

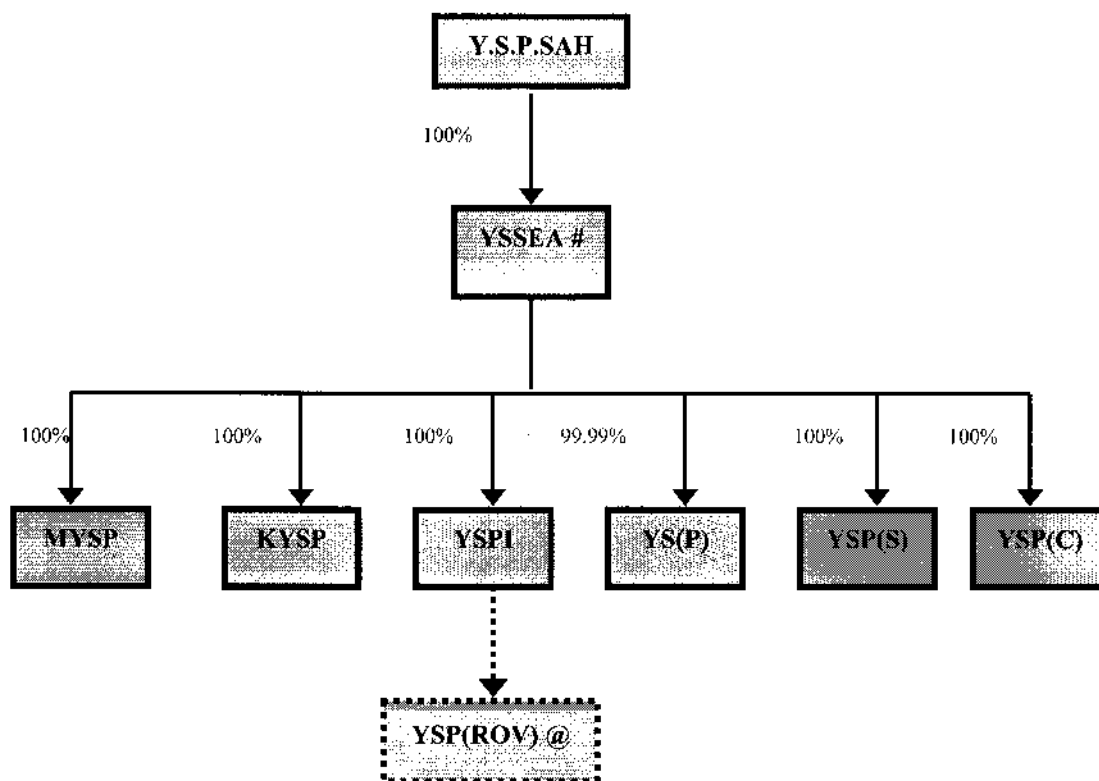
6. INFORMATION ON THE Y.S.P.SAH GROUP

6.1 INCORPORATION AND PRINCIPAL ACTIVITIES

Y.S.P.SAH was incorporated in Malaysia under the Act on 10 July 2001 as a private limited company under the name of Y.S.P. South East Asia Holding Sdn. Bhd. As part of the plan for listing, Y.S.P.SAH was converted into a public limited company and assumed its present name on 16 May 2002.

Y.S.P.SAH is an investment holding company. Its subsidiary companies are principally engaged in the import, export, trade and manufacture of pharmaceutical, veterinary and aquatic products and pharmaceutical fine chemicals.

The Y.S.P.SAH Group's corporate structure after the Flotation Scheme is as follows:



Notes:

YSSEA will be dissolved after the Listing.

@ YSPI has established a representative office in Vietnam in 8 April 1999.

The remaining of this page is intentionally left blank

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)**6.2 SHARE CAPITAL**

The present authorised share capital of Y.S.P.SAH is RM100,000,000 comprising 100,000,000 Shares.

The present issued and paid-up share capital of Y.S.P.SAH after the completion of the Acquisition of YSSEA and Settlement of Inter-company Debt on 30 September 2003 is RM46,750,000 comprising 46,750,000 Shares. Upon completion of the Public Issue, the enlarged issued and paid-up share capital of Y.S.P.SAH will be RM55,000,000 comprising 55,000,000 Shares.

Details of the changes in the issued and paid-up share capital of Y.S.P.SAH since its incorporation are as follows:

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

There are no outstanding warrants, options, convertible securities or uncalled capital in Y.S.P.SAH.

6.3 FLOTATION SCHEME

The Flotation Scheme encompasses the following exercises:

(i) Acquisition of YSSEA

Pursuant to a Sale and Purchase Agreement with the shareholders of YSSEA, Y.S.P.SAH has acquired 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.

The purchase consideration for the Acquisition of YSSEA was arrived at based on YSSEA's audited consolidated NTA as at 31 December 2001 of RM49,424,604.

The Acquisition of YSSEA was completed on 30 September 2003.

(ii) Settlement of Inter-company Debt

Y.S.P.SAH has settled on YSSEA's behalf, an outstanding debt of RM2,938,660 owed by YSSEA to YSP(INV) by way of an issuance of 2,623,584 Shares at an issue price of approximately RM1.12 per Share. This had resulted in the creation of an amount owing by YSSEA to Y.S.P.SAH of RM2,938,660.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

(iii) Offer for Sale

An Offer for Sale by the Offerors of 16,499,700 Shares, representing 30% of the enlarged issued and paid-up share capital of Y.S.P.SAH after the IPO, to the Bumiputera Investors at an offer price of RM1.43 per Share. The Offer for Sale is a subject of this Prospectus.

(iv) Public Issue

Pursuant to this Prospectus, Y.S.P.SAH will undertake a Public Issue of 8,250,000 new Shares, representing 15% of the enlarged issued and paid-up share capital of Y.S.P.SAH, at an IPO price of RM1.43 per Issue Share, whereby:

- (i) 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 the eligible employees of the Group;
- (ii) 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; and
- (iii) 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.

