
10. MAJOR LICENCES AND PERMITS

10. MAJOR LICENCES AND PERMITS

As at the date of this Prospectus, the major licences and permits of the Y.S.P.SAH Group, together with the conditions attached thereto and status of compliance thereon, are as follows:

Authority	Type of licence	Date of issuance	Equity/other conditions imposed	Status of compliance
MITI	Granted to YSPI Manufacturing licence (Licence No. A007729) (Serial No. A021280)	13 May 2003	<ul style="list-style-type: none"> The manufacturing plant located in Kawasan Perindustrian Bandar Baru Bangi is subject to the approval of the relevant state authority and the Department of Environment. 	Met
			<ul style="list-style-type: none"> MITI must be notified of any sale of shares in YSPI. 	To be complied, if applicable.
			<ul style="list-style-type: none"> YSPI shall train Malaysians to enable transfer of technology and expertise to employees at all levels. 	On-going.
			<ul style="list-style-type: none"> YSPI must conform to the laws and regulations under the Sale of Drugs Act, 1952 and other laws and regulations determined by the MoH. 	Met
MITI	Granted to YSPI Manufacturing licence (Licence No. A007729) (Serial No. A012631)	16 November 1992	Same condition as the above	Status as above
DCA	Granted to YSPI Manufacturing Licence (Licence No. MALLP – 20021233A) (Serial No. 001131) valid from 1/1/2003 to 31/12/2003 #	1 January 2003	Not applicable	-

10. MAJOR LICENCES AND PERMITS (Cont'd)

Authority	Type of licence	Date of issuance	Equity/other conditions imposed	Status of compliance
DCA	Granted to YSPI Import Licence (Licence No. MALLI 20021920A) (Serial No. 001772) valid from 1/1/2003 to 31/12/2003 #	1 January 2003	Not applicable	-

Note:

The Company had on 30 September 2003 submitted the necessary applications to the DCA for the renewal of these licences, which are subject to renewal on an annual basis.

11. LANDED PROPERTIES

11.1 Details on the land and buildings owned by the Y.S.P.SAH Group are as follows:

Registered owner	Location	Description/existing use	Tenure of lease	Land area/ built-up area	Approximate age of building	Restriction of interest	Land-use conditions	Encumbrances	Issuance of Certificate of Fitness	Audited NBV as at 31.08.03 RM'000
YSPJ	Lot 3, 5 & 7, Jalan P/7, Section 13 Kawasan Perindustrian Bandar Baru Bangi 43000 Kajang Held under: H.S.(M) 9635 for P.T. 11466, Seksyen 13, H.S.(M) 9636 for P.T. 11467 Seksyen 13 and H.S.(M) 9637 for P.T. 11468 Seksyen 13, all in the Mukim of Kajang, District of Hulu Langat, State of Selangor	Three contiguous parcels of industrial land with purpose built industrial buildings for own use consisting of: (i) 4-storey office / laboratory building (ii) 4 storey production / laboratory / warehouse building (iii) 2-storey raw materials / packaging building (iv) 1-storey maintenance / Tenaga Nasional Berhad sub-station building (v) 1-storey canteen (vi) water treatment plant (vii) guard house	99 years leasehold, all expiring on 29.09.2086	Land area: 0.4047 hectare each, totalling 1.2141 hectare Built-up area: 10,015.66 square meters	9 years	These land cannot be sold, charged, mortgaged or transferred in any manner whatsoever without the consent of the Selangor State Authority and these land is strictly for industrial use only	-	-	Issued on 19.02.1993	12,546
YSPJ	No. 18, Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur Held under: Geran 23507 for lot No. 50965, in Mukim Kuala Lumpur, District of Wilayah Persekutuan, State of Wilayah Persekutuan	Intermediate 3-storey terrace shop-office for own use	Freehold	Land area: 163 square metres Built-up area: 392 square metres	15 years	-	These land is to be used only for construction of shop lot and the land owner(s) is/are required to manage these shop lots/areas in accordance with the conditions stipulated by the local authority.	Charged to Malayan Banking Berhad	Issued on 12.12.1987	1,188

11. LANDED PROPERTIES (Cont'd)

Registered owner	Location	Description/existing use	Tenure of lease	Land area/ built-up area	Approximate age of building	Restriction of interest	Land-use conditions	Encumbrances	Issuance of Certificate of Fitness	Audited NBV as at 31.08.03 RM'000
YSPJ	No. 20, Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur Held under: Geran 23508 for Lot No. 50966, in Mukim Kuala Lumpur, District of Wilayah Persekutuan, State of Wilayah Persekutuan	Intermediate 3-storey terrace shop-office for own use	Freehold	Land area: 164 square metres Built-up area: 392 square metres	15 years	-	These land is to be used only for construction of shop lot and the land owner(s) is/are required to manage these shop lots/areas in accordance with the conditions stipulated by the local authority.	-	Issued on 12.12.1987	1,188
YSP(S)	No. 10, Ubi Crescent # 06-57, Singapore 408564 Held under: Subsidiary Strata Certificate of Title Volume 882 Folio 90, Strata Title Lease 22899, Lot No. MK23-U20186L	Flatted factory	60 years leasehold, expiring on 04.07.2057	Land area: - Built-up area: 209 square metres	1 year	-	-	-	Issued on 1.04.2002	Please refer to Note 1
YSP(S)	No. 10, Ubi Crescent # 06-58, Singapore 408564 Held under: Subsidiary Strata Certificate of Title Volume 882 Folio 93, Strata Title Lease 22899, Lot No. MK23- U20189W	Flatted factory	60 years leasehold, expiring on 04.07.2057	Land area: - Built-up area: 216 square metres	1 year	-	-	-	Issued on 1.04.2002	Please refer to Note 1

11. LANDED PROPERTIES (Cont'd)**Notes:**

1. YSP(S) (a wholly-owned subsidiary company of Y.S.P.SAH) has entered into contracts, both dated 7 August 2003, with Ubi Development Pie Ltd, Singapore for the acquisitions of these 2 flatted factories for considerations of SGD346,700 and SGD358,300 respectively, both of which had been fully paid on 30 September 2003. These factories were recognised as fixed assets of YSP(S) in the month of October 2003.
2. The existing use of all the above buildings is in compliance with the relevant building regulations.

11.2 Proposed acquisition of land

YSPI (a wholly-owned subsidiary company of Y.S.P.SAH) has entered into sale and purchase agreements with Perbadanan Kemajuan Negeri Selangor ("PKNS") on 13 August 2003 and 19 August 2003 for the acquisition of 5 parcels of industrial land located 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 for a total consideration of RM4,290,874.

