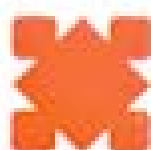


PROSPECTUS



YI-LAI BERHAD

(Company No. 116043-B)
Incorporated in Malaysia under the Companies Act, 1965

PUBLIC ISSUE OF 24,120,000 NEW ORDINARY SHARES OF RM0.50 EACH AT AN ISSUE PRICE OF RM1.10 PER SHARE PAYABLE IN FULL ON APPLICATION

AND

OFFER FOR SALE OF 1,000,000 ORDINARY SHARES OF RM0.50 EACH AT AN OFFER PRICE OF RM1.10 PER SHARE PAYABLE IN FULL ON APPLICATION

COMPRISING:-

- (1) 16,120,000 ORDINARY SHARES OF RM0.50 EACH BY WAY OF PRIVATE PLACEMENT;
- (2) 3,000,000 ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;

AND

- (3) 4,000,000 ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY ELIGIBLE EMPLOYEES, DIRECTORS, DISTRIBUTORS AND SUPPLIERS OF YI-LAI GROUP;

IN CONJUNCTION WITH ITS LISTING ON THE MAIN BOARD OF THE KUALA LUMPUR STOCK EXCHANGE

ALPHA TILES®

THE ORDINARY SHARES ISSUED HEREIN INVOLVE A CERTAIN DEGREE OF RISK.
FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE
CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 24.

Agent, Managing Underwriter and Placemaster Agent

 **Arab-Malaysian Merchant Bank Berhad**

20091721 (Company Merchant Bank)
10, Market Street, 50001 Kuala Lumpur, Malaysia

THIS PROSPECTUS IS DATED 27 MARCH 2002

This Prospectus has been seen and approved by the directors and promoters of Yi-Lai and the Offerors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

Arab-Malaysian Merchant Bank Berhad, the Adviser and Managing Underwriter acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the public offering and are satisfied that any profit forecast (for which the directors of Yi-Lai are fully responsible) prepared for inclusion in the Prospectus have been stated by the directors after due and careful enquiry and have been duly reviewed by Messrs KPMG, the Reporting Accountants.

The Securities Commission has approved the issue and offer in respect of the public offering and that the approval shall not be taken to indicate that the Commission recommends the public offering.

The Securities Commission shall not be liable for any non-disclosure on the part of Yi-Lai and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

The Kuala Lumpur Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of Yi-Lai or of its securities.

A copy of this Prospectus has been registered by the Securities Commission and lodged with the Registrar of Companies who take no responsibility for its contents.

INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for the Yi-Lai's entire issued and paid-up share capital of RM80,000,000 comprising 160,000,000 ordinary shares of RM0.50 each on the Main Board of KLSE is set out below :-

Events	Tentative Date
Opening date of application for the Public Issue and Offer for Sale of Shares	27 March 2002
Closing date of application for the Public Issue and Offer for Sale of Shares	9 April 2002
Balloting of Applications	15 April 2002
Despatch of Notice of Allotment of the ordinary shares of Yi-Lai to successful applicants	29 April 2002
Listing of the Company's entire issued and paid-up share capital on the Main Board of the KLSE	6 May 2002

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION LIST WILL CLOSE AT THE DATE AS STATED ABOVE OR SUCH LATER DATE AS THE DIRECTORS AND/OR PROMOTERS OF YI-LAI TOGETHER WITH THE MANAGING UNDERWRITER MAY DECIDE.

DEFINITION

Unless otherwise indicated, the following definitions apply throughout this Prospectus:-

ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Arab- Malaysian	:	Arab Malaysian Merchant Bank Bhd (23742-V)
ATT	:	Alpha Tiles Trading Sdn Bhd (459342-W), a wholly-owned subsidiary of Yi-Lai
CDS	:	Central Depository System
EBIDTA	:	Earnings before interest, depreciation, taxation and amortisation
EI	:	Extraordinary items
EPS	:	Earnings Per Share
FIC	:	Foreign Investment Committee
KLSE or Exchange	:	Kuala Lumpur Stock Exchange (30632-P)
MCD	:	Malaysian Central Depository Sdn Bhd (165570-W)
MI	:	Minority interest
MII	:	Malaysian Issuing House Sdn Bhd (258345-X)
MITI	:	Ministry of International Trade and Industry
NTA	:	Net tangible assets
Offer for Sale or Offer	:	The offer for sale of 1,000,000 ordinary shares of RM0.50 each in Yi-Lai at an offer price of RM1.10 per ordinary share to the Malaysian public, payable in full on application subject to the terms and conditions of this Prospectus
Offer Shares	:	The 1,000,000 ordinary shares of RM0.50 each in Yi-Lai, being the subject of Offer for Sale
Offerors	:	Offerors of the Offer for Sale are as follows:-
		No. of shares offered
		Wang Jen-Ching 329,392
		Lim Oon Kok 262,462
		Chang Chiang-An 78,090
		Chan Bon Chin @ Chan Siew Keow 70,990
		Huan Chuan Sen @ Ah Loy 70,990
		Yu Heng-Min 42,594
		Liao Feun Chu 50,806
		Leng Boon Thai 70,990
		Hsieh Yu-Tien 23,686
		<hr/> 1,000,000 <hr/>
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple

DEFINITION (CONT'D)

Acquisition of YLI	:	Acquisition of the entire issued and paid-up share capital of YLI comprising 10,600,000 ordinary shares of RM1.00 each based on its NTA as at 31 December 1999. The purchase consideration of RM78,135,754 has been satisfied by an issuance of 132,100,618 new ordinary shares of RM0.50 each in Yi-Lai credited as fully paid-up at an issue price of approximately RM0.59 per ordinary share.
Acquisition of YLT	:	Acquisition of the entire issued and paid-up share capital of YLT comprising 500,000 ordinary shares of SGD1.00 each based on its NTA as at 31 December 1999. The purchase consideration of RM1,987,331 (exchange rate of RM2.2713 to SGD1.00) has been satisfied by an issuance of 3,359,890 new ordinary shares of RM0.50 each in Yi-Lai credited as fully paid-up at an issue price of approximately RM0.59 per ordinary share
Acquisition of ATT	:	Acquisition of the entire issued and paid-up share capital of ATT comprising 2 ordinary shares of RM1.00 each based on its NTA as at 31 December 1999. The purchase consideration of RM248,122 has been satisfied by an issuance of 419,488 new ordinary shares of RM0.50 each in Yi-Lai credited as fully paid-up at an issue price of approximately RM0.59 per ordinary share
Public Issue	:	The public issue of 24,120,000 new ordinary shares of RM0.50 each in Yi-Lai at an issue price of RM1.10 per new ordinary share to the Malaysian public, payable in full on application subject to the terms and conditions of this Prospectus
Public Issue Shares	:	The 24,120,000 new ordinary shares of RM0.50 each in Yi-Lai, being the subject of Public Issue
RM and sen	:	Ringgit Malaysia and sen respectively
ROC	:	Registrar of Companies
SC	:	Securities Commission
SGD	:	Singapore Dollar
Shares	:	Ordinary shares of RM0.50 each in Yi-Lai
T\$:	Taiwan Dollar
USD	:	US Dollar
Yi-Lai Group or Group	:	Yi-Lai and its subsidiaries
Yi-Lai or the Company	:	Yi-Lai Berhad (516043-K)
YLI	:	Yi-Lai Industry Berhad (165410-W), a wholly-owned subsidiary of Yi-Lai
YLT	:	Yi-Lai Trading Pte. Ltd. (198204735E), a wholly-owned subsidiary of Yi-Lai
Ceramic Tiles Industry	:	Ceramic and homogeneous tiles industry
R & D	:	Research and Development