(v) Listing on KLSE

The listing of and quotation for the entire issued and paid-up ordinary share capital of Y.S.P.SAH of RM55,000,000 comprising 55,000,000 Shares on the Second Board of the KLSE.

6.4 HISTORY AND BUSINESS OVERVIEW

The operations of Y.S.P.SAH Group commenced with the incorporation of KYSP in 1988 as a trading house distributing pharmaceutical and veterinary products as well as medical devices for its parent company in Taiwan, R.O.C., namely YSP(TW).

In 1990, YSPI was incorporated to expand the Group's operations in Malaysia and to start local production of pharmaceutical and veterinary products as well as the importation and distribution of pharmaceutical and veterinary products. YSPI has developed into the fourth largest manufacturer in the Malaysian generic pharmaceutical market in terms of revenue (*Source: Frost & Sullivan*) with an ascending growth in its sales revenue and expanding market share.

The Y.S.P.SAH Group has further expanded its market coverage and marketing network in the ASEAN region as evidenced by the establishment of several subsidiary companies and representative office overseas, such as YSP(S), YSP(P), MYSP, YSP(C) and YSP(ROV).

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

6.4.1 Principal products

The Y.S.P.SAH Group currently manufactures and distributes 249 products comprising pharmaceutical, healthcare, veterinary and aquatic products which can be primarily categorised as follows:

- (a) pharmaceutical products which consist of generic prescription drugs;
- (b) OTC products which consist of generic non-prescription drugs, and
- (c) veterinary and aquatic products.

The Group manufactures 171 pharmaceutical and OTC products in various forms namely tablets, capsules, syrups/suspensions, suppositories, ointments, creams and powders. The Group's Poro analgesic line (for the relief of fever and mild to moderate pain) is one of the more established products in the Malaysian OTC market. The Group's veterinary and aquatic products portfolio consists of 61 veterinary products and 17 aquatic products.

There is presently no requirement for "halal" certification for essential prescription drugs. Nevertheless, apart from registering its products with the DCA, the Group has also taken the initiative to indicate the source of raw material for the capsules (for example, vegetables or otherwise) on its product packaging.

6.4.2 Technical transfer agreement

YSPI entered into a TTA with YSP(TW) on 1 September 1998, which provides YSPI access to the following:

- (i) technological data and know-how, documentation and/or literature on products, guidance in the planning, design, engineering, construction, start-up and operation of a pharmaceutical manufacturing plant in Malaysia as well as the manufacturing of products; and
- (ii) the rights and licence to use the "YSP" trade mark (where YSP(TW) is the registered proprietor) in Malaysia.

In consideration to the above, YSPI shall pay to YSP(TW) a royalty fee equivalent to 2% of the overall net sales (being the gross sales less sales discounts or returns, transport costs (including freight), insurance, duties, taxes and other charges) derived from the products manufactured by YSPI.

6.4.3 Patents, licences, trade marks and brand names

YSPI, the manufacturing arm of the Y.S.P.SAH Group, manufactures only off-patented drugs. YSPI has been granted a manufacturing licence (Licence No.: MALLP-20021233A) by DCA for the manufacturing of pharmaceutical and OTC products. Further details in relation to the aforesaid manufacturing licence are set out in Section 10 of this Prospectus. Meanwhile, there is presently no requirement for the Group to procure similar licence for the manufacturing of veterinary and aquatic products.

For each new pharmaceutical or OTC product which is proposed to be manufactured by YSPI and regulated under the Sales of Drug Act 1952 (Revised 1989), YSPI is further required to undergo an online registration process to register this product with DCA. Further details in relation to the product registration process are set out in Section 5.2.2 of this Prospectus.

In order to protect its brand name, the Y.S.P.SAH Group has its more established and popular products sold under specific registered trade marks. Poro[®], Pontalon[®], Voren[®] and Knowful[®] are examples of the established trade marks which have been registered by YSPI.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

6.4.4 Manufacturing facility and technology used

The manufacturing plant of the Y.S.P.SAH Group is situated on 3-acres of land located at Lot 3, 5 & 7, Jalan P/7, Section 13, Kawasan Perindustrian Bandar Baru Bangi, 43000 Kajang. The construction of the manufacturing plant started in 1990 and started operations in 1991 with a single production line running on a single shift. At present, the plant has two production facilities (one for human consumption and the other for veterinary consumption), which consists of five production lines. The Group's plant currently employs approximately 170 employees.

The manufacturing plant houses various production equipment which include mixers, fluid-bed dryers, mills, tableting machines, capsule filling machines, coating machines, liquid dispensing tanks, vacuum mixers, counting machines, blister pack machines and suppository machines. The production process is predominantly automated and run on a batch-processing basis. As opposed to a continuous processing line, each manufacturing process (for example sieving, blending and drying) may be run independently from the other by using the specific-purpose equipment. Other than the capital expenditure budgeted for by the Directors of Y.S.P.SAH for the maintenance of the above-mentioned equipment/machineries, the Group believes that the present technology employed and manufacturing facilities of the Group are adequate to cater for its current production requirements and the Group is not expected to consistently upgrade or replace its equipment or manufacturing facilities.

The plant's production capacity and its output for the 8-months financial period ended 31 August 2003 is as follows:

Dosage Form	Maximum Capacity	Output	% of Total Capacity
Pharmaceutical			
Tablets and capsules (million pieces)	640	531	83
Ointment/Cream (kg)	60,000	52,500	88
Suppository (million pieces)	13	9.2	71
Suspension/liquid (litre)	175,000	118,500	68
Veterinary			
Powder (ton)	250	197	79
Solution (litre)	60,000	21,000	35

The maximum capacity is measured based on an eight-hour working day. Production can be increased by three-fold to a twenty-four hour working day if the need arises.