As at 10 December 2003, the Company had paid RM1,909,398 to PKNS and the remaining balance of the consideration of RM2,381,476 shall be payable by YSPI to PKNS in 2 tranches by 31 December 2003 (for Lots 1 and 2) and by 31 January 2004 (for Lot 3) respectively (please refer to Section 3.8(a) for more details). The aforesaid land will only be recognised as fixed assets of the Y.S.P.SAH Group upon the payment by YSPI of the remaining outstanding sum owing to PKNS of RM2,381,476.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

12.1.1 Profit and dividend record

The following table sets out a summary of the proforma Group's financial performance for the past five FYE 31 December 2002 and 8 months financial period ended 31 August 2003, based on the assumption that the current structure of the Group had been in existence throughout the financial years/period under review. The proforma consolidated profit and dividend records should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 13 of this Prospectus.

RM'000	-----FYE 31 December-----					8-mths financial period ended 31 Aug 2003
	1998	1999	2000	2001	2002	
Revenue	32,272	36,516	47,177	56,253	61,249	45,811
EBITDA	3,103	5,868	8,220	12,014	11,966	7,793
Amortisation	(182)	(24)	-	-	-	-
Depreciation	(980)	(1,099)	(1,288)	(1,059)	(1,418)	(971)
Interest expenses	(971)	(1,063)	(862)	(433)	(221)	(97)
PBT and exceptional item	970	3,682	6,070	10,522	10,327	6,725
Exceptional item ¹	215	-	-	-	-	-
PBT	1,185	3,682	6,070	10,522	10,327	6,725
Taxation	171	(30)	(988)	(2,237)	(2,544)	(1,734)
PAT	1,356	3,652	5,082	8,285	7,783	4,991
Number of Shares ('000) ²	46,750	46,750	46,750	46,750	46,750	46,750
Gross EPS (sen) ³	2.53	7.88	12.98	22.51	22.09	21.58 ⁹
Net EPS (sen) ⁴	2.90	7.81	10.87	17.72	16.65	16.01 ⁹
Number of Shares ('000) ⁵	55,000	55,000	55,000	55,000	55,000	55,000
Gross EPS (sen) ⁶	2.15	6.69	11.04	19.13	18.78	18.34 ⁹
Net EPS (sen) ⁷	2.47	6.64	9.24	15.07	14.15	13.61 ⁹
Dividend rate (%)	-	-	-	-	8.7	-

Notes:

1. The exceptional item for the FYE 31 December 1998 was due to a foreign exchange gain derived from the translation of a USD denominated term loan from Cathay United Bank (formerly known as United World Chinese Commercial Bank), an offshore bank based in the Federal Territory of Labuan.
2. Number of Shares assumed in issue after the Acquisition of YSSEA and Settlement of Inter-company Debt but prior to the Public Issue.
3. Based on the PBT divided by the number of Shares assumed in issue after the Acquisition of YSSEA and Settlement of Inter-company Debt but prior to the Public Issue.
4. Based on the PAT divided by the number of Shares assumed in issue after the Acquisition of YSSEA and Settlement of Inter-company Debt but prior to the Public Issue.

12. FINANCIAL INFORMATION (Cont'd)

5. *Number of Shares assumed in issue after the Acquisition of YSSEA, Settlement of Inter-company Debt and Public Issue.*
6. *Based on the PBT divided by the number of Shares assumed in issue after the Acquisition of YSSEA, Settlement of Inter-company Debt and Public Issue.*
7. *Based on the PAT divided by the number of Shares assumed in issue after the Acquisition of YSSEA, Settlement of Inter-company Debt and Public Issue.*
8. *There is no extraordinary item reported by the Y.S.P.SAH Group during the financial years and period under review.*
9. *Annualised.*

Further details and commentary on the proforma Group's financial performance for the past five FYE 31 December 2002 and 8 months financial period ended 31 August 2003 are set out in the Accountants' Report in Section 13 of this Prospectus.

12.1.2 Segmental analysis of proforma Group's revenue

The following tables set out the breakdown of the proforma Group's revenue by product distribution channel and geographical location. The proforma Group's revenue is prepared based on the assumption that the current structure of the Group had been in existence throughout the financial years/period under review. Where the financial year end for Y.S.P.SAH's subsidiary company, namely MYSP, which is not co-terminous with the financial year end of Y.S.P.SAH, special audits have been carried out for the past three FYE 31 December 2002 for consolidation purposes:

	←-----FYE 31 December----->					8-mths financial period ended 31 Aug 2003
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM	RM
Product distribution channel						
GPs and Pharmacies	20,204,730	24,886,415	32,979,408	37,480,203	38,687,181	29,823,738
Veterinary and Aquatic	10,360,858	8,242,440	9,314,800	10,901,125	11,417,584	7,898,534
Hospital	808,640	2,167,796	2,945,482	4,189,424	6,311,477	3,668,603
OTC	879,471	1,116,398	1,830,793	3,234,327	4,298,293	3,997,468
Export	18,227	102,932	106,428	448,031	533,988	422,996
Total	32,271,926	36,515,981	47,176,911	56,253,110	61,248,523	45,811,339
Geographical location						
Export market						
- Singapore	3,517,939	3,837,529	4,092,872	4,245,705	4,705,470	4,612,901
- Philippines	-	-	608,466	1,852,422	2,927,988	2,182,762
- Vietnam	304,155	1,531,092	3,056,954	3,462,819	1,985,749	1,553,717
- Myanmar	102,957	-	113,642	82,359	66,220	93,872
- Others	18,227	102,932	106,428	448,031	533,988	422,996
Total export market	3,943,278	5,471,553	7,978,362	10,091,336	10,219,415	8,866,248
Local market	28,328,648	31,044,428	39,198,549	46,161,774	51,029,108	36,945,091
Total	32,271,926	36,515,981	47,176,911	56,253,110	61,248,523	45,811,339

12. FINANCIAL INFORMATION (Cont'd)

The proforma Y.S.P.SAH Group has achieved steady growths in its revenue for the past 5 FYE 31 December 2002 despite the slowdown in economic development in Malaysia and other Asia countries in 1997. This is largely due to the fact that pharmaceutical products are mainly essential products which patients would still need to consume to treat illness irregardless of the economic conditions. Hence, the demand for the proforma Group's pharmaceutical products is less affected by the adverse market conditions during the economic crisis.

Over the past financial years, the Directors of Y.S.P.SAH have continuously broaden its array of products and expanded its marketing network with the aim of enhancing its market presence. For the past years, the customer base of the proforma Group has been enlarged to approximately 10,000 customers.

