

5. INFORMATION ON SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT

5.1 Promoters' Track Record

The Promoters of Yi-Lai are as follows:-

- 1) Wang Jen-Ching; and
- 2) Lim Oon Kok

Name	Nationality	No. of Shares After Offer for Sale and Public Issue			
		Direct	%	Indirect	%
Wang Jen-Ching	Taiwanese	28,593,184	17.87	-	-
Lim Oon Kok	Singaporean	22,785,294	14.24	4,408,730*	2.76

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

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

The profiles of the promoters are set out in Section 5.2 (i) of this Prospectus.

5.2 Board of Directors

(i) Profile

En. Zabidi bin Md Zain, a Malaysian aged 46, is the Non-Independent Non-Executive Chairman of Yi-Lai. He was appointed to the Board on 11 October 2001. He holds a degree in Accountancy (Honours) from the University of Ulster, United Kingdom and is a Fellow of the Association of Chartered Certified Accountants of United Kingdom. Encik Zabidi was appointed to the board of directors of YLI on 16 May 1996. He was the Executive Director of Bantu Corporation Sdn. Bhd., a property development company, from 1984 to 1988. He was the Managing Director of Smith Zain (Malaysia) Sdn Bhd (formerly known as Smith Zain Securities Sdn. Bhd), a member company of Kuala Lumpur Stock Exchange from 1991 to 1997. Currently, he remains as a shareholder of Smith Zain (Malaysia) Sdn Bhd. Encik Zabidi, through his family investment holding companies, is involved in several public listed companies, namely Hirotako Holdings Bhd. and Fitters Holdings Bhd.

Mr. Lim Oon Kok, a Singaporean aged 58, is the Managing Director of the Group. He was appointed to the Board of Yi-Lai on 11 October 2001 and appointed as the Managing Director on 3 December 2001. He has been involved in the ceramic tile industry since 1992. Mr. Lim is a self-made man with vast early year experiences in various businesses, ranging from dealing in petroleum products, ceramic tiles, marble, and granite to property development. Subsequently, he concentrated on the sale and marketing of ceramic tiles and finally participating in the manufacture of ceramic tiles, a process he is well versed in. An entrepreneur with hands-on management style, Mr. Lim has brought the Group to its present success. In addition to the Group, Mr. Lim also sits on the board of several private limited companies in Singapore and China.

Mr. Wang Jen-Ching, a Taiwanese aged 47, is the Non-Independent Non-Executive Director of Yi-Lai. He was appointed to the Board on 11 October 2001. Mr. Wang has extensive experience in the ceramic tiles industry. He is the Managing Director of Dong Bah Enterprise Corp and Dong Bah Machinery Co., Ltd., Taiwan, the former deals in the sale of equipment and machinery for the manufacture of ceramic tiles while the latter manufactures spray dryers for ceramic tile manufacturers. Mr. Wang has in-depth understanding of the production of ceramic tiles. He also has extensive and practical knowledge on equipment and machinery used in the manufacturing of such tiles. He is a director cum operation consultant of the Group and he also sits on the board of several private limited companies in Taiwan and China.

5. INFORMATION ON SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT (CONT'D)

Mr. Hsieh Yu-Tien, a Singaporean aged 45, is the Executive Director of Yi-Lai. He was appointed to the Board on 11 October 2001. Mr. Hsieh holds a diploma in Electrical Engineering from Chung Hua Junior College of Industry, Taiwan. He began his career as an electrical technician in 1980. He was Deputy Factory Manager in Ta Hsin Pottery Co. Ltd. from 1982 to 1986. Subsequently from 1986 to 1988, he joined Asahi Indonesia as a Production Engineer before becoming the deputy factory manager in White Horse Ceramic Industries Co. Ltd. in 1988. He joined YLI as a Production Manager in 1993. His area of responsibility is principally in the technical and production aspects. He was appointed to the board of directors of YLI on 2 June 1994.

Mr. Ong Kheng Swee, aged 44 is the Independent Non-Executive Director of Yi-Lai. He was appointed to the Board on 30 January 2002. He has extensive experience in financial, accounting and corporate fields, having worked in both professional services and commercial area. He is a Fellow of the Association of Chartered Certified Accountant of United Kingdom. He is also a member of the Malaysian Institute of Accountants and a Fellow of Malaysian Institute of Taxation.