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Zabidi Bin Md Zain Non-Independent Non-Executive Chairman	2 Jesselton Crescent, 10450 Georgetown, Pulau Pinang	Company Director	Malaysian
Lim Oon Kok Managing Director	23 Parkstone Road, Singapore 437671	Businessman	Singaporean
Hsieh Yu-Tien Executive Director	61. Jalan Pinang 1, Taman Kota Kulai, 81000 Kulai, Johor	Production Manager	Singaporean
Wang Jen-Ching Non-Independent Non-Executive Director	4, Lane 325, Chien Kang Road, Taipei, Taiwan	Businessman	Taiwanese
Ong Kheng Swee Independent Non-Executive Director	12, Jalan Jingga 3, Taman Pelangi, 80400 Johor Bahru, Johor	Finance Director	Malaysian
Pun Kheng Hock Independent Non-Executive Director	9, Jalan Pucung 3, Taman Perling, 81200 Johor Bahru, Johor	Public Accountant	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Ong Kheng Swee	Chairman	Independent Non-Executive Director
Pun Kheng Hock	Member	Independent Non-Executive Director
Lim Oon Kok	Member	Managing Director

COMPANY SECRETARY

Ang Mui Kiow (LS 01886)
27, Jalan Nibong 18,
Taman Daya,
81100 Johor Bahru,
Johor

REGISTERED OFFICE

Suite 14A2, Level 14, Menara Ansar
65 Jalan Trus,
80000 Johor Bahru
Johor
Tel: 07 – 224 1035

CORPORATE INFORMATION (CONT'D)

MANAGEMENT OFFICE	:	Lot 7020, Batu 23, Jalan Air Hitam, 81000 Kulai, Johor Tel: 07 - 652 2652 E-mail: yilai@po.jaring.my
REGISTRARS AND TRANSFER OFFICE	:	M & C Services Sdn Bhd (3775-X) 20 th Floor, Plaza Permata (formerly known as IGB Plaza) Jalan Kampar Off Jalan Tun Razak 50400 Kuala Lumpur Tel : 03 – 255 7188
ISSUING HOUSE	:	Malaysian Issuing House Sdn. Bhd. (258345-X) 27th Floor, Menara Multi Purpose Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur
PRINCIPAL BANKER	:	United Overseas Bank (Malaysia) Berhad (271809K) 2, Jalan Ah Fook, 80000 Johor Bahru
AUDITORS AND REPORTING ACCOUNTANTS	:	KPMG Chartered Accountants Level 14, Menara Ansar 65 Jalan Trus, 80000 Johor Bahru Johor
SOLICITORS FOR THE PUBLIC ISSUE: AND OFFER FOR SALE	:	Leng & Co. Advocates & Solicitors 1st & 2nd Floors. Wisma Great Oriental, 23, Jalan Meldrum, 80000 Johor Bahru
ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT	:	Arab-Malaysian Merchant Bank Berhad (23742-V) 22nd Floor, Bangunan Arab-Malaysian No. 55, Jalan Raja Chulan 50200 Kuala Lumpur
UNDERWRITERS	:	Arab-Malaysian Merchant Bank Berhad (23742-V) 22nd Floor, Bangunan Arab-Malaysian No. 55, Jalan Raja Chulan 50200 Kuala Lumpur

CORPORATE INFORMATION (CONT'D)

Arab-Malaysian Securities Sdn Bhd (92977-U)
15th Floor, Bangunan Arab-Malaysian
55, Jalan Raja Chulan
50200 Kuala Lumpur

TA Securities Berhad (16029-V)
34th Floor, Menara TA One
22 Jalan P. Ramlee
50250 Kuala Lumpur

PM Securities Sdn Bhd (66299-A)
14th Floor, MUI Plaza
55, Jalan P. Ramlee
50250 Kuala Lumpur

LISTING SOUGHT : Main Board of the Kuala Lumpur Stock Exchange

1. INFORMATION SUMMARY**YI-LAI BERHAD**

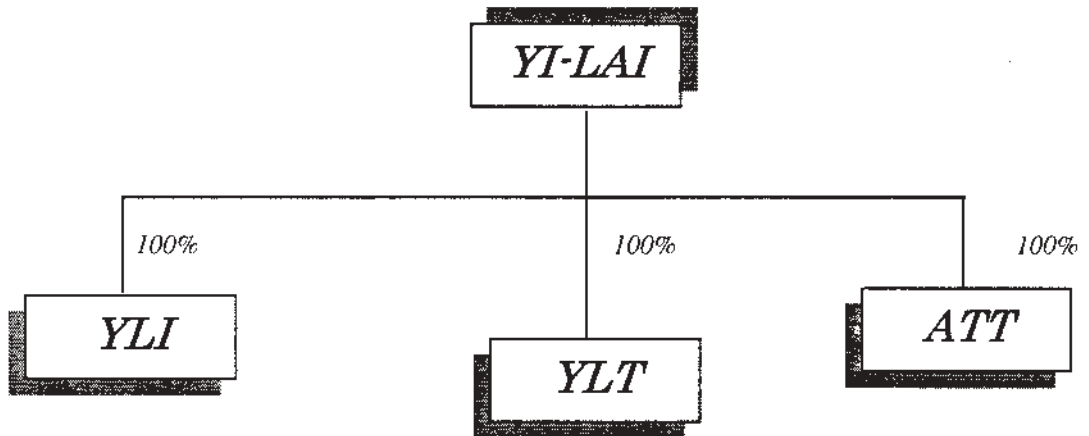
(516043-K)

(Incorporated in Malaysia under the Companies Act, 1965)

THE FOLLOWING INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE YI-LAI GROUP, AND INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.

1.1 History and Business

Yi-Lai was incorporated in Malaysia under the Companies Act, 1965 on 6 June 2000 as a public company under the name Yi-Lai Berhad. The present authorised share capital of the Company is RM500,000,000 comprising 1,000,000,000 shares of RM0.50 each of which 135,880,000 ordinary shares of RM0.50 each have been issued and fully paid-up. Yi-Lai is principally an investment holding company. The Yi-Lai Group structure and the principal activities of its wholly-owned subsidiaries are as below:-



Details of the subsidiaries are as follows:

Subsidiary	Date & Place of Incorporation	Equity % held by Yi-Lai	Principal Activities
YLI	10 October 1987 Malaysia	100	Manufacture and sale of ceramic and homogeneous tiles
YLT	16 November 1982 Singapore	100	Trading and distribution of tiles
ATT	17 March 1998 Malaysia	100	Trading and distribution of tiles

1. INFORMATION SUMMARY (CONT'D)

Yi-Lai Group is principally involved in the manufacturing and sale of ceramic and homogeneous tiles. The Group commenced operations in 1990 with a paid-up capital of RM10.0 million under the stewardship of Mr. Wang Jen-Ching, the founder and one of the promoters of Yi-Lai. The Group began with the setting up of a manufacturing facility in Kulai, Johor, to produce ceramic tiles. Its production capacity during its inception (i.e. only one (1) production line) was approximately 1.4 million square meters per annum. Business of the Group flourished after its inception and the second production line was installed in 1992.

In response to the changing market needs and demand, Yi-Lai started its third production line in 1994 for its new product range, namely homogeneous tiles. Currently, the Group's sales mix of ceramic tiles as compared to homogeneous tiles is 58% and 42% respectively for the financial year ended 31 December 2001.