In an effort to increase sales of suppositories, the Group is currently conducting drug stability testing in order to register these products in selected overseas markets. The Group is also promoting the use of suppositories to pharmacies and hospitals.

The veterinary solution production line is underutilised at present as it is solely utilised to produce external use drugs pursuant to GMP requirements. Production output is expected to increase as the Group is planning to expand its overseas veterinary market especially in Vietnam and Cambodia.

As highlighted under Section 5.3 of this Prospectus, the Bangi manufacturing plant is currently undergoing expansion to enable the production of eye-drops and injectable drugs and the accommodation of its R&D facilities. The Directors of Y.S.P.SAH expect the expansion works to be completed in the first quarter of 2004 and it is expected to be operational by the second half of 2004.

In addition, the Group plans to construct a new warehouse and manufacturing plant for the production of cephalosporin on industrial land newly acquired by the Group at Lots 1 and 3, Jalan 9/8 and Lots 2, 4 and 6, Jalan 9/7, Taman IKS, Section 9, 43650 Bandar Baru Bangi.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

Upon the completion of the expansion of the existing Bangi manufacturing plant, the Directors of Y.S.P.SAH envisage that the production capacity for the 3 new classes of products would be as follows:

Dosage Form	Unit	Maximum Capacity
Cephalosporin capsules (Pharmaceutical)	Million pieces	100
Cephalosporin granules (Pharmaceutical)	Kilogram	1,500
Eye-drops (Pharmaceutical)	Litre	25,000
Injection (Pharmaceutical)	Litre	25,000
Injection (Veterinary)	Litre	25,000

6.4.5 GMP

The Group obtained GMP status in 1992 for its pharmaceutical manufacturing operations from the DCA. In 1995, the Group further obtained GMP status for its veterinary products manufacturing.

GMP are evaluated and certified by NPCB and the term "GMP" refers to regulations recommended by the PICS and promoted by the NPCB, which is a division of the MoH. NPCB evaluates the GMP level according to the standards set by PICS.

To meet GMP specifications, the Group's plant has to manufacture pharmaceutical products that are safe and of consistent quality. Every step in the manufacturing process is strictly controlled, starting from the sourcing of raw materials to the marketing of finished products.

In order to fulfil GMP criteria, the following measures must be followed:

- Detailed documentation of the manufacturing process in the Batch Manufacturing Record;
- Strict adherence to the SOP to ensure that each process or step is done according to the stated practice;
- Continuous training of staff on GMP and SOP; and
- Usage of up-to-date testing equipment and strict control of testing methods and specifications.

The environment in the manufacturing plant is controlled to PICS standards. For example, the water system and the air handling system comply with the PICS guidelines.

6.4.6 R&D capabilities

The Y.S.P.SAH Group has a R&D team of fifteen full-time personnel which is based at its Bangi manufacturing plant. The R&D team includes pharmacists, microbiologists, nutritionists, chemists and research assistants. The R&D Division focuses its activities on developing off-patent products, working closely with YSP(TW) for technology transfer, product development and improving its existing products to enhance marketability such as modifying the formulation of a product to increase its tablet weight and ease the shaping process.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

The R&D Division is presently responsible for:

- (i) pre-formulation of products where the R&D team develops and/or verifies formulations for products that will be launched in Malaysia and ASEAN countries by carrying out and evaluating trial manufacturing;
- (ii) development of methodologies to implement in the Bangi manufacturing plant where the R&D team will validate the manufacturing process and testing specification for its reproducibility, sensitivity, and accuracy;
- (iii) product registrations with the relevant authorities in Malaysia and assisting in product registrations with the respective overseas authorities, where necessary, for the countries where the Group exports its products; and
- (iv) conducting stability studies and process validation in order to ascertain and verify the stability and consistency of the quality and effectiveness of new products.

Todate, the Y.S.P.SAH Group has successfully launched 33 products which are developed by the local R&D team as listed below:

No.	Business Unit	Name of Product
1.	Pharmaceutical	Allopurinal Tablet 300mg
2.	Pharmaceutical	Copastin Film Coated Tablet
3.	Pharmaceutical	Debtan Tablet
4.	Pharmaceutical	Fucon Film Coated Tablet
5.	Pharmaceutical	Urosin Film Coated Tablet 50mg
6.	Pharmaceutical	Orphenadol Tablet
7.	Pharmaceutical	Paras Tablet
8.	Pharmaceutical	Domidin Lozenge
9.	Pharmaceutical	Vitamin C-100 Grape Flavor
10.	Pharmaceutical	Vitamin E-100 Chewable Tablet
11.	Pharmaceutical	Vitamin E-200 Chewable Tablet
12.	Pharmaceutical	Vitamin E-400 Chewable Tablet
13.	Pharmaceutical	Shine Bio-Cal Chewable Tablet
14.	Pharmaceutical	Shine EnerB Capsule
15.	Pharmaceutical	Lactaide Chewable Tablet
16.	Pharmaceutical	Shine Multivitamin Plus Chewable Tablet
17.	Pharmaceutical	Bisacodyl Suppository 5mg
18.	Pharmaceutical	Anucare Suppository
19.	Pharmaceutical	Poro Suppository 250mg
20.	Pharmaceutical	Poro Suspension 250mg/5ml
21.	Veterinary	Rican Powder 10%
22.	Veterinary	Ncosun Powder
23.	Veterinary	Farmex Solution
24.	Veterinary	Sultrim Oral Suspension
25.	Veterinary	Nosidal Solution 10%
26.	Veterinary	Amoxicillin Soluble Powder
27.	Veterinary	Enzyl Powder
28.	Veterinary	Doxy Powder 50%
29.	Veterinary	Sulfolan Powder

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

No.	Business Unit	Name of Product
30.	Veterinary	Nalix Powder
31.	Veterinary	Ironwon Solution
32.	Veterinary	Yucomy Powder
33.	Veterinary	Enflosin Solution

As highlighted in Section 6.4.2 of this Prospectus, YSPI has entered into a TTA with YSP(TW) which provides YSPI, *inter alia*, access to the technological data and know-how in relation to, *inter alia*, the manufacturing of products, including the manufacturing procedures, research and development, quality controls and specifications of products. Notwithstanding the support from YSP(TW), the Group intends to further employ new R&D personnel including overseas experts from China and India to enable R&D technology transfer. In addition, the Group is holding talks with a local university to explore possibilities of joint R&D collaboration.