GPs and pharmacies have remained as the largest contributors to the proforma Group's revenue, followed by veterinarians and aquatic farms. During the FYE 31 December 1999, revenue generated from the veterinary and aquatic sectors dropped substantially from approximately RM10.3 million to RM8.2 million as a result of the outbreak of Japanese Encephalitis virus which led to a reduction in sales to poultry farmers. Meanwhile, a new marketing subsection was established in FYE 31 December 1999 to boost the sales to hospitals sector.

Following the acquisition of YS(P) in year 2000 and the acquisitions of YSP(S) and YSP(C) in the year 2001, the proforma Group has further expanded its market coverage overseas. The export sales to Philippines, Singapore and Vietnam have been trending upward where for the latest FYE 31 December 2002, export sales accounted for 17% of the total revenue of the proforma Group in comparison to 12% recorded for the FYE 31 December 1988. In particular, sales to Vietnam had increased significantly in the FYE 31 December 2000 by approximately RM2 million as a result of the competitive pricing adopted by the Group to penetrate the new market.

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12. FINANCIAL INFORMATION (Cont'd)**12.1.3 Segmental analysis of proforma Group's PBT and PAT**

The following tables set out the breakdown of the proforma Group's PBT by subsidiary. The proforma Group's PBT is prepared based on the assumption that the current structure of the Group had been in existence throughout the financial years/period under review. Where the financial year end for Y.S.P.SAH's subsidiary company, namely MYSP, which is not co-terminous with the financial year end of Y.S.P.SAH, special audits have been carried out for the past three FYE 31 December 2002 for consolidation purposes:

	←-----FYE 31 December----->					8-mths financial period ended 31 Aug 2003
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM	RM
Y.S.P.SAH	-	-	-	(1,208)	(2,696)	(1,621)
YSPI	1,194,479	3,431,301	5,941,924	9,100,979	10,180,944	6,341,538
YSP(S)	(222,742)	253,364	340,782	(17,995)	241,339	523,470
YS(P)	-	-	20,245	78,050	33,742	126,488
Others **	(2,517)	(2,603)	(232,675)	1,362,525	(126,261)	(264,194)
Exceptional item	215,393	-	-	-	-	-
PBT after exceptional item	1,184,613	3,682,062	6,070,276	10,522,351	10,327,068	6,725,681
Taxation	171,333	(29,775)	(988,245)	(2,237,384)	(2,544,472)	(1,734,324)
PAT	1,355,946	3,652,287	5,082,031	8,284,967	7,782,596	4,991,357

Note:

** Comprising KYSP, YSSEA, MYSP and YSP(C).

As illustrated above, the annual PBT of the proforma Y.S.P.SAH Group has increased by approximately 8 times from 1998 to 2002, in line with the steady increase in its PBT margin from 3.7% in 1998 to 16.9% in 2002. For FYE 31 December 2002 and 8 months financial period ended 31 August 2003, YSPI, YSP(S) and YS(P) are the largest contributors to the proforma Group's total PBT.

YSPI recorded an exceptional gain in the FYE 31 December 1998, which was related to the foreign exchange gain resulted from the translation of a USD denominated term loan from Cathay United Bank (formerly known as United World Chinese Commercial Bank), an offshore bank based in the Federal Territory of Labuan. Other than the aforesaid, there is no other exceptional or extraordinary item reported by the Y.S.P.SAH Group during the financial years/period under review.

For the FYE 31 December 1999, the growth in PBT recorded by YSPI was largely due to the increase in sales to hospitals following the establishment of a special marketing sub-section in providing services to hospitals. YSPI had recorded a stable PBT growth in the subsequent financial years/period on the back of an increasing revenue trend as well as the Group's efforts in maintaining the gross profit margins at a consistent level, ranging between 46% and 51%.

YSP(S) recorded a LBT of approximately RM0.2 million in the FYE 31 December 1998 due to the significant increase in its costs for imported pharmaceutical products as a result of the depreciation of SGD against USD after the Asian economic crisis in 1997. The PBT of YSP(S) improved in the following financial year following the reduction of the employers' contribution to Central Provident Fund by the Singapore Government which led to a substantial savings in YSP(S)'s operating costs. YSP(S) recorded a LBT of RM0.1 million in the FYE 31 December 2001 due to the deficit arising from the revaluation of property amounted to approximately RM0.2 million.

12. FINANCIAL INFORMATION (Cont'd)

For the FYE 31 December 2001, KYSP recorded a gain on disposal which amounted to approximately RM1.42 million arising from the disposal by KYSP of its entire investment in YSSEA, representing 7.9% of the issued and paid-up share capital of YSSEA, to a related company for a total consideration of approximately RM3.9 million.

No provision for taxation was required for the FYE 31 December 1998 as both YSPI and YSP(S) had no chargeable income. A reversal of deferred tax amounted to RM0.17 million was made by YSPI due to the crystallisation of the timing difference associated to loss on foreign exchange provided for in 1997 and realised in 1998. All taxation on chargeable income of YSPI for the FYE 31 December 1999 was waived under the Income Tax (Amendment) Act, 1999 (Act A1055). The taxation charge of approximately RM0.3 million was related to taxation provided for its overseas subsidiary company, namely YSP(S).

The lower effective tax rate recorded for the FYE 31 December 2000, FYE 31 December 2001, FYE 31 December 2002 and 8 months financial period ended 31 August 2003 were largely due to, *inter alia*, the utilisation of unabsorbed losses brought forward and reinvestment allowances to offset against taxable income of the proforma Group.

12.1.4 Directors' declaration on financial performance

As at 10 December 2003 (being the latest practicable date prior to the registration of this Prospectus) and save as disclosed in Sections 4 and 12.1.5 of this Prospectus, the Directors of Y.S.P.SAH hereby confirm that the financial condition and operations of the Y.S.P.SAH Group are not affected by any of the following factors:

- (a) any other known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (b) any other material commitments for capital expenditure;
- (c) any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and
- (d) any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

12.1.5 Working capital, borrowings, contingent liabilities, capital commitments and material litigation

(a) Working capital

The Directors of Y.S.P.SAH are of the opinion that after taking into account the cash flow projections, the banking facilities available and the proceeds to be raised from the Public Issue, the Y.S.P.SAH Group will have adequate working capital for a period of 12 months from the date of issue of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)**(b) Borrowings**

As at 10 December 2003 (being the latest practicable date at which such amounts could be calculated prior to the registration of this Prospectus), the Y.S.P.SAH Group had total borrowings of approximately RM7.2 million, details of which are set out below:

	Foreign Currency ('000)	Exchange Rate	Local Currency RM'000 (or equivalent)
Interest bearing borrowings:			
<i>Short term borrowings</i>			
Overdraft (RM)			3,025
Term Loan (USD)	800	3.81	3,048
Term Loan (SGD)	20	2.22	44
<i>Long term borrowings</i>			
Term Loan (SGD)	505	2.22	1,121
Total			<u>7,238</u>

In so far as the Directors of Y.S.P.SAH are aware, there has not been any default on payments of interest and/or principal sums for the borrowings disclosed above.