Yi-Lai was registered as the proprietor of the trademark "ALPHA TILES" as from 28 November 1991. The brand name has since been introduced to the market both locally and internationally.

Today, the directors believe that YLI is one of the leading automated ceramic and homogeneous tiles manufacturers in Malaysia.

Presently, YLI has six (6) production lines with a full capacity of approximately 8.9 million square meters per annum.

1.2 Information on Directors, Promoters, Substantial Shareholders and Key Management

1.2.1 Directors

Name	Designation	No of Shares held after Offer for Sale and Public Issue			
		Direct	%	Indirect	%
Zabidi Bin Md Zain	Non-Independent Non-Executive Chairman	44,998,984	28.12	-	-
Lim Oon Kok	Managing Director	22,785,294	14.24	4,408,730*	2.76
Hsieh Yu-Tien	Executive Director	2,065,406	1.29	-	-
Wang Jen-Ching	Non- Independent Non-Executive Director	28,593,184	17.87	-	-
Ong Kheng Swee	Independent Non-Executive Director	-	-	-	-
Pun Kheng Hock	Independent Non-Executive Director	-	-	-	-

The above shareholdings include the pink form allocation pursuant to the Public Issue.

* *Deemed interest by virtue of shares held by his wife, Liao Feun Chu.*

1. INFORMATION SUMMARY (CONT'D)**1.2.2 Promoters**

Name	Designation	No of Shares held after Offer for Sale and Public Issue			
		Direct	%	Indirect	%
Wang Jen-Ching	Non-Independent Non-Executive Director	28,593,184	17.87	-	-
Lim Oon Kok	Managing Director	22,785,294	14.24	4,408,730*	2.76

The above shareholdings include the pink form allocation pursuant to the Public Issue.

* Deemed interest by virtue of shares held by his wife, Liao Feun Chu.

1.2.3 Substantial Shareholders

Substantial shareholder	No of Shares held after Offer for Sale and Public Issue			
	Direct	%	Indirect	%
Zabidi Bin Md Zain	44,998,984	28.12	-	-
Wang Jen-Ching	28,593,184	17.87	-	-
Lim Oon Kok	22,785,294	14.24	4,408,730*	2.76
Liao Feun Chu	4,408,730	2.76	22,785,294**	14.24

The above shareholdings include the pink form allocation pursuant to the Public Issue.

* Deemed interest by virtue of shares held by his wife, Liao Feun Chu.

** Deemed interest by virtue of shares held by her husband, Lim Oon Kok

1.2.4 Key Management (other than the Executive Directors of the Company)

Name	Designation	No of Shares held after Offer for Sale and Public Issue			
		Direct	%	Indirect	%
Chang Chiang-An	R & D Director	6,776,188	4.23	-	-
Chan Bon Chin @ Chan Siew Keow	Administrative Manager cum Personal Assistant to Managing Director	6,170,184	3.86	-	-
Lim Thuan Bin	Export Market Analyst/ Project Manager	18,000	0.01	-	-
Goh Mey Lan	Finance and Corporate Manager	18,000	0.01	-	-
Yip Chian Yoong	Country Services Manager	10,000	0.01	-	-

The above shareholdings include the pink form allocation pursuant to the Public Issue

1. INFORMATION SUMMARY (CONT'D)**1.3 Financial Statistics for the Past Five (5) Financial Years**

The following table is extracted from the Accountants' Report set out in Section 9 of this Prospectus and should be read in conjunction with the notes thereto.

The table below sets out a summary of the pro forma consolidated audited results of Yi-Lai Group for the past four (4) financial years ended 31 December 2000 and actual consolidated group results for the financial year ended 31 December 2001:-

	Proforma				Actual
	Financial Years Ended 31 December				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	82,735	67,060	79,729	98,697	108,202
EBIDTA	38,650	30,565	29,288	32,421	35,744
Interest expense	(4)	(2)	(2)	(1)	(15)
Depreciation	(6,577)	(6,592)	(5,503)	(6,351)	(8,069)
Amortisation	-	-	-	-	-
Operating profit	32,069	23,971	23,783	26,069	27,660
Exceptional item	-	-	-	-	-
PBT	32,069	23,971	23,783	26,069	27,660
Less: Taxation	(7,386)	(6,337)	(1,924)	(5,963)	(5,961)
PAT before minority interest	24,683	17,634	21,859	20,106	21,699
Less: Minority Interest	-	-	-	-	-
PAT after minority interest	24,683	17,634	21,859	20,106	21,699
Pro forma no. of ordinary shares of RM0.50 each in issue ('000)	135,880	135,880	135,880	135,880	135,880
Gross EPS (RM)	0.24	0.18	0.18	0.19	0.20
Net EPS (RM)	0.18	0.13	0.16	0.15	0.16
Dividend rate (%)	-	-	-	-	-

Notes:-

- a) The pro forma consolidated results are prepared based on the assumption that YLI, YLT and ATT were acquired by Yi-Lai in the years under review, and the acquisition was accounted for under the acquisition method of accounting.
- b) The results of YLT for the past five (5) financial years stated in Singapore Dollar have been translated to Ringgit Malaysia for pro forma consolidation purposes based on the average exchange rate of each respective years as set out below:-

Year	Average Exchange Rate
1997	1.907
1998	2.312
1999	2.191
2000	2.187
2001	2.105

- c) The pro forma-number of shares in issue represents the enlarged number of issued and paid-up share capital of Yi-Lai after the acquisition of YLI, YLT and ATT.
- d) Inter-Company sales and purchases between YLI, YLT and ATT have been eliminated on consolidation.
- e) Gross/Net earnings per share for the financial years under review have been calculated based on profit before/after taxation divided by the number of shares in issue.
- f) There were no extraordinary items for the financial years under review.

1. INFORMATION SUMMARY (CONT'D)

g) *The effective tax rates in 1997, 2000 and 2001 were lower than the statutory tax rate due to the availability of reinvestment allowance incentive in YLI. The tax charge in 1999 was lower due to the waiver of income tax on 1999's profit in accordance with the provisions of the Income Tax (Amendment) Act, 1999 in Malaysia.*

1.4 Summary of Pro forma Balance Sheet as at 31 December 2001

	Yi-Lai Berhad and its subsidiaries *as at 31 December 2001	Pro forma I (After Public Issue)
	RM'000	RM'000
Property, Plant And Equipment	74,697	74,697
Current Assets	61,025	85,057
Less : Current Liabilities	(23,631)	(23,631)
Net Current Assets	37,394	61,426
	<u>112,091</u>	<u>136,123</u>
Financed By:-		
Share Capital	67,940	80,000
Share Premium Account	12,431	24,403
Retained Profits	8,051	8,051
Reserve on consolidation	17,633	17,633
Exchange Fluctuation Reserve	(173)	(173)
	<u>105,882</u>	<u>129,914</u>
Deferred Taxation	6,209	6,209
	<u>112,091</u>	<u>136,123</u>
NTA	105,882	129,914
NTA Per Ordinary Share (RM)	0.78	0.81

* *The acquisition of YLI, YLT and ATT were completed in September 2001. The notes to the pro forma consolidated balance sheet as at 31 December 2001 and the Reporting Accountants' letter are set out in Section 9 of this Prospectus.*

1.5 Risk Factors

The following are some of the main risk factors (which may not be exhaustive) as extracted from Section 3 of this Prospectus which applicants for the Public Issue/Offer Shares should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Public Issue/Offer Shares:-

- i) Business Risks;
- ii) No Prior Market for Yi-Lai Shares;
- iii) Competitive Risk;
- iv) Dependency on Key Management;
- v) Profit Forecast;
- vi) Foreign Exchange Rates;
- vii) Political and Economic Risks;
- viii) Seasonal Sales Cycle;

1. INFORMATION SUMMARY (CONT'D)

- ix) Substantial Shareholders' Interest in Similar Business;
- x) Supply and Prices of Raw Materials;
- xi) Control by major shareholders; and
- xii) Dependency on major customers and suppliers.