For the past three FYE 31 December 2002 and 8 months financial period ended 31 August 2003, the YSSEA Group (the predecessor of the Y.S.P.SAH Group prior to the Acquisition of YSSEA) has spent an aggregate of RM3.2 million on R&D and the ratio of the R&D expenses to the annual turnover of the Group is summarised as below:

FYE/Financial Period Ended	R&D Expenses RM'000	Turnover RM'000	%
31 December 2000	699	44,860	1.6
31 December 2001	774	52,009	1.5
31 December 2002	988	61,249	1.6
31 August 2003	780	45,811	1.7
Total	3,241	203,929	1.6

(Source: Audited consolidated accounts of YSSEA for the past 3 FYE 31 December 2002 and 8 months financial period ended 31 August 2003)

6.4.7 QC

The Group's manufacturing facilities have stringent QC procedures, which reflects the Group's commitment to manufacture quality products and enables the Group to continue to retain the GMP status for its manufacturing facilities. The Group implements various QC points in its manufacturing process, from the selection of raw materials to the finished products. Complete manufacturing and QC records are maintained to enable tracking and evaluation of raw materials and production process.

The Y.S.P.SAH Group has a Quality Assurance Division comprising of 20 full-time personnel who is based at the Bangi plant. The responsibility and job functions of the Quality Assurance Division include the following:

- Conduct analytical test on stability samples, raw materials, intermediate, bulk and finished products;
- Conduct packaging material test against internal specifications and previous batches;
- Conduct microbial limit test for deionised water, suspension and certain raw materials, and microbioassay testing for multi-component antibiotics. Microbiological testing is performed in the clean room in accordance with SOP; and
- Review of batch documentation prior to the release of finished products.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

6.4.8 Types, sources and availability of raw materials

Approximately 90% of the Group's raw materials, consisting of active ingredients, excipients and packaging materials are imported whilst the remaining 10% of the Group's materials are sourced locally. The Group has established long-term relationships with its key suppliers, many of which have had business dealings with the Group for more than five years. In order to ensure strict quality and cost control, only suppliers from the Group's designated "Approved Vendor List" are used (see Section 6.4.12 of this Prospectus for more details).

The materials, origin of materials and percentage of contribution for the year 2002 are as set out below:

<u>Materials</u>	<u>Origin of Materials</u>	<u>%</u>
Active ingredients	Asia (i.e. Japan, China, India, Taiwan, R.O.C., etc.)	73.0
	Europe (i.e. Germany, France, Italy, Switzerland, etc.)	
Excipients	Asia (i.e. Japan, China, India, Taiwan, R.O.C., etc.)	12.9
	Europe (i.e. Germany, France, Italy, Switzerland, etc.)	
Packaging materials	Asia (i.e. Malaysia, Taiwan, R.O.C., etc.)	13.4
	Europe (i.e. Germany, Italy, etc.)	

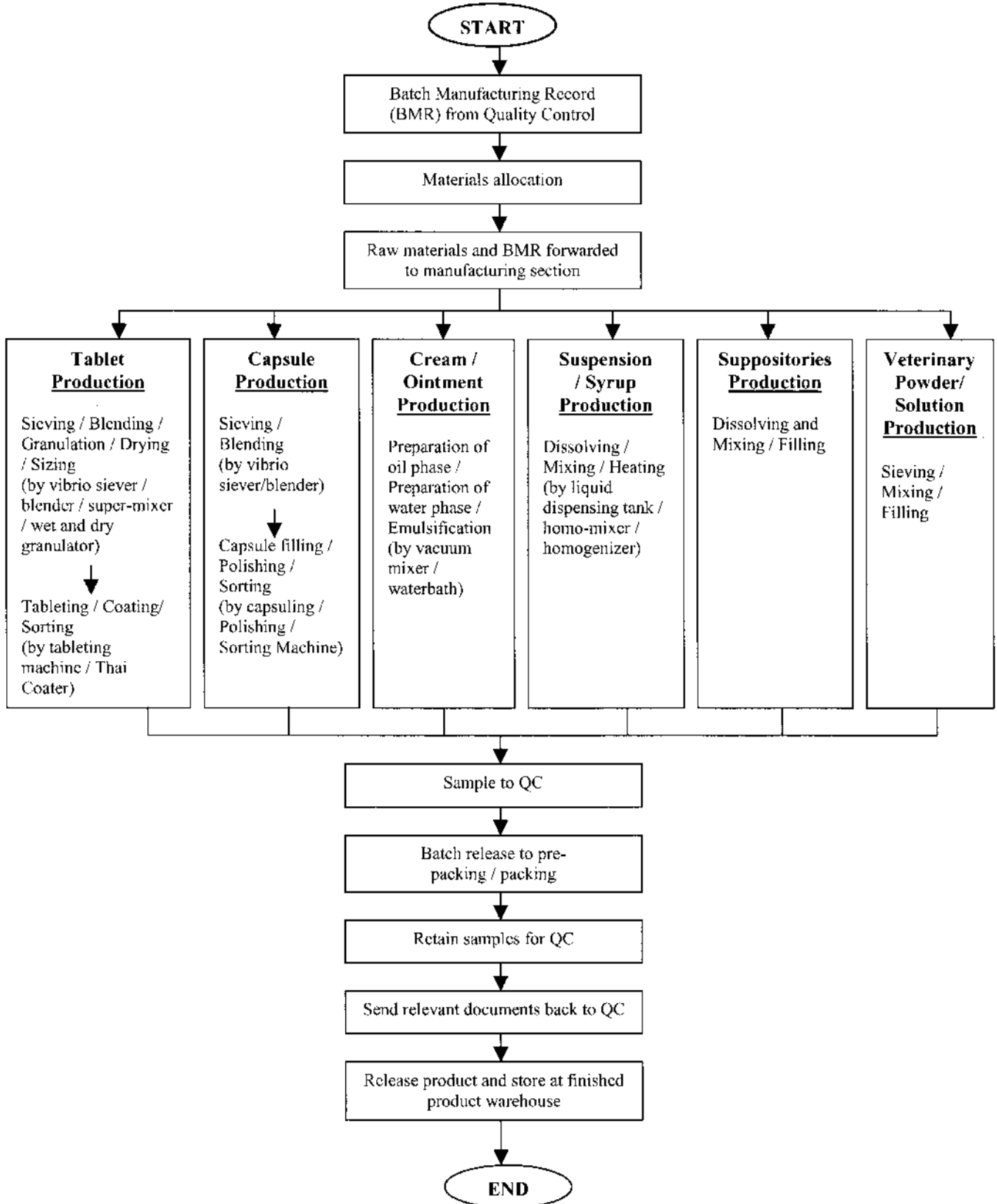
The Directors of Y.S.P.SAH believe that the implementation of AFTA will not have any material impact on the raw material prices, as the Group is currently importing majority of its active ingredients into Malaysia with no duties.