(c) Contingent liabilities

As at 10 December 2003 (being the latest practicable date prior to the registration of this Prospectus), the Directors of Y.S.P.SAH are not aware of any material contingent liabilities which have become enforceable or is likely to become enforceable, which in the opinion of the Directors of Y.S.P.SAH, will or may substantially affect the ability of the Group or the Company to meet their obligations as and when they fall due.

(d) Capital commitments

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

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

(c) Material litigation

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

12. FINANCIAL INFORMATION (Cont'd)

12.2 FUTURE FINANCIAL INFORMATION

12.2.1 Consolidated profit estimate and forecast

The Directors of Y.S.P.SAH estimate and forecast that the consolidated PAT of Y.S.P.SAH for the FYE 31 December 2003 and FYE 31 December 2004 after the IPO will be as follows:

FYE 31 December	Estimate 2003 RM'000	Forecast 2004 RM'000
Revenue	70,076	75,407
Consolidated PBT	11,698	12,606
Less: Taxation	(2,973)	(3,275)
Consolidated PAT before MI	8,725	9,331
MI	-	-
Consolidated PAT after MI	8,725	9,331
Less: Pre-acquisition profits ¹	(6,126)	-
Consolidated PAT after MI and net of pre-acquisition profits	2,599	9,331
Issued and paid-up share capital after the Public Issue:		
(i) number of Shares in issue ('000)	55,000	55,000
(ii) weighted average number of Shares in issue ² ('000)	11,688	55,000
Based on consolidated PBT/PAT before deducting pre-acquisition profits and on the enlarged issued and paid-up share capital of 55,000,000 Shares		
Gross EPS (sen)	21.3	22.9
Net EPS (sen)	15.9	17.0
Gross PE Multiple (times) ³	6.7	6.2
Net PE Multiple (times) ³	9.0	8.4
Based on consolidated PBT/PAT before deducting pre-acquisition profits and on the weighted average number of Shares in issue		
Gross EPS (sen)	100.1	22.9
Net EPS (sen)	74.6	17.0
Gross PE Multiple (times) ³	1.4	6.2
Net PE Multiple (times) ³	1.9	8.4
Based on consolidated PBT/PAT after deducting pre-acquisition profits and on the enlarged issued and paid-up share capital of 55,000,000 Shares		
Gross EPS (sen)	6.6 ⁴	22.9
Net EPS (sen)	4.7	17.0
Gross PE Multiple (times) ³	21.7	6.2
Net PE Multiple (times) ³	30.4	8.4
Based on consolidated PBT/PAT after deducting pre-acquisition profits and on the weighted average number of Shares in issue		
Gross EPS (sen)	31.0 ⁴	22.9
Net EPS (sen)	22.2	17.0

12. FINANCIAL INFORMATION (Cont'd)

FYE 31 December	Estimate 2003 RM'000	Forecast 2004 RM'000
Gross PE Multiple (times) ³	4.6	6.2
Net PE Multiple (times) ³	6.4	8.4

Notes:

- # Negligible.
1. The pre-acquisition profits are computed based on the estimated profits for the 9 months from 1 January 2003 to 30 September 2003.
 2. The weighted average number of Shares in issue is computed based on the assumption that the IPO is completed by January 2004.
 3. The gross/net PE Multiple is computed based on the IPO price of RM1.43 per Share over the gross/net EPS per Share.
 4. Computed based on the consolidated PBT but after pre-acquisition profits of RM3,626,750 (for FYE 31 December 2003).

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12. FINANCIAL INFORMATION (Cont'd)**12.2.2 Basis and assumptions underlying the consolidated profit estimate and forecast**

The specific bases and assumptions upon which the consolidated profit estimate and forecast have been prepared are set out below:

- (a) Fixed deposits of the Group will be placed with no material changes in the average interest on deposits placed with banks and financial institutions.
- (b) There will be no material changes in the costs and prices of the Group's products.
- (c) All new pharmaceutical, veterinary and over the counter products will be approved by the relevant DCA under MoH of the respective countries and introduced to market according to schedule.
- (d) Provision for doubtful debt is at approximately 0.5% of the sales value.
- (e) All capital expenditure budgeted for expansion, modernisation, diversification and automation will qualify for reinvestment allowance.
- (f) The turnover of YSPI will generate as estimated and forecast as a result of the launching of new products, development of new market and distribution channel upon completion of upgrading and extension of factory building and acquisition of plant and machinery.
- (g) The acquisition of new property, plant and equipment for the Group will be as follows:

	Estimate 2003 RM'000	Forecast 2004 RM'000
YSPI		
- Plant and machinery	7,223	550
- Land and building	5,038	4,875
- Renovation	3,487	-
	<u>15,748</u>	<u>5,425</u>
YSP(S)		
- Warehouse	-	1,545
Total	<u>15,748</u>	<u>6,970</u>

The acquisition of property, plant and equipment will be financed by internally generated funds, except for the acquisition of plant and machinery amounting to RM3,378,314 and RM3,546,291, which will be financed by hire purchase and proceeds from IPO respectively.

Interest rate charged on hire purchase facilities will be at 2.15% per annum.

- (h) In 2003, term loan of USD2,000,000 obtained by YSPI from Cathay United Bank (formerly known as United World Chinese Commercial Bank), an offshore bank based in Labuan, will be charged at an interest rate of 2.3% per annum.
- (i) In 2003, YSP(S) has obtained a term loan facility of SGD528,000 from Standard Chartered Bank.

The interest rate charged will be the following:

- (i) 1st & 2nd year - Fixed at 3.00% per annum
- (ii) 3rd year - 0.50% per annum below bank's prevailing Business Credit Rate
- (iii) Subsequent years - At bank's prevailing Business Credit Rate

12. FINANCIAL INFORMATION (Cont'd)

- (j) The results of YSP(C), MYSP and KYSP will not have any material impact on the results of the Group.
- (k) All existing licences and permits granted to the Group will not be withdrawn and will be renewed by the relevant authorities. All licences and permits required by the Group in respect of future operations will be obtained.
- (l) The Group will be able to utilise its tax incentives or allowances as estimated and forecasted.