For a more detailed commentary, please refer to Section 3 of this Prospectus.

1.6 Principal Statistics Relating to the Public Issue/Offer For Sale**(i) Share Capital**

	RM
Authorised	
1,000,000,000 Shares	500,000,000
Issued and fully paid-up	
135,880,000 Shares	67,940,000
To be issued pursuant to the Public Issue	
24,120,000 Shares	12,060,000
	80,000,000

- (ii) **To be offered for sale pursuant to the Offer**
1,000,000 Shares 500,000
- (iii) **Public Issue/Offer price per Share** RM 1.10
- (iv) **Consolidated Profit Forecast**

Financial Year Ending 31 December 2002

	Forecast 2002
Consolidated PBT (RM'000)	31,565
Less: Taxation (RM'000)	(8,826)
Consolidated PAT (RM'000)	22,739
Number of shares in issue ('000)	160,000
Net EPS (sen)	14.2
Net PE multiple based on the Public Issue/Offer price of RM1.10 per Share (times)	7.7

(v) Dividend Forecast**Financial Year Ending 31 December 2002**

	Forecast 2002
Tax exempt dividend per share (sen)	4.0
Gross dividend yield based on the Public Issue/Offer price of RM1.10 per Share (%)	3.6
Net dividend cover (times)	3.6

1. INFORMATION SUMMARY (CONT'D)**(vi) Pro forma Group NTA as at 31 December 2001**

Pro forma Group NTA (RM'000) (after deducting estimated listing expenses of RM2,500,000)	129,914
Pro forma Group NTA per share (RM) (based on the enlarged issued and paid-up share capital of 160,000,000 shares of RM0.50 each)	0.81

1.7 Basis of arriving at the Public Issue/Offer price

The Public Issue/Offer price of RM1.10 per Share was entirely determined and agreed upon by Arab-Malaysian as Adviser and Managing Underwriter, the Offerors and Yi-Lai after taking into account, inter-alia, the following factors:-

- (a) Based on the pro forma Group NTA per Share as at 31 December 2001 (prior to the Public Issue) of RM0.78, the Public Issue/Offer price of RM1.10 per Share represents a premium of RM0.32 or 41% to the pro forma Group NTA per share;
- (b) The forecast net PE Multiple of 7.7 times is based on the forecast consolidated net EPS of approximately 14.2 sen for the financial year ending 31 December 2002 and the Public Issue/Offer price of RM1.10; and
- (c) The prospects of the Yi-Lai Group as outlined in Section 4.9 herein.

The Directors of Yi-Lai and Arab-Malaysian are of the opinion that the Public Issue/Offer price is fair and reasonable after careful consideration of the abovementioned factors.

However, shareholders should also note that the market price of Yi-Lai shares upon listing on the KLSE are subject to the vagaries of the market forces and other uncertainties which may affect the price of Yi-Lai shares being traded.

1.8 Proceeds of the Public Issue, Offer for Sale and Their Utilisation

The Offer for Sale will raise gross proceeds of RM1,100,000. This amount shall accrue to the Offerors and no part of the proceeds is receivable by Yi-Lai. The Offerors shall bear all expenses, such as, underwriting commission, placement fee, management fee, brokerage, registration and share transfer fee relating to the Offer Shares.

All proceeds of the Public Issue after deducting the related expenses will accrue to Yi-Lai. The estimated total gross proceeds of the Public Issue is RM26,532,000. Yi-Lai will bear all other expenses incidental to the listing of and quotation for Yi-Lai shares on the Main Board of the KLSE which include placement fee, underwriting commission, management fee, brokerage, registration fee, professional fees, SC fee, advertising and listing expenses and other relevant fees the aggregate of which is estimated to be RM2,500,000.

1. INFORMATION SUMMARY (CONT'D)

Yi-Lai intends to use these proceeds in the following manner:-

	<u>*Incurred as at 31 December 2001 RM'000</u>	<u>RM'000</u>
Part finance the purchase of new machinery	15,032	15,032
Expansion of YLI factory	4,500	4,500
Upgrading of ball mills	3,863	4,500
Estimated listing expenses	638	2,500
Total	24,033	26,532

** Listing proceeds will be used to replenish the internally generated funds incurred for the abovementioned purposes*

For a detail commentary of the above mentioned proceeds utilisation, please refer to Section 2.5 of this Prospectus.

1.9 Material Litigations, Commitments and Contingent Liabilities

As at 13 March 2002, (being the last practicable date prior to the printing of this Prospectus):-

- (a) the Group has no contingent liabilities;
- (b) the Group has no material commitments for capital expenditure incurred or known to be incurred by Yi-Lai Group; and
- (c) Yi-Lai and its subsidiary companies are not engaged in any material litigation either as plaintiff or defendant and any claims or arbitration and the Directors of Yi-Lai have no knowledge of any proceedings pending or threatened against the Company and any of its subsidiaries or of any facts likely to give rise to any proceeding which might materially affect the position or business of the Company and its subsidiary companies.

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE

This Prospectus is dated 27 March 2002

A copy of this Prospectus has been registered with the SC and lodged with the ROC who takes no responsibility for its contents.

The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue and Offer for Sale, and that investors should rely on their own evaluation to assess the merits and risks of the Public Issue and Offer for Sale.

Application will be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of Yi-Lai on the Main Board of the KLSE. These Shares will be admitted to the Official List on the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the Offer and Public Issue Shares will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares on the Main Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the Offer for Sale and Public Issue will be returned if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the KLSE within the aforesaid timeframe.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, the KLSE has prescribed the Company as a CDS counter. In consequence thereof, the Offer and Public Issue Shares offered / issued through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The KLSE assumes no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its ordinary shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the Offer and/or Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by Yi-Lai and/or the Offerors. Neither the delivery of this Prospectus or any Offer and/or Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Yi-Lai Group since the date hereof.

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

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

2.1 Share Capital

	RM
Authorised share capital:	
1,000,000,000 Shares	500,000,000
Issued and fully paid-up share capital:	
135,880,000 Shares	67,940,000
To be issued as fully paid-up share capital pursuant to the Public Issue:	
24,120,000 Shares	12,060,000
	80,000,000
To be offered for sale pursuant to the Offer:	
1,000,000 Shares	500,000

The Public Issue/Offer price of RM1.10 per Share is payable in full on application.

There is only one class of shares in the Company, namely ordinary shares of RM0.50 each. The Offer Shares and Public Issue Shares will rank *pari passu* in all respects with the existing ordinary shares of the Company, including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of the liquidation of the Company, such surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with its Articles of Association.

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

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

2.2 Particulars Of The Public Issue and Offer for Sale

The Public Issue of 24,120,000 Shares at an issue price of RM1.10 per Share and the Offer for Sale of 1,000,000 Shares at an offer price of RM1.10 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus. The Public Issue/Offer Shares totalling 25,120,000 Shares of RM0.50 each will be allocated in the following manner:

(a) Private Placement by Placement Agent

16,120,000 Shares representing approximately 10.08% of the enlarged issued and paid-up share capital be placed with Malaysian public investors (which may include but not limited to customers, distributors, suppliers and employees of Yi-Lai Group) by the Private Placement of which at least 30% is to be set aside for Bumiputra investors.