The remaining of this page is intentionally left blank

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

6.4.9 Production process and QC

The diagrammatic illustration of the manufacturing process and QC is depicted below:



6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

The layout of the manufacturing plant of the Group is segregated into different areas whereby, each manufacturing area completes specific production for different dosage forms (such as tablet, capsule, cream/ointment, syrup/suspension and suppositories). The parameters of each equipment would be set according to the required products' formulation. QC points are set at each production stage, starting from the receiving of raw materials from the warehouse to the final product storage and delivery. Complete manufacturing and quality control records will be maintained to enable subsequent tracking and evaluation of raw materials and production process.

Production starts with the issuing of raw materials in accordance to Batch Manufacturing Record and Raw Material Requisition Form. All necessary testing requirements are listed on the Batch Manufacturing Record. Issued raw materials must firstly be tested and approved by the QA personnel to ensure compliance with the specifications given in the appropriate official monograph. After the preliminary QC inspection, the raw materials are dispensed according to the particular batch number of the respective product to be manufactured and kept in different containers that are identified by specific Vessel Labels and stored under lock and key at the raw material storage room. Raw material of a particular batch will be counter-checked and re-weighed by production operator before being used in the manufacturing process.

During the manufacturing process, the intermediate product is kept in a container and stored at the semi-finished product storage room. Each container is attached with a Vessel Label, which states clearly the status of the intermediate product, product code, batch number and container number.

In-process QC is performed during bulk manufacture to ensure that the semi-finished products have uniform purity and quality within a batch and batch-to-batch. A sample will be obtained from each batch for quality checks. There are two types of control check on the appearance as well as product formulation testing. The physical appearance testing is performed by the QA personnel at the manufacturing floor itself, while the product formulation testing is performed at the QC laboratory. In-process QC records are documented and included in the Batch Manufacturing Record.

Upon the clearance of the in-process QC and further checking on the weight and batch number by an assigned personnel, the semi-finished products will be released for compression, filling and pre-packing. The packaging materials are transferred to the pre-packing or packing area according to the quantity and items stated in the Packaging Material Requisition Form. These packaging materials will be checked for cleanliness and correctness of labelling, in addition to the certification of the cleanliness of the packing area by a designated supervisor.

For each packaged product, the identity, batch number, date of manufacturing and expiry date will be endorsed. The line leaders and QA personnel will randomly examine several packages of the batch for appearance check. All unused labels will be counted and recorded on the Destroying Form and subsequently sent to QA personnel for checking and destruction.

Samples of final packaged product are removed from the production line at predetermined intervals, which will undergo a final testing before being released for storage. These samples will have to comply with the Finished Product Testing Specifications as well as the Group's in-house validation procedures and methods. All relevant documents together with the Batch Manufacturing Record are forwarded to QA personnel, who will assure and certify that the relevant batch of product conforms to all testing requirements prior to release.

For each batch of the final packaged products, the Group will retain 3 samples to enable future tracing and standards reference, in the event that the Group receives any customer complaint or adverse feedback on a particular product. In addition, the QA personnel will also randomly select 3 batches of each product manufactured to perform a time stability study, which enable the Group to ascertain the actual shelf-life of that particular type of product.

6. INFORMATION ON THE Y.S.P.SAH GROUP *(Cont'd)*

6.4.10 Principal markets

For the 8 months financial period ended 31 August 2003, approximately 80.6% of the Group's turnover is domestic in nature, with the remaining 19.4% contributed by overseas sales. The main markets for exports are Singapore, Philippines and Vietnam. Export activities are estimated to grow and the level of exports is expected to increase in the foreseeable future as the Group intends to expand its coverage of overseas markets.

6.4.11 Major customers

The Y.S.P.SAH Group does not rely on a limited number of customers as the Group has a diverse range of products which enable the Group to cater for various demands from the pharmaceutical, veterinary and aquatic and OTC markets. The Y.S.P.SAH Group has a diversified customer base of over 10,000 clients comprising hospitals, clinics, pharmacies, veterinarians, livestock farms, aquatic farms, feedmills and GPs as well as OTC sales.