The following bases and assumptions relates to the Listing:

- (a) The following will take place:
 - (i) Offer for sale of 16,499,700 Shares, representing 30% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to Bumiputera Investors approved by MFTI at an offer price of RM1.43 per Share;
 - (ii) Public issue of 2,750,000 new Shares, representing 5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the eligible employees of the Y.S.P.SAH Group at an issue price of RM1.43 per Share;
 - (iii) Private placement of 2,500,000 new Shares, representing approximately 4.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to investors identified by the placement agent at an issue price of RM1.43 per Share;
 - (iv) Public issue of 3,000,000 new Shares, representing 5.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the Malaysian general public at an issue price of RM1.43 per Share; and
 - (v) Admission to the Official List of the KLSE for the listing of and quotation for the entire issued and paid-up share capital of YSPSAH comprising 55,000,000 Shares on the Second Board of the KLSE.
- (b) YSSEA will be dissolved after the successful listing of Y.S.P.SAH's Shares on the Second Board of the KLSE. All the subsidiary companies of YSSEA will be transferred to Y.S.P.SAH at book value. The incidental cost incurred in relation to liquidation of YSSEA will be insignificant.

As a result of the dissolution of YSSEA, Y.S.P.SAH is able to enjoy two-tier tax exempt dividend from YSPI.

- (c) Tax exempt dividend will be declared and paid at 6% per Share in the forecast years 2004 and 2005 in respect of the FYE 31 December 2003 and FYE 31 December 2004 respectively.

Tax exempt dividend will be franked out from YSPI to Y.S.P.SAH. Thereafter, tax exempt dividend will be distributed to the shareholders of Y.S.P.SAH.

- (d) An estimated listing expenses of RM1,500,000 will be incurred in relation to the Flotation Scheme and will be set off against the share premium account.

12. FINANCIAL INFORMATION (Cont'd)

(e) Utilisation of the IPO proceeds shall be as follows:

	RM'000
Purchase of land	4,000
Extension of factory and purchase of machinery	3,546
Repayment of hire purchase creditors	1,971
Working capital	781
Estimated listing expenses	1,500
	<u>11,798</u>

In addition to the above, the other general principal bases and assumptions upon which the consolidated profit estimate and forecast have been prepared are set out below:

1. There will be no material changes in the Group structure and principal activities or composition of the Group other than those mentioned in the estimate and forecast.
2. There will be no significant changes in the prevailing economic and political climate in Malaysia and elsewhere which will adversely affect the activities and performance of the Group.
3. There will be no material changes in present legislation, Government policies or regulations, the regulations of the KLSE and guidelines of relevant regulatory authorities governing the Group's activities or the markets in which it operates.
4. There will be no significant changes in the rates, basis of duties, levies and taxes affecting the Group's activities or the market in which it operates.
5. There will be no major industrial disputes, changes in the pharmaceutical industry, exceptional bad debts or any other abnormal circumstances which will adversely affect the operations of the Group or the market in which it operates.
6. Inflation rates, interest rates and exchange rates, including the pegging of USD1.00 to RM3.80 and SGD1.00 to RM2.19 will remain as estimated and forecast.
7. Existing and future financing facilities will remain available to the Group with no significant change in interest rates.
8. There will be no material deviation in accounting, management and trading policies adopted by the Group that will adversely affect the performance of the Group.
9. There will be no major changes in the cost of raw materials, cost of goods purchased, labour and other incidental cost which will adversely affect the operations of the Group.
10. There will be no material changes in the existing key personnel and management of the Group that will adversely affect the performance of the Group.
11. There will be no major breakdowns or disruption in the Group's operations arising from supply of goods, industrial disputes, labour shortage, climate conditions or other abnormal circumstances affecting the Group's business, assets, provision, production and sale of the Group's products.
12. There will be no material acquisition or disposal of property, plant and equipment and investments other than those included in the profit estimate and forecast. The planned acquisitions will be implemented and incurred as planned.
13. There will be no material liabilities arising from any legal action instituted against the Group during the estimate and forecast years.

12. FINANCIAL INFORMATION (Cont'd)

14. Selling prices of the Group's products for the estimate and forecast years are based on the management expectations and will be stable and constant over the estimate and forecast years.
15. The timing and quantum of estimated and forecasted income and costs will be generated and incurred as planned.
16. Acquisition accounting will be applied in the preparation of the consolidated financial statements. All significant inter company transactions are eliminated on consolidation and consolidated financial statements reflect external transactions only.

The difference between the cost of investment and the net worth of the subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill or capital reserve arising on consolidation and will be retained in the consolidated balance sheet.

12.2.3 Directors' comments on consolidated profit estimate and forecast

The estimate revenue of the Group for the FYE 31 December 2003 is expected to increase by approximately RM8.83 million from RM61.25 million to RM70.08 million, whilst the forecast revenue of the Group for the FYE 31 December 2004 is expected to further increase by approximately RM5.33 million to RM75.41 million.

An analysis of the revenue estimate and forecast by geographical location is set out below:

FYE 31 December	Estimate 2003 RM'000	Forecast 2004 RM'000
Export Market		
- Singapore	5,234	5,905
- Philippines	3,603	4,503
- Vietnam	1,956	1,989
- Myanmar	100	160
- Other countries *	1,393	1,759
	<u>12,286</u>	<u>14,316</u>
Local Market	57,790	61,091
Total revenue	<u>70,076</u>	<u>75,407</u>

Note:

- * *The marketing channels for countries other than Malaysia, Singapore, Philippines, Vietnam, Myanmar and Cambodia are not identifiable as the Y.S.P.SAH Group sells to third party distributors, not end-users.*

The Directors of Y.S.P.SAH envisage that the key factor contributing to the increases in revenue and profitability for the FYE 31 December 2003 will be the expansion of its existing markets, in particular in Malaysia, Singapore and Philippines, whereby steps have been taken by the Y.S.P.SAH Group to introduce some of its existing products such as veterinary products to Singapore and the Philippines. The aforesaid measures are expected to increase the sales revenue from export market by approximately 20%, whilst the sales revenue from the Malaysian market is expected to increase by approximately 13%.

12. FINANCIAL INFORMATION (Cont'd)

For the FYE 31 December 2004, the Directors of Y.S.P.SAH forecast a revenue growth rate of approximately 16% and 6% for its export market and local market respectively, mainly driven by the Group's intentions to further broaden its array of products alongside with a higher number of product registrations (in particularly for overseas market) and distribution of new OTC products such as Antihaemorrhoidal preparation, tonics and food supplements. As the productions of new products line, such as eye-drops, injectable products and the cephalosporin are expected to commence in the second half and last quarter of 2004, the Directors of Y.S.P.SAH do not expect these new products to contribute significantly to the total forecast revenue for the Group for the FYE 31 December 2004.

The Public Issue is expected to be completed in January 2004. Accordingly, the Directors of Y.S.P.SAH do not expect the Public Issue to have any impact on the earnings for the FYE 31 December 2003. Upon the completion of the Public Issue in the FYE 31 December 2004, the Group will utilise part of the proceeds amounting to RM3.55 million to purchase machinery which would otherwise be funded by hire purchase facilities and overdraft. Further, an additional RM1.97 million of the gross proceeds will be utilised by the Company to repay hire purchase creditors. Accordingly, the Group is expected to save on hire purchase interest of about RM0.52 million for the FYE 31 December 2004.