He spent several years with two major international accounting firms (Kassim Chan & Co. & KPMG) before joining the Titan group, a joint venture petrochemical company, in 1990. In 1994, he left to work for short stints overseas including a large Indonesian timber and plantation group based in Jakarta, heading their accounting and control division, and in the Singapore International HQ of Thailand-based jewelry manufacturer, with responsibility for finance, corporate planning and international operations.

He returned to Malaysia in 1995 to head the Finance, Administration and MIS division of a ceramic tile-manufacturing group, i.e Niro Ceramics Sdn Bhd.

In 1998, he joined an automotive components distribution and manufacturing group and is presently serving as their Group Finance Director.

Mr. Pun Kheng Hock, aged 55, is the Independent Non-Executive Director of Yi-Lai. He was appointed to the Board on 30 January 2002. He obtained a Bachelor of Commerce (Honours) Degree from Nanyang University, Singapore in 1971. He subsequently obtained a Bachelor of Business Degree from Curtin University, Western Australia in 1974. He set up his audit firm under the name of K.H.Pun & Co., in 1986. K.H. Pun & Co. is presently a member firm of the International Group of Accounting Firms (IGAF).

Mr. Pun was appointed as an Independent Non-Executive Director of V.S. Industry Berhad for the period 24 October 1996 to 31 July 2001 and he was also the Chairman of the company's Audit Committee from 24 October 1996 to 1 June 2001. He was appointed as the Non-Executive Director of V.S International Group Limited and he has been acting as the Chairman of the Audit Committee of the company with effect from 15 January 2002. He has been an Independent Non-Executive Director and a member of the Audit Committee of Triumphal Associates Bhd since 27 August 2001.

Mr. Pun is presently a member of the following professional bodies, namely, Malaysian Institute of Accountants, Malaysian Institute of Taxation, Institute of Certified Public Accountants of Singapore and Australia Society of Certified Public Accountants.

5. INFORMATION ON SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT (CONT'D)**(ii) Directors' Shareholdings in Yi-Lai**

Name	Nationality	After Public Issue and Offer for Sale			
		No. of Shares			
		Direct	%	Indirect	%
Zabidi Bin Md Zain	Malaysian	44,998,984	28.12	-	-
Wang Jen-Ching	Taiwanese	28,593,184	17.87	-	-
Lim Oon Kok	Singaporean	22,785,294	14.24	4,408,730*	2.76
Hsieh Yu-Tien	Singaporean	2,065,406	1.29	-	-
Ong Kheng Swee	Malaysian	-	-	-	-
Pun Kheng Hock	Malaysian	-	-	-	-

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

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

Save for those disclosed here below, none of the directors have any other directorships and/or major shareholdings (5% or more of the issued and paid-up share capital) in other public companies for the past two (2) years:

Name	Directorship	Major Shareholding
(a) Zabidi Bin Md Zain	-	Hirota Holdings Berhad
	-	Fitters Holdings Bhd
	Eminvest Bhd (appointed on 28 August 2001)	-
(b) Pun Kheng Hock	Triumphal Associates Berhad (appointed on 2 August 2001)	-
	V.S. International Group Limited (appointed on 8 February 2002)	-

(iii) Directors' Remuneration and Benefits

The remuneration paid to the Directors of the Group for services rendered in all capacities to the Company and its subsidiaries for the financial year ended 31 December 2001 amounted to RM2.6 million. For the financial year ending 31 December 2002, the amount payable to the Directors of the Group for services rendered in all capacities to the Company and its subsidiaries is estimated at RM2.1 million.

(iv) Substantial shareholders in Yi-Lai

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

* 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

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

5. INFORMATION ON SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT (CONT'D)**5.3 Management Team**

The management of the Group consists of most of its directors and senior management. It is headed by Mr. Lim Oon Kok, the Managing Director, and he is assisted by Mr. Wang Jen-Ching (Operation Consultant), Mr Hsieh Yu-Tien (Production Manager) and a pool of senior management team. The management team has extensive experience in their respective area of operation, such as finance, production, administration, marketing, quality assurance and technical. The details of the other key management personnel are as follows:-

(i) Profiles

Madam Chan Bon Chin @ Chan Siew Keow, a Malaysian aged 55, holds a certificate in LCCI Higher Accounting. She joined Emtex Corporation Bhd as an accounts executive in 1976. She later joined Poon & Co. (Public Accountants) as a senior audit assistant in 1987. She was an accounts officer to Far Eastern Industries (M) Sdn. Bhd. (now known as Guocera Tile Industries (Kluang) Sdn. Bhd.) prior to her leaving to join YLI in 1990. She was appointed to the board of directors of YLI on 7 June 1991 and is now the Administrative Manager Cum Personal Assistant to Managing Director.