None of the Group's customers individually contribute more than 10% of the Group's total turnover. The Directors of Y.S.P.SAH are of the view that the Group is not dependent on any single major customer.

The major customers of the Y.S.P.SAH Group are as follows:

Customer	Length of Relationship (years)	% of contribution to the Group's total sales volume for the 8 months financial period ended 31 August 2003
National Phytopharma Joint-Stock Co	5	3%
Yung Shin Pharmaceutical (S) Pte Ltd	9	3%
Fidin Unviersal Sdn Bhd	8	2%
Pharmaniaga Logistics Sdn Bhd	7	2%
Yung Shin (Philippines) Inc	4	2%
Cosway (M) Sdn Bhd	4	1%
Tamasetia Resources Sdn Bhd	8	1%
Weissen Company (M) Sdn Bhd	3	1%
DBE Marketing Sdn Bhd	9	1%
Johor Bahru Flour Mill Sdn Bhd	3	1%

6.4.12 Major suppliers

The Group has established long-term mutually beneficial relationships with its key suppliers, many of which have had business dealings with the Group for more than five years. In order to adhere to the GMP guidelines and SOP, the Group is only allowed to purchase raw materials from an "Approved Vendor List" to ensure tight quality control of raw materials and timely delivery of raw materials. These approved suppliers must qualify for certain QC requirements, including but not limited to provision of samples of its materials for evaluation by the Group's R&D team, trial manufacturing and stability testing. The supplier selection period would take approximately 6 to 9 months. Continuous monitoring is performed with subsequent raw materials shipment to ensure continuous quality in all raw materials sourced by the Group.

The Directors of Y.S.P.SAH are of the view that the Group is not dependent on any single major supplier as the Group's policy is to have multiple sourcing based on the management's continuous monitoring of price and quality of materials supplied, which enable the Group to purchase the raw materials at competitive prices without compromising on quality.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

The major suppliers of Y.S.P.SAH are as follows:

Supplier	Length of Relationship (years)	% of contribution to the Group's total purchases volume for the 8 months financial period ended 31 August 2003
Aceto Pte.Ltd	12	10%
Prima Inter-Chem Sdn Bhd	9	8%
Epic Ingredient Sdn Bhd	7	6%
Shang Yuh Machinery Co.,Ltd	10	5%
Euro Chemo-Pharma Sdn Bhd	11	4%
Matal Pte. Ltd	10	4%
Tanabe Seuyaku Co., Ltd	4	3%
Capsugel (Thailand)	10	3%
Yung Shin Pharmaceutical	15	2%
Yung Zip Chemical Ind. Co., Ltd.	13	2%

6.4.13 Marketing and distribution network

The marketing activities of the Group are supported by an established distribution network and large sales force, which comprise 122 personnel consisting of sales representatives, sales supervisors and sales managers. The sales personnel are assigned to specific geographical areas or states in the Peninsular and East Malaysia as well as the ASEAN region. The entire marketing team caters to approximately 10,000 customers comprising hospitals, clinics, pharmacies, veterinarians, livestock farms, aquatic farms, feedmills and GPs as well as OTC sales.

The marketing strategies adopted by the Y.S.P.SAH Group for the Malaysian & overseas markets are as follows:

The Malaysian Market

At present, the Group has four main distribution centres located in Bangi, Kuching, Kota Kinabalu and Bukit Mertajam. The warehouse in Bangi caters to demands from the central and southern regions of Peninsular Malaysia, whereas the Bukit Mertajam warehouse caters to demands from the northern region of Peninsular Malaysia. The marketing team of the Group adopts a 'door-to-door' marketing strategy which enables the Group to shorten the lead times in procuring customers' orders, delivery of products as well as collection of money without employing any intermediate agents/distributors. This strategy has enabled the Group to track the specific needs, purchase patterns and feedbacks from each of its customers which further assist the Group in establishing a comprehensive customer database as well as inventory control system.

The Overseas Markets

The Group intends to use its strong foothold in the Malaysian market as a base to further enlarge its market coverage in the ASEAN region. To realise its expansion plans, the Group has established marketing networks in Singapore, Vietnam, Philippines, Myanmar and Cambodia via the establishment of various foreign subsidiary companies and representative office, namely YSP(S), YS(P), MYSP, YSP(C) and YSP(ROV).

6. INFORMATION ON THE Y.S.P.SAH GROUP *(Cont'd)*

6.4.14 Competitive advantages

The Y.S.P.SAH Group's competitive advantage lies in its comprehensive product portfolio, diversified customers base, GMP accredited manufacturing plant, established in-house marketing and distribution network, sound R&D capabilities with strong support from YSP(TW) and experienced management team.

The Directors of Y.S.P.SAH believe that the Group's broad spectrum of products covering the pharmaceutical, veterinary, aquatic and OTC products is a key competitive advantage for the Y.S.P.SAH Group. It allows the Y.S.P.SAH Group to gain market recognition and awareness for its products and cater to most customers' demands comprising clinics, hospitals, pharmacists, veterinaries, livestock farms and aquatic farms. Its large array of products also enables the Group to achieve economies of scale in production which allows the Group to have the flexibility to price its products more competitively.

The support of the in-house distribution network and marketing team comprising 122 marketing personnel is another key competitive advantage which has facilitated the Group in establishing a comprehensive customer database as well as raw material and inventory control system.