The Directors of Y.S.P.SAH confirm that the consolidated profit estimate and forecast of Y.S.P.SAH together with the underlying bases and assumptions have been reviewed by the Directors after due and careful enquiry. After having taken into account the future prospects of the pharmaceutical industry in Malaysia and the future plans of the Group, the Directors of Y.S.P.SAH are of the opinion that the profit estimate and forecast for the FYE 31 December 2003 and FYE 31 December 2004 are achievable and reasonable under the prevailing market and operating conditions.

Notwithstanding the above, the bases and assumptions upon which the consolidated profit estimate and forecast have been prepared to cover the future periods for which there are inherent risks. 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 by the Directors of Y.S.P.SAH.

The Directors of Y.S.P.SAH further confirm that the consolidated profit estimate and forecast of Y.S.P.SAH have been prepared on a basis consistent with the accounting policies normally adopted by the Group in preparation of its audited financial statements.

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12. FINANCIAL INFORMATION (Cont'd)

12.2.4 Reporting Accountants' letter on the consolidated profit estimate and forecast

Shamsir Jasani Grant Thornton 

Chartered Accountants

REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST

(Prepared for inclusion in this Prospectus)

Date: 16 December 2003

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

Dear Sirs,

Y.S.P. SOUTHEAST ASIA HOLDING BERHAD

We have reviewed the consolidated profit estimate and forecast of Y.S.P. Southeast Asia Holding Berhad ("YSPSAH") and its subsidiary companies ("the Group") for the financial years ending 31 December 2003 and 2004 as set out in the accompanying statements in accordance with the standard applicable for the review of estimate and forecast. The estimate and forecast have been prepared for inclusion in the Prospectus issued in connection with the flotation scheme for YSPSAH ("Flotation Scheme") and should not be relied on for any other purposes. The Flotation Scheme comprises the following proposals:

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

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Member of Grant Thornton International

12. **FINANCIAL INFORMATION** (Cont'd)

Shamsir Jasani Grant Thornton 

Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors of YSPSAH and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the 8 months financial period ended 31 August 2003. The Directors of YSPSAH are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date of information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which estimate and forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matters stated in the preceding paragraphs:

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of YSPSAH, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit estimate and forecast; and
- (ii) in our opinion, the profit estimate and forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the 8 months financial period ended 31 August 2003.

Yours faithfully,



SHAMSIR JASANI GRANT THORNTON

NO: AF-737

CHARTERED ACCOUNTANTS



DATU' N. K. JASANI

PARTNER

NO: 708/03/04(J/PH)

12. FINANCIAL INFORMATION (Cont'd)**12.2.5 Sensitivity analysis****(a) Variations in revenue (assuming all other factors remain unchanged)**

The sensitivity analysis is prepared based on the estimate and forecast assumptions as set out in Section 12.2.2 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in revenue.

FYE 31 December 2003

RM'000	←-----Estimate for the FYE 31 December 2003-----→				
	-10%	-5%	As estimated	+5%	+10%
Revenue	63,068	66,572	70,076	73,579	77,084
Raw material cost	18,862	18,862	18,862	18,862	18,862
PBT	4,690	8,194	11,698	15,201	18,705
PAT	1,717	5,221	8,725	12,229	15,733

For the FYE 31 December 2003, an increase in revenue by 5% and 10% will result in an increase in the Group's PBT by 30% and 60% and the Group's PAT by 40% and 80%, whilst a decrease in revenue by 5% and 10% will result in a decrease in the Group's PBT by 30% and 60% and the Group's PAT by 40% and 80%.

FYE 31 December 2004

RM'000	←-----Forecast for the FYE 31 December 2004-----→				
	-10%	-5%	As forecast	+5%	+10%
Revenue	67,866	71,636	75,407	79,177	82,947
Raw material cost	21,077	21,077	21,077	21,077	21,077
PBT	5,065	8,835	12,606	16,376	20,146
PAT	1,790	5,560	9,331	13,101	16,871

For the FYE 31 December 2004, an increase in revenue by 5% and 10% will result in an increase in the Group's PBT by 30% and 60% and the Group's PAT by 40% and 81%, whilst a decrease in revenue by 5% and 10% will result in a decrease in the Group's PBT by 30% and 60% and the Group's PAT by 40% and 81%.

(b) Variations in raw material cost (assuming all other factors remain unchanged)

The sensitivity analysis is prepared based on the estimate and forecast assumptions as set out in Section 12.2.2 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in raw material cost.

FYE 31 December 2003

RM'000	←-----Estimate for the FYE 31 December 2003-----→				
	-10%	-5%	As estimated	+5%	+10%
Revenue	70,076	70,076	70,076	70,076	70,076
Raw material cost	16,976	17,919	18,862	19,805	20,748
PBT	13,584	12,641	11,698	10,754	9,811
PAT	10,661	9,668	8,725	7,782	6,839

12. FINANCIAL INFORMATION (Cont'd)

For the FYE 31 December 2003, an increase in raw material cost by 5% and 10% will result in a decrease in the Group's PBT by 8% and 16% and the Group's PAT by 11% and 22%, whilst a decrease in raw material cost by 5% and 10% will result in an increase in the Group's PBT by 8% and 16% and the Group's PAT by 11% and 22%.

FYE 31 December 2004

RM'000	Forecast for the FYE 31 December 2004				
	-10%	-5%	As forecast	+5%	+10%
Revenue	75,407	75,407	75,407	75,407	75,407
Raw material cost	18,969	20,023	21,077	22,131	23,185
PBT	14,713	13,659	12,606	11,552	10,498
PAT	11,438	10,384	9,331	8,277	7,223

For the FYE 31 December 2004, an increase in raw material cost by 5% and 10% will result in a decrease in the Group's PBT by 8% and 17% and the Group's PAT by 11% and 23%, whilst a decrease in raw material cost by 5% and 10% will result in an increase in the Group's PBT by 8% and 17% and the Group's PAT by 11% and 23%.

(c) Variations in cost of sales (assuming all other factors remain unchanged)

The sensitivity analysis is prepared based on the estimate and forecast assumptions as set out in Section 12.2.2 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in cost of sales.