Mr. Chang Chiang-An, a Taiwanese aged 52, holds a diploma in Ceramic Engineering from Fushin Institute of Technology, Taiwan. He began his career as a Quality Control Senior Supervisor at Soon Loong Ceramic Industries Co. Ltd, Taiwan in 1974. He joined Cathay Ceramics Industries Co. Ltd., Taiwan as a Research & Development cum Quality Control Executive in 1977. He became a Factory Manager of Chia Loong Ceramic Industries Co. Ltd., Taiwan in 1981. Subsequently, he also joined Hung Kuo Pottery Ltd as a Factory Manager. By 1987, he moved to Malaysia to become a Factory Manager of Far Eastern Industries (M) Sdn Bhd (now known as Guocera Tile Industries (Kluang) Sdn Bhd). He joined YLI as a Product Designer and Quality Control Manager in 1998. He was appointed to the board of directors of YLI on 21 Feb 2000 and he is now the R & D Director.

Mr. Lim Thuan Bin, a Singaporean aged 52, obtained the Higher School Certificate in 1969. Mr. Lim began his career in 1970 when he was a Marketing Executive for his family business of liquor distributorship. In 1972, he joined Ong Siong Bee Pte. Ltd., Singapore as an Operation Manager. In 1976, he set up his own business, Ever Ocean Forwarding and Trading Co., Singapore. He later joined Maritime Expresses Pte. Ltd, Singapore as the Managing Director. He joined YLI in 1998 as the Export Market Analyst cum Project Manager

Ms. Goh Mey Lan, a Malaysian aged 33. She holds a degree in Business from the University of Southern Queensland, Australia and is both a Certified Practising Accountant (CPA) of Australian Society of Certified Practising Accountants ("ASCPA") and a member of the Malaysian Institute of Accountants (MIA). After graduation, she joined Kassim Chan & Co. as a Staff Assistant I in January 1993. In November 1995 she joined Aldini Management Sdn Bhd as an assistant accountant. In August 1996, she joined YLI as an accountant and is now the Finance and Corporate Manager, taking charge of the accounts and finance of the Group.

5. INFORMATION ON SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT (CONT'D)

Mr. Yip Chian Yoong, a Malaysian aged 51. Mr. Yip began his career in 1972 as a sales representative in Ramset Fasteners (M) Sdn Bhd. In 1974, he joined Batu Arang Bricks & Tiles Bhd. as a sales representative and was promoted to sales executive in 1977. He was further promoted in 1981 to sales manager to oversee the company's sales department. From 1986 to 1989 he was the marketing and sales manager of Hiap Lee Brickmakers Sdn. Bhd. From 1989 to 1990 he was the sales executive of Far Eastern Industries (M) Sdn. Bhd. [now known as Guocera Tile Industries (Kluang) Sdn. Bhd.]. He joined YLI in November 1990 as a senior marketing executive and was promoted to Country Services Manager in January 1992. Mr. Yip has attended the ABE Advanced Diploma Course in Business Management and holds certificates in Advertising and Advertising Psychology, Track Sales Training Course, Management of the Sales Force and Financial Analysis for Non-financial Executives.

- (ii) None of the key management personnel is or was involved in the following events:-
- (a) A petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
 - (b) Conviction in a criminal proceedings or is a named subject of pending criminal proceeding(s);
 - (c) The subject of any order, judgement or ruling or any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- (iii) Save for the service agreement to be entered into between Mr. Lim Thuan Bin and YLI, none of the key management personnel have entered or proposed to enter into any service agreements with the Company and/or its subsidiaries.

5.4 Family Relationship

Save for Mr. Lim Oon Kok, his wife, Madam Liao Feun Chu, and his son, Mr Lim Teck Shyan, there are no other family relationships among the promoters, major shareholders, directors and senior management team.

5.5 Audit Committee

Yi-Lai has set up an Audit Committee on 1 February 2002. The Committee now comprises the following Board members :-

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

The main functions of the Audit Committee include the review of audit plan and audit report with the Auditors, review the Auditors' evaluation of internal accounting controls, review of the scope of internal audit procedures, review of balance sheet and profit and loss account and nomination of Auditors.