(b) Allocations via Balloting to the Malaysian Public

5,000,000 Shares representing approximately 3.12% of the enlarged issued and paid-up share capital will be made available for application to the Malaysian Public, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside for Bumiputra individuals, companies, societies, co-operatives and institutions; and

(c) Pink Form Allocations

4,000,000 Shares representing 2.5% of the enlarged and paid-up share capital been reserved for eligible employees, directors, distributors and suppliers of Yi-Lai Group.

The Shares in respect of paragraph (b) and (c) have been fully underwritten. The ordinary shares in respect of paragraph (a) are not underwritten. Any Shares in respect of paragraph (c) not subscribed for by the eligible employees, directors, distributors and suppliers of the Yi-Lai Group will be made available for application by the Malaysian public. All the ordinary shares in respect of paragraph (b) and (c) have been fully underwritten at an underwriting commission of 2.50% and a management fee of 0.25% of the Public Issue/Offer price of RM1.10 per ordinary share.

2.3 Critical Dates of the Public Issue and Offer for Sale

Events	Tentative Date
Opening date of application for the Public Issue and Offer Shares	27 March 2002
Closing date of application for the Public Issue and Offer Shares	9 April 2002
Balloting of Applications	15 April 2002
Despatch of Notice of Allotment of the ordinary shares of Yi-Lai to successful applicants	29 April 2002
Listing of the Company's entire issued and paid-up share capital on the Main Board of the KLSE	6 May 2002

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

2.4 Purposes of the Public Issue and the Offer for Sale

The purposes of the Public Issue/Offer for Sale are as follows:-

- (a) to enable Yi-Lai to gain access to the capital market and to obtain funds for the expansion and growth of the Yi-Lai Group;
- (b) to provide an opportunity for the eligible employees, Directors, distributors and suppliers of Yi-Lai Group and the Malaysian General Public to participate in the equity and continuing growth of the Group; and
- (c) to facilitate the listing and quotation for Yi-Lai's entire issued and paid-up share capital of 160,000,000 Shares on the Main Board of the KLSE and to comply with the listing requirement of the KLSE and SC in respect of the minimum spread.

2.5 Proceeds of the Public Issue, Offer for Sale and Their Utilisation

The minimum subscription to be raised from the Public Issue shall be RM26,532,000 .

The Offer for Sale will raise gross proceeds of RM1,100,000. This amount shall accrue to the Offerors and no part of the proceeds is receivable by Yi-Lai. The Offerors shall bear all expenses, such as, placement fee, underwriting commission, management fee, brokerage, registration and share transfer fee relating to the Offer Shares.

All proceeds of the Public Issue after deducting the related expenses will accrue to Yi-Lai. The estimated total gross proceeds of the Public Issue is RM26,532,000. Yi-Lai will bear all other expenses incidental to the listing and quotation of Yi-Lai's shares on the Main Board of the KLSE which include placement fee, underwriting commission, management fee, brokerage, registration fee, professional fees, SC fee, advertising and listing expenses and other relevant fees the aggregate of which is estimated to be RM2,500,000.

Yi-Lai intends to use these proceeds in the following manner:-

	<u>Note</u>	<u>*Incurred as at 31 December 2001 RM'000</u>	<u>RM'000</u>
Part finance the purchase of new machinery	1	15,032	15,032
Expansion of YLI factory	2	4,500	4,500
Upgrading of ball mills	3	3,863	4,500
Estimated listing expenses	4	638	2,500
Total		24,033	26,532

* Listing proceeds will be used to replenish the internally generated funds incurred for the abovementioned purposes

Due to the difference in timing of the proceeds expected to be available to Yi-Lai, the Company has used its internally generated funds to finance most of the planned expenditures as indicated in the table above. Hence, when the public issue proceeds are available to Yi-Lai, the internally generated funds of the Company will be replenished by the Company up to the amount actually incurred for the planned expenditures.

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

Notes :-

1. Part Finance the purchase of new machinery to manufacture new variety of tiles

YLI has purchased two (2) machines, i.e Dry Powder Mixer and Spot-Feeder Machine to produce the Multi-Effect Homogeneous Tiles. Multi-Effect tiles are tiles that bear the finishes equivalent to surface of natural stone.

The function of these two (2) machines are as follows:-

a. Dry Powder Mixer

This machine is specially developed for dried powder colour-coating of the base particles before the pressing process (Please refer to Section 4.4 for elaboration on the detail production processes). The colour pigments can be applied together with spray-dried powder without body stain. The mixing systems function is to add coloured pigments in powder form to the neutral body powder in a suitable proportion. This process will create multi-effect on the tiles. The versatility and simplicity of the system allows for customising in accordance with the actual requirements both in terms of space (with less tanks and silo) and production output. Moreover, smaller quantity of colour pigments is required to produce excellent results, thus increasing cost savings on raw material.

b. Spot-Feeder Machine

This machine decorates the tiles during the press cycle with dry glaze and/or dry colour powders via digital image transfer technology. The hoppers deposits the colouring particles in "Spot" fashion, thus making it possible to obtain a variety of different shades of the same colour or switch from a range of shades to another to achieve more striking effects.

These machines will enable Yi-Lai to expand on its production by producing more varieties/series of value-added tiles.

Furthermore, the Company has added another kiln thereby increasing its total kilns from the existing five (5) to six (6). The cost of this additional production line is approximately RM20.0 million.

The expansion of this new production line has increased its installed production capacity by approximately 2.2 million square meters per annum. This has increased its total installed production capacity to 8.9 million square meters per annum. This new production line enabled the Company to produce more creative and larger sizes tiles at 60x60 cm as compared to the existing of 20x20 cm, 30x30 cm and 40x40 cm. This new production line was completed and commissioned in August 2001.

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

2. Expansion of YLI factory

The Company has utilised approximately RM4.5 million of its internally generated funds to finance the YLI factory expansion - the warehouse expansion program. This expansion plan has enabled YLI to increase its warehouse storage capacity from 12,000 pallets to 20,000 pallets. The construction of the warehouse was completed in the second (2nd) quarter of 2001.

3. Upgrading of ball mills

The Company has upgraded YLI factory's existing ball mills to increase its production efficiency rate.

Ball mills are large containers whereby raw materials and water are mixed and ground into liquid form which will subsequently be sent to a spray dryer via high pressure pump for drying. It is cylindrical in shape and is made of very thick sheet steel.

The upgrading involves replacing pebbles which are currently used as grinding stones in the ball mills with high alumina grinding balls. These high alumina grinding balls are much heavier in weight than the grinding stones. As such, it reduces the required grinding time from approximately 20 hours per run to approximately 11 hours per run. The upgrading exercise has been completed in the first quarter of 2002.

4. Estimated listing expenses

The estimated listing expenses amounting to RM2,500,000 consist of the following:-

<u>Major Cost Items</u>	<u>RM</u>
KLSE fee	76,000
Estimated Professional fees	1,115,000
Securities Commission fee	70,000
Issuing house fee	150,000
Registration and lodgement of Prospectus	5,500
Printing of Prospectus and Application forms and envelopes and advertising of Prospectus and application form	475,000
Placement fee and Underwriting commission	530,000
Brokerage	55,000
Miscellaneous	23,500
Total	2,500,000

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

2.6 Brokerage, Placement Fees and Underwriting Commission

Brokerage is payable by Yi-Lai and the Offerors at the rate of 1% of the Public Issue/Offer price of RM1.10 per Share in respect of successful applications which bear the stamp of Arab-Malaysian, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH. No brokerage is payable on 16,120,000 Shares of the Public Issue Shares to be placed out by the Placement Agent.