FYE 31 December 2003

RM'000	Estimate for the FYE 31 December 2003				
	-10%	-5%	As estimated	+5%	+10%
Revenue	70,076	70,076	70,076	70,076	70,076
Cost of sales	31,206	32,939	34,673	36,407	38,140
PBT	15,165	13,431	11,698	9,964	8,230
PAT	12,192	10,459	8,725	6,991	5,258

For the FYE 31 December 2003, an increase in cost of sales by 5% and 10% will result in a decrease in the Group's PBT by 15% and 30% and the Group's PAT by 20% and 40%, whilst a decrease in cost of sales by 5% and 10% will result in an increase in the Group's PBT by 15% and 30% and the Group's PAT by 20% and 40%.

FYE 31 December 2004

RM'000	Forecast for the FYE 31 December 2004				
	-10%	-5%	As forecast	+5%	+10%
Revenue	75,407	75,407	75,407	75,407	75,407
Cost of sales	33,606	35,473	37,340	39,207	41,074
PBT	16,340	14,473	12,606	10,739	8,872
PAT	13,065	11,198	9,331	7,464	5,597

12. FINANCIAL INFORMATION (Cont'd)

For the FYE 31 December 2004, an increase in cost of sales by 5% and 10% will result in a decrease in the Group's PBT by 15% and 30% and the Group's PAT by 20% and 40%, whilst a decrease in cost of sales by 5% and 10% will result in an increase in the Group's PBT by 15% and 30% and the Group's PAT by 20% and 40%.

(d) Variation in foreign exchange rates (assuming all other factors remain unchanged)

The Group's overseas sales are denominated in USD, SGD and Peso. Meanwhile, some of the imports/purchases of raw materials are denominated in USD and SGD. The sensitivity analysis is prepared based on the estimate and forecast assumptions as set out in Section 12.2.2 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upward and downward variation in the exchange rate of the aforesaid foreign currencies.

FYE 31 December 2003

<-----Estimate for the FYE 31 December 2003----->					
RM'000	As				
	-10%	-5%	estimated	+5%	+10%
Revenue	68,686	69,381	70,076	70,770	71,465
Cost of sales	34,349	34,511	34,673	34,835	34,997
PBT	10,632	11,165	11,698	12,230	12,763
PAT	7,659	8,192	8,725	9,258	9,791

For the FYE 31 December 2003, an appreciation of the relevant foreign currencies (USD, SGD and Peso) against RM by 5% and 10% will result in a net increase in the Group's PBT by 5% and 9% and the Group's PAT by 6% and 12%, whilst a depreciation of the relevant foreign currencies (USD, SGD and Peso) against RM by 5% and 10% will result in a net decrease in the Group's PBT by 5% and 9% and the Group's PAT by 6% and 12%.

FYE 31 December 2004

<-----Forecast for the FYE 31 December 2004----->					
RM'000	As				
	-10%	-5%	forecast	+5%	+10%
Revenue	73,650	74,529	75,407	76,285	77,163
Cost of sales	36,942	37,141	37,340	37,539	37,738
PBT	11,247	11,926	12,606	13,285	13,964
PAT	7,972	8,651	9,331	10,010	10,689

For the FYE 31 December 2004, an appreciation of the relevant foreign currencies (USD, SGD and Peso) against RM by 5% and 10% will result in a net increase in the Group's PBT by 5% and 11% and the Group's PAT by 7% and 15%, whilst a depreciation of the relevant foreign currencies (USD, SGD and Peso) against RM by 5% and 10% will result in a net decrease in the Group's PBT by 5% and 11% and the Group's PAT by 7% and 15%.

12. FINANCIAL INFORMATION *(Cont'd)*

12.2.6 Dividend estimate and forecast

Y.S.P.SAH intends to pursue a dividend policy in line with its profitability that would allow shareholders' to participate in the profits of the Group as well as leaving adequate reserves for its future growth and expansion.

Based on the consolidated profit estimate and forecast of Y.S.P.SAH for the FYE 31 December 2003 and FYE 31 December 2004, the Directors of Y.S.P.SAH anticipate that the Company will be in a position to declare a tax-exempt dividend of 6% for the FYE 31 December 2003 and the FYE 31 December 2004.

The intended appropriations of the estimated and forecast consolidated PAT for the FYE 31 December 2003 and FYE 31 December 2004 are as follows:

FYE 31 December	Estimate 2003 RM'000	Forecast 2004 RM'000
Consolidated PAT after MI	8,725	9,331
Less: Pre-acquisition profits	(6,126)	-
Consolidated PAT and net of pre-acquisition profits	<u>2,599</u>	<u>9,331</u>
Tax-exempt dividend per Share ¹ (sen)	6	6
Net dividend yield ² (%)	4.2	4.2
Net dividend cover (times)	0.7	2.8

Notes:

- The dividend payment in respect of the FYE 31 December 2003 shall be made in the FYE 31 December 2004 and reflected in the consolidated income statements of Y.S.P.SAH for the FYE 31 December 2004 when approved by shareholders. Similarly, the dividend payment in respect of the FYE 31 December 2004 shall be made in the FYE 31 December 2005 and reflected in the consolidated income statements of Y.S.P.SAH for the FYE 31 December 2005. YSPI has sufficient tax-exempt income available to frank all its retained profits as at 31 August 2003, if paid out as dividends. The tax-exempt dividend shall be declared by YSPI to Y.S.P.SAH and thereafter to the shareholders of Y.S.P.SAH
- Computed based on the IPO price of RM1.43 per Share.

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. Future dividend payment may also be waived if the Group has insufficient cash flow to meet any dividend payment.

12. FINANCIAL INFORMATION (Cont'd)**12.3 PROFORMA CONSOLIDATED BALANCE SHEETS OF Y.S.PSAH AS AT 31 AUGUST 2003**

The Proforma Consolidated Balance Sheets of Y.S.P.SAH set out below are provided for illustrative purposes only to show the effects of the IPO assuming that the Acquisition of YSSEA, Settlement of Inter-company Debt and IPO had been effected on 31 August 2003.

	Company Audited as at 31.8.2003 RM'000	Group		
		Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
SHARE CAPITAL	1	44,126	46,750	55,000
RESERVE	(6)	15,441	15,756	17,803
SHAREHOLDERS' FUND	(5)	59,567	62,506	72,803
LOAN AND BORROWINGS	-	762	762	762
DEFERRED TAXATION	-	529	529	529
	(5)	60,858	63,797	74,094
REPRESENTED BY:				
PROPERTY, PLANT AND EQUIPMENT	-	23,634	23,634	31,180
INTANGIBLE ASSETS	-	1	1	1
CURRENT ASSETS				
Inventories	-	18,897	18,897	18,897
Receivables	-	27,375	27,375	27,375
Fixed deposit with a licensed bank	-	2,094	2,094	2,094
Tax recoverable	-	274	274	274
Cash and bank balances	3	5,649	5,649	8,400
	3	54,289	54,289	57,040
CURRENT LIABILITIES				
Payables	8	13,854	10,915	10,915
Loan and borrowings	-	3,048	3,048	3,048
Tax payables	-	164	164	164
	8	17,066	14,127	14,127
NET CURRENT (LIABILITIES)/ASSETS	(5)	37,223	40,162	42,913
	(5)	60,858	63,797	74,094
NTA PER SHARE (RM)	(4.53)	1.35	1.34	1.32

Proforma I After Acquisition of YSSEA.