5. INFORMATION ON SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT (CONT'D)**5.6 Continuity in Management**

As in any other business, the Board of Directors believe that the continued success of the Yi-Lai will depend on the ability and dedication of its Directors and management. The loss of any key members of the Group could adversely affect the Group's continued ability to compete. However, the Group has made efforts to train its staff and have the support of long-term management staff. The Group's future success will also depend on its ability to attract and retain skilled personnel.

5.7 Changes In Substantial Shareholders And Shareholdings For The Past Three (3) Years

Name	Date of allotment	No. of Shares allotted/acquired	Accumulated number of Shares held	%
Zabidi Bin Md Zain	13 September 2001	44,988,984	44,988,984	33.11
Wang Jen-Ching	13 September 2001	28,912,576	28,912,576	21.28
Lim Oon Kok	13 September 2001	23,037,756	23,037,756	16.95
Liao Feun Chu	13 September 2001	4,459,536	4,459,536	3.28
Chang Chiang-An	13 September 2001	6,854,278	6,854,278	5.04

* The above shareholdings exclude Public Issue, Offer for Sale and the pink form allocation pursuant to the Public Issue

6. OTHER INFORMATION CONCERNING YI-LAI GROUP

6.1 Approvals, Major Licences and Permits

The trademarks and licences held by the Group required for the purposes of conducting its business are listed below:-

Authority	Trademark / Licence / Permits	Conditions	Held By	
Registrar of Trademark (28 November 1991)	ALPHA TILES trademark	Trademark No. 91007532	YLI	
MTI (28 August 1989)	Manufacturing licence	Manufacturing of ceramic wall and floor tiles	- At least 40% of the equity of YLI is to be purchased and held by Malaysians including at least 10% 'dikhasikan' - YLI is to export at least 60% of its products	YLI
Royal Customs and Excise Malaysia (17 February 1998)	Manufacturer's Licence	Licence Under the Sales Tax Act, 1972 (Licence No. A 059547)	YLI	

6.2 Related Party Transactions

There are no significant transactions which involves the Directors or substantial shareholders of the Company.

Declaration of the Advisers

Arab-Malaysian hereby confirms that, as at the date of Prospectus, there are no existing or potential conflicts of interest in its capacity as the Adviser for the Flotation.

Messrs Leng & Co has given its confirmation that there are no existing or potential conflict of interest in its capacity as the Solicitor for the Flotation.

Messrs KPMG has given its confirmation that there are no existing or potential conflict of interest in its capacity as the Reporting Accountants for the Flotation.

Dynaquest Sdn Bhd has given its confirmation that there are no existing or potential conflict of interest in its capacity as the Financial and Economic Research Consultant for the Flotation.

6. OTHER INFORMATION CONCERNING YI-LAI GROUP (CONT'D)

6.3 Summary of Landed Properties

Details of the properties owned by the Yi-Lai Group are as shown below :-

Owner/Title/Location	Description / Existing Use	Approximate age of building (years)	Approximate land / built-up area (ha)	Tenure	Net Book Value @ 31 December 2001 RM
YLI Lot 7020, Mukim of Senai-Kulai, District of Johor Bahru, Johor	Factory building	11 years (Since 1990)	4.0519 hectares	Freehold	8,909,273
YLI Lot 7022, Mukim of Senai-Kulai, District of Johor Bahru, Johor	Factory and warehouse	2 years (Since 1999)	4.04686 hectares	Freehold	12,550,799
YLI PTD 19564, Mukim Senai-Kulai, District of Johor Bahru, Johor	Double storey intermediate terrace house	14 years (purchased in 1992)	143 square metres	Freehold	92,992
YLI PT2174 (Lot8349), Mukim Damansara, District of Petaling, Selangor (No. 5, Jalan SS18/1B, Subang Jaya, 47500 Petaling Jaya, Selangor)	Double storey intermediate shop house	20 years (Purchased in 1993)	132.85 square metres	Freehold	298,751
					21,851,815

7. FINANCIAL INFORMATION

7.1 Consolidated Profit and Dividend Records

The pro forma consolidated audited results of the 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:-

- 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.
- 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

- 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.
- Inter-Company sales and purchases between YLI, YLT and ATT have been eliminated on pro forma consolidation.
- 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.