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite 9,000,000 of the Public Issue/Offer Shares to be issued/offered to the Malaysian General Public. Underwriting commission is payable by Yi-Lai and the Offerors at the rate of 2.50% of the Public Issue/Offer price of RM1.10 per Share for the ordinary shares which are being underwritten. Arab-Malaysian will act as the Placement Agent for the placement of 16,120,000 Shares of the Public Issue Shares and Offer for Sale Shares at the rate of 0.5% of the issue/offer price of RM1.10 per Share.

2.7 Details of Underwriting Agreement

The following are some Clauses extracted from the Underwriting Agreement ("the Agreement") dated 19 March 2002 between the Company and the Underwriters stating the events that may affect the underwriting of the Public Issue/Offer Shares.

Clause : 2 Representations, Warranties, and Undertakings By Yi-Lai

2.1 In consideration of the Managing Underwriter and the Underwriters agreeing at the request of Yi-Lai and the Offerors to underwrite the Underwritten Shares, Yi-Lai and the Offerors hereby represent to, warrant and undertake with the Managing Underwriter and the Underwriters that:

- (a) Yi-Lai has made all reasonable enquiries to ensure that all facts material for the Prospectus have been disclosed, and has verified the completeness and accuracy of all such information and to the best of its knowledge and belief, no material fact has been omitted therefrom;
- (b) the Prospectus will comply in all material respects with the Securities Commission Act 1993 and shall be in the form and substance satisfactory and acceptable to and approved by SC and shall not:
 - (i) contain any untrue statement;
 - (ii) omit to state any material fact or information that is required to be stated therein; and
 - (iii) omit to state any material fact or information which is necessary to make the statements therein not misleading;
- (c) all consents, approvals, authorisations or other orders required by Yi-Lai and the Offerors under the laws of Malaysia for or in connection with the issue, offering and listing of and quotation for the Underwritten Shares have been or will be obtained and be in full force and effect and all other actions will be taken by Yi-Lai and the Offerors to comply with all the legal and other requirements necessary to ensure that the issue, offering and listing of and quotation for the Underwritten Shares do not and will not infringe any laws or the terms of any such consent, approval, authorisation or order, including but not limited to the compliance of the provisions of the Companies Act 1965, the Securities Commission Act 1993, the Policies and Guidelines on the Issue/Offer of Securities, the Listing Requirements of KLSE and the Rules of the Central Depository [as defined under the Securities Industry (Central Depositories) Act 1991];

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

- (d) Yi-Lai will make application to and obtain the approval-in-principle of KLSE for the admission of Yi-Lai to the official list and for the listing of and quotation for the entire issued and paid-up ordinary shares of Yi-Lai, including the Underwritten Shares, on the Main Board of KLSE and Yi-Lai shall at all times promptly furnish and deliver all documents, instruments, information, certificates and undertakings as may be necessary or advisable in order to obtain such admission, listing and quotation;
- (e) the authorisation of the Underwritten Shares, the issue and offering of the Underwritten Shares on the terms and conditions of the Prospectus, the issue of the Prospectus and the compliance by Yi-Lai and the Offerors of the terms of the Agreement:
- (i) are in accordance with the Memorandum and Articles of Association of Yi-Lai; and
 - (ii) do not and will not:
 - (A) violate the provisions of any law, regulation or any order or decree of any governmental authority, agency or court to which Yi-Lai or any of the Offerors is subject;
 - (B) infringe the provisions of any listing requirements applicable to or affecting Yi-Lai or the issue, offering and listing of and quotation for the Underwritten Shares; and
 - (C) infringe the terms of, or constitute a default under any trust deed, agreement, instrument, licence, permit, obligation or duty to which Yi-Lai or any of the Offerors is a party or by which Yi-Lai or any of the Offerors or any part of its assets may be bound or affected,

and the execution of the Agreement, the issue of the Prospectus and the issue and offering of the Underwritten Shares by Yi-Lai and the Offerors and the performance of the obligations to be assumed hereunder/thereunder have been duly authorised by Yi-Lai and the Offerors so that upon the due execution or issue and offer, the same will constitute valid and legally binding obligations of Yi-Lai and the Offerors in accordance with their respective terms thereto;

- (f) save as disclosed in the Prospectus or to the Managing Underwriter and/or the Underwriters by Yi-Lai and/or the Offerors prior to the date hereof,:
- (i) Yi-Lai Group:
 - (A) has not entered into any contract or commitment of an unusual or onerous nature; and
 - (B) is not in breach of or in default under any agreement to which it is bound the effect of which would materially and adversely affect the financial condition of Yi-Lai Group;
 - (ii) no litigation, arbitration or administrative proceedings (including winding-up petition and investigation or inquiry by SC or KLSE) is current, pending or threatened in Malaysia or elsewhere which might materially affect the position or business of Yi-Lai Group; and
 - (iii) no criminal charge or investigation against Yi-Lai Group is current or pending in Malaysia or elsewhere,

and further that Yi-Lai is unaware of any evidence, information or facts likely to give rise to any such default, litigation, arbitration, administrative proceedings, criminal charge or investigation;

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

- (g) no other circumstances or situations (other than events of public or common knowledge) have arisen which will or are likely to:
- (i) adversely and materially affect the condition of Yi-Lai Group, financial or otherwise, or the earnings, affairs or business prospects of Yi-Lai Group; or
 - (ii) affect the success of the issue and offering of the Underwritten Shares,
- and that no information has been withheld from the Managing Underwriter or any of the Underwriters which may in any way affect the Managing Underwriter's or any of the Underwriters' willingness to underwrite the Underwritten Shares;
- (h) Yi-Lai will give the Managing Underwriter and the Underwriters any information (other than that which may breach any written laws or guidelines issued by the authorities) which the Managing Underwriter or any of the Underwriters may need or require affecting the issue and offering of the Underwritten Shares and the accounts or affairs of Yi-Lai Group; and
- (i) Yi-Lai will notify the Managing Underwriter and the Underwriters of any fact, information, situation or circumstance (other than that which may breach any written laws or guidelines issued by the authorities) which in the reasonable opinion of Yi-Lai may:
- (i) materially or adversely affect the financial condition or the business of Yi-Lai Group; or
 - (ii) adversely affect the success of the issue and offering of the Underwritten Shares,

and in particular and without prejudice to the generality of the foregoing of any material change affecting any of the aforesaid representations or warranties at any time prior to the closing of the Application Lists [as defined in Clause 22.1(d) of this Agreement] and take such steps as may be reasonably requested by the Managing Underwriter or any of the Underwriters to remedy and/or publicise the same.