6.4.15 Employees

As at 10 December 2003, the Group has a total workforce of 407 employees, all employed on a permanent basis. The breakdown of the Group's employees is as follows:

Category of Employees	No. of Employees			Average no. of years of service
	Malaysian	Foreigner	Total	
Managerial and professional	38	6	44	4.6
Administrator	19	-	19	4.5
Executive	39	-	39	4.5
Technician and supervisor	23	-	23	3.5
Sales supervisor and sales representative	106	-	106	4.1
Clerical	80	-	80	4.5
Factory workers and general workers	96	-	96	3.5
Total	401	6	407	

6.4.16 Employee unions

The employees do not belong to any trade unions and enjoy a cordial relationship with the management. There have not been any industrial disputes in the past.

6.4.17 Training and human resource development programs

The Y.S.P.SAH Group provides on-the-job training and in-house training for its staff to keep abreast with the latest developments. The Group also provides on-going sales and product knowledge training for its sales team in order to improve their selling skills and upgrade their product knowledge. Selected staff are also sponsored by the Group for external training in their relevant fields, including seminars related to GMP and International Trade Practices.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

6.4.18 Principal place of business and location of production facilities

The principal places of the Y.S.P.SAH Group's business and location of the production facilities are as follows:

Registered Office

16th Floor, Plaza IBM,
No. 1, Jalan Tun Mohd Fuad
Taman Tun Dr. Ismail,
60000 Kuala Lumpur

Manufacturing Plant and Distribution Centre 1

Lot 3, 5 & 7,
Jalan P/7, Section 13,
Kawasan Perindustrian Bandar Baru Bangi,
43000 Kajang

Proposed New Warehouse and Manufacturing Plant

Lots 2, 4 & 6,
Jalan 9/7, Taman IKS,
Section 9,
43650 Bandar Baru Bangi

Lots 1& 3
Jalan 9/8, Taman IKS,
Section 9,
43650 Bandar Baru Bangi

Marketing Office

No. 18, Jalan Wan Kadir,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur

Distribution Centre 2

No. 66, Taman Pok Ai, Persiaran Rainbow,
Jalan Tun Admad Zaidi Aduce,
93150 Kuching,
Sarawak

Distribution Centre 3

No. 28, 28A & B, Lorong Perda Selatan 1,
Bandar Perda,
14000 Bukit Mertajam,
Penang

Distribution Centre 4

1st Floor, Block C,
Lot 3, Hong Tong 1,
Hong Tong Centre, Jalan Penampang,
88300 Kota Kinabalu,
Sabah

6.4.19 Key achievements and milestones**YEAR KEY ACHIEVEMENT/MILESTONE**

1988	Established KYSP and YSSEA
1989	Acquired 3 acres of land in Kawasan Perindustrian Bandar Baru, Bangi, Selangor
1990	Established YSPI Began construction of manufacturing plant in Bangi Established warehouse in Kuching, Sarawak
1991	Obtained manufacturing licence from MITI and began manufacturing operations in Bangi First veterinary product manufactured in Bangi
1992	Obtained GMP status for pharmaceutical product manufacturing at Bangi plant Submission of 57 pharmaceutical product samples to the DCA Issue of first product Pihak Berkuasa Kawalan Dadah (PBKD) number from DCA Issue of manufacturing licence from DCA for pharmaceutical product Established warehouse in Bukit Mertajam, Penang

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

YEAR	KEY ACHIEVEMENT/MILESTONE
1993	Regular production output of pharmaceutical and veterinary products
1994	Established warehouse in Kota Kinabalu, Sabah
1995	Obtained GMP status for veterinary product manufacturing at Bangi plant
1996	Expanded production area and warehouses Upgraded production batch size of syrup preparations Set up representative office in Vietnam
1997	Established R&D Division in Bangi plant
1998	Started new production line of suppository dosage form Established MYSP
1999	Installed automated suppository filling line
2000	Started bigger batch size production for solid dosage form Established YS(P)
2001	Take over YSP(S) Established YSP(C) Expanded production area at Bangi plant YSPI achieved the "Third National Award of Overseas Taiwanese Enterprise"
2002	Embarked expansion plans for manufacturing facilities to enable production of 3 new product lines, namely cephalosporin, eye-drops and injectable drugs
2003	Preparing the listing of the Y.S.P.SAH Group on the KLSE

6.4.20 Significant new or proposed products

As highlighted in Section 6.4.4 of this Prospectus, the Group intends to further expand its manufacturing facilities to enable the production of 3 new product lines, namely eye drops, injectable drugs and cephalosporin (antibiotics).

The Directors of Y.S.P.SAH expect the productions of eye-drops and injectable drugs to commence in the second half of 2004, whilst the production of cephalosporin is expected to commence in the last quarter of 2004.

6.4.21 Interruptions to business/operations

There has not been any interruption to the Group's business or operations for the past 12 months prior to the date of this Prospectus.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

6.5 INFORMATION ON SUBSIDIARY AND ASSOCIATED COMPANIES

As at the date of this Prospectus, Y.S.P.SAH does not have any associated company whilst the subsidiary companies of Y.S.P.SAH are as follows:

Company	Issued and paid-up share capital	Effective equity interest (%)	Principal Activities
YSSEA	RM31,000,002	100	Investment holding.
KYSP	RM2,450,000	100	Importer, distributor of pharmaceutical and veterinary products and pharmaceutical fine chemicals. Has been dormant since 1 January 1994.
YSPI	RM27,000,000	100	Importers and exporters and manufacturer of pharmaceutical products, veterinary products, aquatic products and pharmaceutical fine chemicals and provision of management services. Distributor of pharmaceutical products, veterinary and aquatic products. Provider of management services.
YSP(S)	SGD1,063,001	100	Importers and exporters, and trading in all kinds of pharmaceutical products.
YS(P)	Peso8,313,543	99.99	Manufacturing, importing, exporting, buying and selling of goods such as parenterals (pharmaceuticals), oral preparations, veterinary products, nutrition products, dermatological preparations and other related products of the same nature.
MYSP	Kyats502,000	100	Importers and exporters, and trading in all kinds of pharmaceutical products.
YSP(C)	Riels39,448,500	100	Importers and exporters, and trading in all kinds of pharmaceutical products.

