing for enhanced revenue growth
- Target products to cater to graying population
- Have R&D Laboratories certified by the Therapeutic Goods Administration (TGA)

Taiwan

Recommendations to enhance market share of manufacturers in the generic pharmaceutical market in Taiwan include:

- Focus on specialty drugs to capture the hospitals market
- Conduct aggressive marketing campaigns to boost brand awareness
- Identify emerging drugs market to gain "first in the market" status
- Establish a good database system to focus on high turnover products

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Research Scope and Methodology

Objective

The objective of this study is to assist clients in obtaining information regarding the generic pharmaceutical markets in selected countries in Asia. This information includes challenges, drivers, and restraints in the market, in addition to each country's market size, revenue forecasts, and market shares. Further, it also provides an insight into the market trends and government regulations in each country.

Scope

The data provided is derived from primary sources and secondary research. A total of 17 detailed interviews were conducted for this research project. The study period for the assessment of this market is from 1997 to 2007. This report covers the generic pharmaceutical markets in the following countries:

- Malaysia
- Philippines
- Singapore
- Taiwan

Generic drugs are identical to its branded counterpart in terms of dosage form, administration method, strength, quality performance, and intended use. They are priced lower than branded products as no research and development expenses are incurred by the generic company. Generic drugs are permitted to be manufactured only after the patent for branded drugs expire; this allows investment returns for research and development efforts of companies that invented and patented the drugs.

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For this report manufacturers and distributors were interviewed for information regarding:

- Challenges, drivers, and restraints of the market
- Government regulations
- Historical and forecasts of revenues and growth trends from 1997 to 2007
- Distribution and pricing trends
- Competitive structure and market share analysis

Research Methodology

Frost & Sullivan used a team-based approach to this project. This approach included one project manager guiding, defining, and structuring research issues with the team, one senior project consultant supervising the research and data collection process, and two research analysts in-charge of data collection and analysis. This project was managed from Frost & Sullivan's office in Kuala Lumpur, Malaysia.

The data collected represents secondary and primary information gained from interviews with manufacturers and distributors of generic pharmaceutical products.

Secondary Research

The first stage of the research process was to design the data collection process. This process involved reviewing all secondary research available. The following secondary resources were utilized:

- Medical journals, government publications, diabetic associations, and online resources
- Conversation with industry contacts
- Utilization of Frost & Sullivan's database

In particular, the following secondary sources of information were employed:

- Online databases
- Frost and Sullivan's library resources

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- Websites like www.tradeport.org, www.bpfk.org, www.cptech.org,
www.pharmaniaga.com.my, www.mopi.org.my, www.compass.com.ph,
www.moh.gov.sg, www.twinside.org.sg, www.pharmbiz.com, etc.

Primary Research

Primary interviews were conducted after all the secondary information was collected and reviewed.

A total of 17 primary interviews were completed during the research process. The following target audience was selected:

- Managing Directors
- Chief Executive Officers
- Product Managers
- Sales Managers

Figure 2-1 shows the number of interviews conducted in each of the countries.

Figure 2-1

Scope and Methodology: Number of Interviews (Asia), 2001

Country	Number of Interviews
Malaysia	5
Philippines	4
Singapore	4
Taiwan	4
TOTAL	17

Source: Frost & Sullivan

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Questionnaire Development

A questionnaire was developed for the manufacturers. It included issues regarding company profile, product lines, sales performance, distribution channel, and competitors. Further, it also focused on the key drivers and restraints and threats of this market.

As the sequence and order of questioning were very important, the interview started with easy and non-threatening questions to establish rapport and build confidence of respondents. Frost & Sullivan designed the questionnaire to proceed from broad, general questions to ones that are more specific. This funnel approach helped respondents put the specific question in a broader context and offer more thoughtful responses.

Frost & Sullivan used both unaided and aided recall awareness responses. Further, it also used a variety of scales to measure attributes that were sought and perceptions toward certain issues.

Cross-Verification of Data

Cross-verifying information received is an important part of this step. Frost & Sullivan analysts are trained to listen for misleading or incorrect information, to detect when a respondent may be purposefully providing incorrect information or is merely guessing. Erroneous information thus almost always reveals itself during the cross-verification stage of the Market Engineering process.

If possible, Frost & Sullivan cross-verifies all data from each respondent by interviewing others in the same industry. Furthermore, answers are confirmed by speaking to other competitors, end users, and customers. Finally, the results are corroborated using other market research measurements. The analyst team discards any misleading information that does not integrate with the entire market analysis.

Confirm Results with Quality Control

In its drive to continuously upgrade its products, Frost & Sullivan uses three procedures:

- Quality Control
- Verification

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■ Refinement

These procedures help guarantee superior, accurate market data for Frost & Sullivan clients.

Research Director's Final Review

Once market research work is concluded, the analyst team and a senior research director review and distill the results. The goal is to verify that all issues are covered, conclusions and analysis are logical, all measurements have been included, and report is as accurate, comprehensive, and detailed as possible, given the timetable for research. The analyst team then adds any approved changes and additional information to the report.

Final Client Preparation

At this stage in the quality-control procedure, the Final Client Preparation (FCP) team checks several important elements of the report for accuracy and completeness.

Discussion of Research Findings

Frost & Sullivan suggests a conference call to discuss research findings after delivery of the final report. A discussion of the findings serves to immediately answer most questions about the research process and results and provides a greater depth of understanding of the findings for the client.