7. FINANCIAL INFORMATION (CONT'D)

- f) There were no extraordinary and exceptional items for the financial years under review.*
- 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 in 1999's profit in accordance with the provisions of the Income Tax (Amendment) Act, 1999 in Malaysia.*

7.2 Analysis And Commentary On Financial Performance

Generally, the Group had been experiencing growth in turnover and profitability from 1996 to 1997 which was in line with the booming construction industry during that period, in domestic as well as in Singapore markets.

In 1998, turnover and profitability decreased due to the regional economic crisis, which started in late 1997. Consequently, the demand for tiles decreased significantly. The sales volume of the Group reduced from 4.9 million square meter in 1997 to 3.9 million square meter in 1998.

In 1999, Malaysia economy recovered from the regional economic crisis and sales improved in terms of volume, from 3.9 million square meter to 4.9 million square meter.

Profit before taxation in 1997 is significantly higher than the other years under review mainly due to:-

- i) unrealised exchange gain arose in YLT amounting to approximately RM3.1 million.
- ii) increased in interest income from fixed deposits amounting to RM0.9 million and RM0.5 million for YLI and YLT respectively.
- iii) depreciation of Ringgit Malaysia against SGD

The effective tax rate in 1997, 2000 and 2001 were lower than the statutory tax rate due to the availability of reinvestment allowance incentive in YLI.

Profit after taxation in 1999 was higher than 1998 mainly due to the waiver of income tax on current year's profit in accordance with the provisions of the Income Tax (Amendment), Act, 1999. The tax saving arising from this waiver amounted to approximately RM5.8 million for the Group.

In year 2000, the higher turnover and pre-tax profit was mainly attributed to the recovery in the construction sector which had translated into higher demand and thus improved selling prices for the Group.

In year 2001, the higher turnover was mainly attributed to the commissioning of kiln 6 in August 2001 which allowed the factory to increase its production volume in meeting market demand.

7. FINANCIAL INFORMATION (CONT'D)

7.3 Segmental Analysis of Turnover and Profits*Analysis of turnover*

	Financial years ended				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
YLI	76,847	61,532	72,605	89,964	98,519
YLT	21,339	19,379	19,555	12,080	10,607
ATT	-	2,095*	14,944	31,677	36,751
Less: Consolidation adjustments	(15,451)	(15,946)	(27,375)	(35,024)	(37,675)
Total Group	82,735	67,060	79,729	98,697	108,202

* Ten (10) months period ended 31 December 1998

Analysis of profit after tax

	Financial years ended				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
YLI	19,616	13,053	19,126	18,351	19,828
YLT	5,067	4,457	1,409	698	774
ATT	-	124*	1,324	1,133	1,103
	24,683	17,634	21,859	20,182	21,705
Less: Loss on Yi-Lai	-	-	-	(76)	(6)
Total Group	24,683	17,634	21,859	20,106	21,699

* Ten (10) months period ended 31 December 1998

7. FINANCIAL INFORMATION (CONT'D)

7.4 Directors' Declaration on Financial Performance

As at 13 March 2002, being the latest practicable date prior to the printing of this Prospectus, the financial conditions and operations of the Company and its subsidiaries are not affected by any of the following :

- i) 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 the financial performance, position and operations of the Yi-Lai Group;
- ii) Material commitment for capital expenditure;
- iii) Unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Yi-Lai Group; and
- iv) 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.

7.5 Working Capital, Borrowings and Contingent Liabilities

7.5.1 Working Capital

The Directors of the Company are of the opinion that after taking into consideration the cashflow forecast including the proceeds from the Public Issue and banking facilities available, the Yi-Lai Group will have adequate working capital for its present and foreseeable future requirements.

7.5.2 Borrowings

As at 13 March 2002, (being the last practical date prior to the printing of this Prospectus) the Group's total short term interest bearing borrowings amounted to approximately RM11.138 million comprising term loan and bankers acceptances.

7.5.3 Contingent liabilities and Capital Commitments

The Group does not have any contingent liabilities or commitments for capital expenditure incurred or known to be incurred by Yi-Lai Group.

7. FINANCIAL INFORMATION (CONT'D)**7.6 Consolidated Profit Forecast and Assumptions**

The Directors of Yi-Lai forecast that, barring unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit after taxation and minority interests for the financial year ending 31 December 2002 will be as follows -

	Forecast 2002 RM '000
TURNOVER	108,368
CONSOLIDATED PBT	31,565
LESS: TAX EXPENSE	(8,826)
CONSOLIDATED PAT	22,739
LESS: MI	-
CONSOLIDATED PAT AFTER MI	22,739
*GROSS EPS (sen)	19.7
*NET EPS (sen)	14.2
NET PE MULTIPLE BASED ON PUBLIC ISSUE/OFFER PRICE OF RM1.10 PER SHARE (times)	7.7

* Based on the enlarged issued and paid-up share capital of 160,000,000 shares.