Further information on the subsidiary companies of Y.S.P.SAH is set out as follows:

6.5.1 Information on YSSEA

(a) History and business

YSSEA was incorporated in Malaysia on 3 June 1998 under the Act as a private limited company. The company is a wholly owned subsidiary of Y.S.P.SAH.

(b) Share capital

The present authorised share capital of YSSEA is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each, of which RM31,000,002 comprising 31,000,002 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

The changes in the issued and paid-up share capital of YSSEA since its incorporation are as follows:

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

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of YSSEA.

(c) Subsidiary and associated companies

As at the date of this Prospectus, YSSEA has six subsidiary companies, namely KYSP, YSPI, YSP(S), YS(P), MYSP and YSP(C).

6.5.2 Information on KYSP**(a) History and business**

KYSP was incorporated in Malaysia on 24 May 1988 under the Act as a private limited company. KYSP started as a trading house importing and distributing pharmaceutical and veterinary products. KYSP imported products from Taiwan, R.O.C. and provided after-sales service to customers in Malaysia. KYSP has been dormant since 1 January 1994.

(b) Trade marks and product licences

Although KYSP has been dormant since 1 January 1994, KYSP still has the rights to 16 products registered with the Registrar of Trademarks as at 30 September 2003. The 16 products are currently marketed by YSPI.

(c) Share capital

The present authorised share capital of KYSP is RM2,450,000 comprising 2,450,000 ordinary shares of RM1.00 each, all of which are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of KYSP since its incorporation are as follows:

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

6. INFORMATION ON THE Y.S.P.SAH GROUP *(Cont'd)*

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of KYSP.

(d) Subsidiary and associated companies

As at the date of this Prospectus, KYSP does not have any subsidiary or associated company.

6.5.3 Information on YS(P)

(a) History and business

YS(P) was incorporated in the Philippines on 14 August 2000 under the Corporation Code of the Philippines and the Foreign Investments Act of 1991 (RA 7042). The company is principally involved in the manufacturing, importing, exporting, buying and selling of goods such as parenterals (pharmaceuticals), oral preparations, veterinary products, nutrition products, dermatological preparations, and other related products of the same nature.

(b) Share capital

The present authorised share capital of YS(P) is Peso10,000,000 comprising 1,000,000 ordinary shares of Peso10.00 each, of which 831,354 ordinary shares of Peso10.00 each are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of YS(P) since its incorporation are as follows:

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

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of YS(P).

(c) Subsidiary and associated companies

As at the date of this Prospectus, YS(P) does not have any subsidiary or associated company.

6.5.4 Information on YSPI

(a) History and business

YSPI was incorporated in Malaysia on 22 January 1990 under the Act as a private limited company. YSPI is principally engaged as importer, exporter and manufacturer of pharmaceutical products, veterinary products, aquatic products and pharmaceutical fine chemicals, distributor of pharmaceutical products, veterinary products, aquatic products and provision of management services.

(b) Trade marks and product licences

As at 30 September 2003, YSPI has 24 products registered with the Registrar of Trademarks and 171 products licensed by the DCA.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)**(c) Share capital**

The present authorised share capital of YSPI is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each, of which 27,000,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of YSPI since its incorporation are as follows:

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

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of YSPI.

(d) Subsidiary and associated companies

As at the date of this Prospectus, YSPI does not have any subsidiary or associated company. However YSPI has an unincorporated representative office in Vietnam.

6.5.5 Information on YSP(S)**(a) History and business**

YSP(S) was incorporated in Singapore on 26 May 1990 under The Companies Act, Singapore as a private limited company. The company is principally involved in the importing, exporting and trading in all kind of pharmaceutical products.

(b) Share capital

The present authorised share capital of YSP(S) is SGD4,000,000 comprising 4,000,000 ordinary shares of SGD1.00 each, of which 1,063,001 ordinary shares of SGD1.00 each are currently issued and credited as fully paid-up.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

The changes in the issued and paid-up share capital of YSP(S) since its incorporation are as follows:

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

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of YSP(S).

(c) Subsidiary and associated companies

As at the date of this Prospectus, YSP(S) does not have any subsidiary or associated company.

6.5.6 Information on MYSP**(a) History and business**

MYSP was incorporated in Myanmar on 8 June 1998 under the Myanmar Companies Act as a private limited company and is registered with the Companies Registration Office, Ministry of National Planning and Economic Development, Myanmar. The company is principally involved in the importing, exporting and trading of pharmaceutical products.

(b) Share capital

The present authorised share capital of MYSP is Kyats502,000 comprising 502 ordinary shares of Kyats1,000 each, all of which are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of MYSP since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (Kyats)	Consideration	Cumulative total (Kyats)
01.02.2001	484	1,000	Cash	484,000
02.05.2002	18	1,000	Cash	502,000

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of MYSP.

(c) Subsidiary and associated companies

As at the date of this Prospectus, MYSP does not have any subsidiary or associated company.

6. INFORMATION ON THE Y.S.P.SAH GROUP (Cont'd)

6.5.7 Information on YSP(C)**(a) History and business**

YSP(C) was incorporated in Cambodia on 25 April 2001 under the Companies Act, Cambodia as a single member private limited company. The company is principally involved in the importing, exporting and trading in all kind of pharmaceutical products.

(b) Share capital

The present authorised share capital of YSP(C) is Riels 39,448,000 comprising 1,972 ordinary shares of Riels 20,000 each, all of which are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of YSP(C) since its incorporation are as follows:

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

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of YSP(C).

(c) Subsidiary and associated companies

As at the date of this Prospectus, YSP(C) does not have any subsidiary or associated company.

The remaining of this page is intentionally left blank