- 2.2 Yi-Lai and the Offerors further represent to, warrant and undertake with the Managing Underwriter and the Underwriters that:
- (a) each of the company comprised in Yi-Lai Group is a company duly incorporated under the laws of its place of incorporation and validly existing thereunder with full power and authority to conduct its business in the jurisdiction where it carries on business and is solvent as at the date hereof;
 - (b) Yi-Lai Group and the Offerors have full power and authority to enter into this Agreement and to exercise their rights and to perform all their obligations hereunder and have taken all necessary corporate and other actions to authorise the execution, delivery and performance of this Agreement and this Agreement shall, upon execution, constitute legal, valid and binding obligations of Yi-Lai and the Offerors in accordance with their respective terms herein contained;
 - (c) Yi-Lai Group will carry on and operate its business and affairs in accordance with sound financial and business standards and practices generally applicable to the industry;

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

- (d) all the information which has been given to the Managing Underwriter for the purpose of or in connection with the issue of the Public Issue Shares and the offer of the Offer Shares was, when given, true, complete and accurate in all respects and Yi-Lai and the Offerors are not aware of any fact or matter not disclosed to the Managing Underwriter which renders any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect the willingness of the Managing Underwriter and the Underwriters to underwrite the Underwritten Shares;
- (e) all expressions of expectation, intention, belief and opinion and all projections and forecasts contained in the Prospectus were honestly made on reasonable grounds after due and careful inquiry by Yi-Lai;
- (f) the accounts of Yi-Lai Group:
 - (i) were prepared in accordance with the law and accounting principles and practices generally accepted in Malaysia (or in Singapore in respect of the subsidiary incorporated in Singapore) and consistently applied and have been prepared in accordance with all procedures required by law and the respective Memoranda and Articles of Associations of Yi-Lai Group;
 - (ii) together with the notes thereto give a true and fair view of the financial condition and operations of Yi-Lai Group as at the date of such accounts and for the period ended; and
 - (iii) together with those notes disclose the liabilities (contingent or otherwise) of Yi-Lai Group as at the date of the said accounts and all material unrealised or anticipated losses resulting from any commitment entered into by Yi-Lai Group which existed on such date,

since the date of such accounts, there has not been any material adverse change in the financial position or business of Yi-Lai Group save:
 - (iv) those disclosed or to be disclosed in the Prospectus;
 - (v) those disclosed or to be disclosed in any public announcement made or documents publicly available prior to the closing of the Application Lists; or
 - (vi) those that have been disclosed to the Managing Underwriter or the Underwriters prior to the date hereof;
- (g) other than the indebtedness contested in good faith by Yi-Lai Group and disclosed in the Prospectus and to the best of the knowledge and belief of Yi-Lai, no indebtedness of Yi-Lai Group has become or is likely to become payable by reason of any default by Yi-Lai Group and no event has occurred or is impending which with the lapse of time, or the fulfillment of any condition, or the giving of any notice, may result in any such indebtedness becoming so payable;
- (h) all taxes (whether income tax, property tax or otherwise) of Yi-Lai Group, in particular but not limited to all taxes which are material in the context of the issue of the Public Issue Shares and the offer of the Offer Shares, for which Yi-Lai Group is liable or which ought to have been paid, have been duly paid or adequately provided for in the accounts of Yi-Lai Group; all the returns or notices of information which are required to be made or given by Yi-Lai Group for taxation have been so made, are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant or appropriate authorities and there is no circumstance (of which Yi-Lai is or ought reasonably to be aware) which is likely to give rise to any such dispute; and

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

- (i) the records, statutory books and books of accounts of Yi-Lai Group are kept and maintained in accordance with generally accepted principles and contain true, full and accurate records of all matters required to be dealt with therein and all such records and books (including documents of title) are in its possession or under its control and all accounts, documents and returns required to be delivered or made to the Registrar of Companies or other relevant authorities have been duly and correctly delivered or made.

2.3 Upon any:

- (a) breach by Yi-Lai or the Offerors of the representations, warranties or undertakings as contained in Clause 2.1 and 2.2 of the Agreement (collectively "the Representations and Warranties") which is not capable of remedy or, which, being capable of remedy, is not remedied within the period stipulated by the Managing Underwriter (after due consultation with the Underwriters) after notice to Yi-Lai and the Offerors from the Managing Underwriter requesting action to remedy the same;
- (b) failure on the part of Yi-Lai or the Offerors to perform any of its obligations hereunder; or
- (c) change rendering any of the Representations and Warranties inaccurate in any respect coming to the notice of the Managing Underwriter or any of the Underwriters,

at any time prior to the closing of the Application Lists, the Managing Underwriter and the Underwriters shall be entitled (but not bound), by notice in writing, to elect to treat such breach, failure or change as releasing or discharging the Managing Underwriter and the Underwriters from their obligations hereunder PROVIDED THAT Yi-Lai and the Offerors shall remain liable under Clause 16 for payment of the costs and expenses incurred prior to such release and discharge AND PROVIDED FURTHER THAT any failure to make such election as aforesaid shall be without prejudice to the right of the Managing Underwriter and the Underwriters to claim for any loss or damage suffered as a result of such breach by Yi-Lai or the Offerors and/or to treat any further or other breach, failure or change as releasing and discharging the Managing Underwriter and the Underwriters from their obligations as aforesaid.

- 2.4 Yi-Lai and the Offerors further agree and undertake with the Managing Underwriter and each of the Underwriters that Yi-Lai and the Offerors will allocate to the approved applicants the Underwritten Shares upon compliance of the procedures for acceptance and payment as stipulated in the Prospectus.
- 2.5 The obligation of the Managing Underwriter and each of the Underwriters to underwrite the Underwritten Shares is undertaken on the basis of the Representations and Warranties. Without prejudice to the other rights and remedies of the Managing Underwriter or any of the Underwriters, Yi-Lai and the Offerors undertake with the Managing Underwriter and each of the Underwriters that Yi-Lai and the Offerors will hold the Managing Underwriter and each of the Underwriters fully and effectually indemnified from and against all losses, liabilities, costs, claims, charges, actions, proceedings, damage, expenses or demands which the Managing Underwriter and each of the Underwriters may incur or which may be made against the Managing Underwriter or any of the Underwriters as a result of or arising out of or in relation to any misrepresentation by Yi-Lai or the Offerors or any breach of any of the Representations and Warranties by Yi-Lai or the Offerors and such indemnity shall extend to include all costs, charges and expenses which the Managing Underwriter and each of the Underwriters may reasonably pay or incur in disputing or defending any claim or action or other proceedings in respect of which indemnity may be sought against Yi-Lai and the Offerors under this clause.

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

- 2.6 The rights and remedies conferred upon the Managing Underwriter and the Underwriters herein as a result of any breach of the Representations and Warranties and indemnities shall, continue in full force and effect for a period of twelve (12) months from the date of the listing of the entire enlarged issued and paid-up capital of Yi-Lai on the Main Board of KLSE.
- 2.7 Save and except for the specific representations, warranties and undertakings made or given by Yi-Lai and the Offerors in this Agreement, Yi-Lai and the Offerors made no other representation and gave no other warranty or undertaking whatsoever (express as well as implied) to the Managing Underwriter and the Underwriters.

Clause : 3 Conditions Precedent

The obligations of the Managing Underwriter and each of the Underwriters under the Agreement shall further be conditional upon:

- (a) SC having approved and accepted for registration the Prospectus (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Managing Underwriter and each of the Underwriters), and the Managing Underwriter and the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) Market Days after the shares have been entered and credited to the respective securities accounts [established by the Central Depository under the Securities Industry (Central Depositories) Act 1991] of the successful applicants; and
- (b) there not having been, on or prior to the closing of the Application Lists, any adverse change or any development reasonably likely to involve a prospective adverse change in the condition (financial or otherwise) of Yi-Lai, from that expressly described in the Prospectus, which is material in the context of the issue and offering of the Underwritten Shares nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any Representations and Warranties as though they had been repeated or made on such date.

If any of the foregoing conditions is not satisfied on or before the closing of the Application Lists, the Managing Underwriter and the Underwriters shall thereupon be entitled (but not bound to) by notice in writing to terminate this Agreement and in that event (except for the liability of Yi-Lai and the Offerors under Clause 16 hereof for the payment of costs and expenses incurred prior to or in connection with such termination) the parties hereto shall be released and discharged from their obligations hereunder PROVIDED THAT the Managing Underwriter and any of the Underwriters may at their discretion (but with respect only to their own obligations) waive the compliance with any of the provisions of this clause.