Proforma II After proforma I and Settlement of Inter-company Debt

Proforma III After proformas I, II and Public Issue and utilisation of proceeds (the estimated listing expenses of RM1.5 million shall be set off against the share premium account).

12. FINANCIAL INFORMATION (Cont'd)

12.3.1 Notes to the Proforma Consolidated Balance Sheets

1. The proforma consolidated balance sheets have been prepared for illustration purposes only and are based on the audited financial statements of Y.S.P.SAH and the consolidated financial statements of YSSEA as at 31 August 2003.
2. The proforma consolidated balance sheets are based on the assumption that the proforma Group exists on 31 August 2003 and the subsidiary companies are deemed to be acquired at the same date.
3. The proforma consolidated balance sheets have been prepared using the acquisition method of accounting and on accounting principles and bases consistent with those previously adopted by the Proforma Group in the preparation of its audited financial statements.
4. The following transactions are assumed to be effected on 31 August 2003:
 - (a) Acquisition by Y.S.P.SAH of the entire issued and paid-up share capital of YSSEA comprising 31,000,002 ordinary shares of RM1.00 each for a total purchase consideration of RM49,424,604 satisfied by the issuance of 44,125,416 new Shares at an issue price of approximately RM1.12 per Share;
 - (b) Settlement of YSSEA's debt of RM2,938,660 to YSP Investment Co. Ltd. satisfied by the issuance of 2,623,584 new Shares at an issue price of approximately RM1.12 per Share, resulting in the creation of an amount owing by YSSEA to Y.S.P.SAH of RM2,938,660;
 - (c) Offer for sale of 16,499,700 Y.S.P.SAH Shares, representing 30% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to Bumiputera Investors approved by MITI at an offer price of RM1.43 per Share;
 - (d) Public issue of 2,750,000 new Shares, representing 5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the eligible employees of the Y.S.P.SAH Group at an issue price of RM1.43 per Share;
 - (e) Private placement of 2,500,000 new Shares, representing approximately 4.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to investors identified by the Placement Agent at an issue price of RM1.43 per Share;
 - (f) Public issue of 3,000,000 new Shares, representing approximately 5.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the Malaysian general public at an issue price of RM1.43 per Share.
5. The movement of the issued and paid-up share capital of Y.S.P.SAH is as follows:

	RM
As at 31 August 2003	1,000
Acquisition of YSSEA Group	44,125,416
	<hr/>
As per Proforma (I)	44,126,416
Settlement of Inter-company Debts	2,623,584
	<hr/>
As per Proforma (II)	46,750,000
Public Issue	8,250,000
	<hr/>
As per Proforma (III)	55,000,000
	<hr/>

12. FINANCIAL INFORMATION *(Cont'd)*

6. The movement of the reserves account is as follows:

	RM
As at 31 August 2003	(5,525)
Reserve on consolidation arising from the Acquisition of YSSEA	10,147,169
Share premium arising from Shares issued pursuant to the Acquisition of YSSEA	<u>5,299,188</u>
As per Proforma (I)	15,440,832
Share premium arising from Shares issued pursuant to the Settlement of Inter-company Debt	<u>315,076</u>
As per Proforma (II)	15,755,908
Share premium arising from Shares issued to the Malaysian public and eligible employees	3,547,500
Defraying listing expenses	<u>(1,500,000)</u>
As per Proforma (III)	<u>17,803,408</u>

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12. FINANCIAL INFORMATION *(Cont'd)*

12.4 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2003

Shamsir Jasani Grant Thornton 

Chartered Accountants

**REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2003
(Prepared for inclusion in this Prospectus)**

Date: 16 December 2003

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

Gentlemen,

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Y.S.P. Southeast Asia Holding Berhad ("YSPSAH") and its subsidiary companies ("the Group"), together with the notes hereto as at 31 August 2003, for which the Directors are solely responsible, as set out in the accompanying appendix of the Prospectus to public, in connection with the following:-

- (i) Acquisition by YSPSAH of the entire issued and paid-up share capital of Yung Shin South East Asia Sdn. Bhd. ("YSSEA") comprising 31,000,002 ordinary shares of RM1.00 each for a total purchase consideration of RM49,424,604 to be satisfied by the issuance of 44,125,416 new Shares at an issue price of approximately RM1.12 per Share ("Acquisition of YSSEA");
- (ii) Settlement of YSSEA's debt of RM2,938,660 to YSP Investment Co. Ltd. satisfied by the issuance of 2,623,584 new Shares at an issue price of approximately RM1.12 per Share, resulting in the creation of an amount owing by YSSEA to YSPSAH of RM2,938,660 ("Settlement of Inter-company Debt");
- (iii) Offer for sale of 16,499,700 ordinary shares of RM1.00 each in YSPSAH ("Shares"), representing 30% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to Bumiputra Investors approved by MITI at an offer price of RM1.43 per Share;
- (iv) Public issue of 2,750,000 new Shares, representing 5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the eligible employees of the YSPSAH Group at an issue price of RM1.43 per Share;
- (v) Private placement of 2,500,000 new Shares, representing approximately 4.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to investors identified by the placement agent at an issue price of RM1.43 per Share;
- (vi) Public issue of 3,000,000 new Shares, representing approximately 5.5% of the enlarged issued and paid-up share capital of 55,000,000 Shares, to the Malaysian general public at an issue price of RM1.43 per Share; and

Shamsir Jasani Grant Thornton (AF-737)

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12. FINANCIAL INFORMATION *(Cont'd)*


Shamsir Jasani Grant Thornton 

- (vii) Admission to the Official List of the Kuala Lumpur Stock Exchange ("KLSE") for the listing of and quotation for the entire issued and paid-up share capital of YSPSAH comprising 55,000,000 Shares on the Second Board of the KLSE.

In our opinion, the Proforma Consolidated Balance Sheets of YSPSAH as at 31 August 2003 together with the notes thereon, which are provided for illustrative purpose only, have been properly prepared on the accounting principles and bases consistent with those normally adopted by the YSPSAH Group and that the adjustments are appropriate for the purposes of Proforma Consolidated Balance Sheets.

Yours faithfully,


SHAMSIR JASANI GRANT THORNTON
NO: AF-737
CHARTERED ACCOUNTANTS


DATO' N K JASANI
PARTNER
NO: 708/03/04 (J/PH)