The principal assumptions upon which the consolidated profit forecast have been made are as follows:

- (a) There will be no significant changes in the principal activities, management structure and accounting policies adopted by the Group;
- (b) There will be no significant changes in the prevailing Malaysian and World economic conditions, which will directly or indirectly have an adverse effect on the Group's performance;
- (c) There will be no significant changes in raw materials and operating costs, forecasted selling prices, sales volume and sales mix of the Group;
- (d) There will be no material changes in the present government regulations and legislations, which would adversely affect the operations of the Group or the markets in which the Group operates;
- (e) There will be no significant changes in the rates and bases of taxation and other duties applicable to the Group;
- (f) There will be no significant changes in prevailing inflation and foreign currency exchange rates;
- (g) There will be no major industrial dispute, breakdown or disruption of machineries or other abnormal factors, which will adversely affect the operations of the Group;
- (h) Capital expenditure will be incurred as planned and there will be no significant disposal of property, plant and equipment, which will give rise to significant profit and loss on disposal;

7. FINANCIAL INFORMATION (CONT'D)

- (i) The Group will continue to enjoy its existing credit facilities at prevailing interest rates, terms and conditions; and
- (j) The proceeds from the Public Issue of RM26,532,000 will be received in May 2002 and utilised as follows:-

	*Incurred as at 31 December 2001	
	RM'000	RM'000
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

* *The proceeds from the public issue will be used to replenish the internally generated funds which has been used to repay the purchase and expansion of the above expenditure.*

7. FINANCIAL INFORMATION (CONT'D)

7.7 Reporting Accountants' Letter On The Consolidated Profit Forecast



KPMG (Firm No. AF 0758)
Chartered Accountants
Level 14, Menara Ansar
65, Jalan Trus
80000 Johor Bahru, Malaysia

Tel + (607) 224 2870
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The Board of Directors
Yi-Lai Berhad
Lot 7020 Batu 23
Jalan Air Hitam
81000 Kulai
Johor, Malaysia

18 March 2002

Dear Sirs

Consolidated Profit Forecast For The Financial Year Ending 31 December 2002

We have reviewed the accounting policies and calculations for the consolidated profit forecast of Yi-Lai Berhad ("Yi-Lai") and its subsidiaries ("Yi-Lai Group"), for the financial year ending 31 December 2002 for which the Directors are solely responsible, as set out in the Prospectus dated **27 MAR 2002** in connection with the Public Issue of 24,120,000 new ordinary shares of RM0.50 each at an issue price of RM1.10 per ordinary share and Offer For Sale of 1,000,000 ordinary shares of RM0.50 each at an offer price of RM1.10 per ordinary share and the listing of and quotation for its entire enlarged issued and paid-up share capital of Yi-Lai on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by Yi-Lai Group.

In light of the recent global economic uncertainties, certain of the assumptions, including sales volume and profit margin may vary significantly from that assumed in the forecast, which may materially impact the forecast profit for the year under review.

Yours faithfully

KPMG
Firm No.: AF 0758
Chartered Accountants

Lee Soon Teck
Partner

Approval Number: 1587/06/02 (J)



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.

7. FINANCIAL INFORMATION (CONT'D)

7.8 Directors' Commentary On Achievability Of Profit Forecast

The Board of Directors of Yi-Lai confirms that the profit forecast of the Yi-Lai Group for the financial year ending 31 December 2002 and the underlying bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans of the Yi-Lai Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast of the Yi-Lai Group are achievable and the assumptions made are reasonable.

Nevertheless, in the light of the current economic environment in Malaysia and in the Asia Pacific region, certain assumptions, including interest and exchange rates, may differ significantly from actual situation and this may have a material impact on Yi-Lai Group's profit forecast.

7.9 Sensitivity Analysis

- **Variation in Turnover – due to variation in selling price of products**

Variation in Turnover	Forecast for the financial year ending 31 December 2002					
	Turnover RM'000	% Variation	PBT RM'000	% Variation	PAT RM'000	% Variation
As forecasted	106,197	-	22,908	-	20,436	-
Up 10%	116,717	10	33,428	46	29,786	46
Up 5%	111,457	5	28,168	23	25,111	23
Down 5%	100,937	(5)	17,648	(23)	15,761	(23)
Down 10%	95,678	(10)	12,388	(46)	11,086	(46)

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 7.6 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the turnover due to variations in the selling price of products.