Clause : 4 Termination

- 4.1 Notwithstanding anything to the contrary herein contained, the Managing Underwriter and any of the Underwriters may at any time before the closing of the Application Lists by notice in writing terminate their obligations under this Agreement if in their reasonable opinion there shall have been:
- (a) (i) a material change, or a development involving a prospective material change, in the national or international monetary, financial, political or economic conditions; or
- (ii) a significantly material and adverse change in the stock market condition or exchange control or currency exchange rates,

as would in their reasonable opinion prejudice materially the success of the issue or offering of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or which would adversely affect the market generally;

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

- (b) any withholding of information of a material nature from the Managing Underwriter and the Underwriters; or
- (c) a change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter or any of the Underwriters (including without limitation acts of government, strikes, lock-outs, fire, explosions, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have any effect of making any material part of the Agreement incapable of performance with its terms pursuant to the underwriting hereof or which would adversely affect the market generally,

and thereupon Yi-Lai, the Offerors, the Managing Underwriter and the Underwriters shall (except for the liability of Yi-Lai and the Offerors under Clause 16 of the Agreement for payment of costs and expenses incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

- 4.2 In addition to and without prejudice to the provisions of Clause 4.1 of the Agreement, the Managing Underwriter and any one or more of the Underwriters may at any time by notice in writing without giving any reason therefor terminate their respective obligations under the Agreement if the Prospectus is not registered and issue within sixty two (62) months from the date hereof.
- 4.3 In the event that a supplemental prospectus is issued with SC's approval subsequent to the issue of the Prospectus, the Managing Underwriter and the Underwriters may at any time before the allotment of the Underwritten Shares terminate their obligations under this Agreement if in their reasonable opinion there shall have occurred events stipulated under Clause 4.1 of the Agreement. Upon such termination, the parties hereto shall be released and discharged from their obligations hereunder save and except that liability of Yi-Lai and the Offerors under Clause 16 of the Agreement in the payment of costs and expenses incurred prior to or in connection with such termination which liability shall remain and not be affected by such termination.

Clause : 9 Terms and Conditions of Applications

- 9.1 The applications of the Managing Underwriter and each of the Underwriters shall be on the terms and conditions set forth in the Prospectus registered with SC notwithstanding any variation between the Prospectus so registered and the Prospectus annexed hereto Provided that no variation as regards the following matters shall be made to the Prospectus annexed hereto without the prior written consent of the Managing Underwriter and the Underwriters which consent shall not be unreasonably withheld:
 - (a) Number of the Public Issue Shares and the par value and the issue price thereof.
 - (b) Number of the Offer Shares and the par value and the offer price thereof.
 - (c) Number of the Underwritten Shares and the par value and the issue/offer price thereof.
 - (d) Constitution of the board of directors of Yi-Lai.
 - (e) Forecast consolidated profit before taxation of Yi-Lai for the year ending 31 December 2002.

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

- (f) Principal activities and business of Yi-Lai Group.
- (g) Forecast net dividend.
- (h) Authorised or issued share capital of Yi-Lai.
- (i) Information or statements relating to the contingent liability.
- (j) Intention of Yi-Lai to apply to KLSE for the listing of and quotation for the entire enlarged issued and paid-up capital of Yi-Lai on the Main Board of KLSE.

9.2 The consent from each of the Underwriters shall be given to the Managing Underwriter no later than twenty-four (24) hours after the underwriter's receipt of the proposed amendment in respect of any of the matters stipulated under Clause 9.1 hereof. In the event the Underwriters do not respond to the Managing Underwriter within the said 24-hour period, the Underwriters will be deemed to have consented to such proposed amendment.

2.8 Approvals from Authorities

The acquisition of companies, dividend payment, Public Issue and Offer for Sale were approved by the following authorities as follows:-

Authorities	Date
SC	6 December 2000 14 August 2001 23 January 2002
MITI	1 September 2000
FIC	9 August 2000 24 April 2001 22 March 2002

The details of the conditions of the authorities' approvals and status of compliance are set out below :-

Conditions imposed by SC	Status of compliance
<p>I. The conditions to be complied for the utilisation of proceeds are as follows:-</p> <p>(i) The approval of SC for any deviation from the original planned utilisation of proceeds to be raised, if the deviation involves utilisation in a manner other than for the core business of Yi-Lai;</p> <p>(ii) The approvals of the shareholders of Yi-Lai must be obtained for the utilisation of proceeds to be raised and also for any deviations of 25% or more from the original planned utilisation of proceeds. For deviations of less than 25%, appropriate disclosure must be made to the shareholders of Yi-Lai;</p> <p>(iii) Any extension of time required for the utilisation of proceeds to be raised must be approved by a resolution of the Board and must be fully disclosed to the KLSE; and</p> <p>(iv) Appropriate disclosure in relation to the status of the utilisation of proceeds raised must be disclosed in the Quarterly Reports and Annual Reports of Yi-Lai until the proceeds have been fully utilised</p>	<p>To comply.</p> <p>To comply.</p> <p>To comply.</p> <p>To comply.</p>

2. DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE (CONT'D)

Conditions imposed by SC		Status of compliance
2.	Yi-Lai is not permitted to venture into or involve itself in activities or new business other than its core business for a period of three (3) years after the listing date;	To comply.
3.	The Promoters of Yi-Lai is required to give a written confirmation that they will remain in Yi-Lai for consecutive three(3) years and to disclose an effective succession plan to indicate how Yi-Lai will train the local labour to achieve skills in the ceramic tiles industry and to how to implement the said plan;	Complied. Confirmation was furnished to the SC on 20 March 2002.
4.	The shareholders and Directors of Yi-Lai should not be involved in new business which will create a conflict of interest with the business of Yi-Lai Group. The Vendor and each Directors of Yi-Lai must fully disclose to the shareholders in connection with their involvement and interests in companies and business, if any, which are related/similar to Yi-Lai's business, which may be in conflict or competition with the business of Yi-Lai. In this relation, they are required to disclose the details on how to mitigate the conflict of interests between the new Yi-Lai Group and other companies in this Prospectus: and	Complied. Further details are disclosed under Section 3 (ix) and 10.3 (vi) of this Prospectus.
5.	Any future business between Yi-Lai Group and companies which are related/interested to/in the shareholders and Directors of Yi-Lai, the transaction must be conducted at arm's length and not based on the terms and conditions which will be disadvantageous to Yi-Lai Group. In this connection, the Audit Committee of Yi-Lai must monitor the said business terms and the Directors of Yi-Lai is required to report any transactions which are considered related, if any, on an annual basis in Yi-Lai Group's Annual Report.	To comply. Further details are disclosed under Section 3 (ix) of this Prospectus.

Conditions imposed by FIC		Status of compliance
1.	Yi-Lai is required to maintain a minimum direct Bumiputra equity of 30% when the Public Listing is implemented and decrease the foreign equity to 30% by 30 June 2002. The Company has appealed to the FIC to extend the deadline for reducing the foreign equity to 30% from 30 June 2002 to 30 June 2004. The decision from the FIC on the said appeal is still pending.	To comply.

Conditions imposed by MITI		Status of compliance
1.	Yi-Lai is required to allot at least 30% of its equity to Bumiputra at the time of the Public Listing; and	Complied.
2.	Shares of 48,104,564 held by Encik Zabidi bin Mohd Zain and Syed Hood bin Sa'ad Mohamed, representing 30.07% of the enlarged share capital of Yi-Lai are not allowed to be sold or transferred or assigned without obtaining prior written approval from MITI	To comply.