The above information reflects the information on turnover of YLI only.

- **Variation in Turnover – due to variation in sales volume of products**

Variation in Turnover	Forecast for the financial year ending 31 December 2002					
	Turnover RM'000	% Variation	PBT RM'000	% Variation	PAT RM'000	% Variation
As forecasted	106,197	-	22,908	-	20,436	-
Up 10%	116,717	10	26,320	15	23,469	15
Up 5%	111,457	5	24,614	7	21,952	7
Down 5%	100,937	(5)	21,202	(7)	18,919	(7)
Down 10%	95,678	(10)	19,496	(15)	17,403	(15)

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 7.6 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the turnover due to variations in the sales volume of products.

The above information reflects the information on turnover of YLI only.

7. FINANCIAL INFORMATION (CONT'D)

- **Variation in Cost of sales ("COS")**

Variation in COS	Forecast for the financial year ending 31 December 2002					
	COS RM'000	% Variation	PBT RM'000	% Variation	PAT RM'000	% Variation
As forecasted	71,073	-	22,908	-	20,436	-
Up 10%	78,180	10	15,801	(31)	14,119	(31)
Up 5%	74,627	5	19,354	(16)	17,277	(15)
Down 5%	67,519	(5)	26,462	16	23,595	15
Down 10%	63,966	(10)	30,015	31	26,753	31

The sensitivity analysis is prepared based on the forecast assumptions as set out in Section 7.6 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the cost of sales.

The above information reflects the information on turnover of YLI only.

7.10 Break-even Analysis

The break-even turnover for the Group tiles operations are as follows:-

Activities	Break-even turnover RM'000	Forecast turnover RM'000	Margin of safety %
Homogeneous tiles	14,644	46,243	68.33
Glazed tiles	18,669	58,955	68.33

The above information reflects the information on turnover of YLI only.

7.11 Dividend Forecast and Policy

Yi-Lai intends to pursue a dividend policy in line with its profitability which would allow its shareholders to participate in the profits of the Group as well as leaving adequate reserves for its future growth and expansion.

Based on the Group's consolidated profit forecast for the financial year ending 2002, on the assumption that the current basis for calculating taxation and the rates of taxation will remain unchanged, the Directors of Yi-Lai anticipate that the Company would be in a position to propose a final tax exempt dividend of 8% for the financial year ending 31 December 2002 based on the issued and paid-up share capital of 160,000,000 shares of RM0.50 each.

7. FINANCIAL INFORMATION (CONT'D)

The intended appropriation of the consolidated profit forecast are as follows:-

	Forecast 2002 RM'000
Consolidated PBT	31,565
Less : MI	-
: Taxation	<u>(8,826)</u>
Consolidated PAT after MI	22,739
Less: Proposed tax exempt dividend	6,400
Retained profit	<u>16,339</u>
Tax exempt dividend based on the enlarged share capital of 160,000,000 ordinary shares of RM0.50 each	6,400
Tax exempt dividend per ordinary share (sen)	4.0
Tax exempt dividend yield (based on the indicative Public Issue/Offer price of RM1.10 per Share) (%)	3.6
Net dividend cover (times)	3.6

Investors should note that the future dividends might be waived if:-

- (a) the Group records a loss instead of the forecast profits; or
- (b) the payment of the dividends would adversely affect the Group's cashflows and operations.

7. FINANCIAL INFORMATION (CONT'D)

7.12 Pro forma Consolidated Balance Sheets

The Pro forma Consolidated Balance Sheets of Yi-Lai as at 31 December 2001 as set out below are provided for illustration purposes only to show the effects of the Public Issue and Offer for Sale on the assumption that these transactions were completed on 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
	112,091	136,123
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)
	105,882	129,914
Deferred Taxation	6,209	6,209
	112,091	136,123
NTA	105,882	129,914
NTA Per Ordinary Share (RM)	0.78	0.81

**The acquisitions of YLI, YTL and ATT were completed in September 2001.*

7. FINANCIAL INFORMATION (CONT'D)**Notes To Pro Forma Consolidated Balance Sheets As At 31 December 2001****1) Basis of Preparation**

- i) The pro forma Consolidated Balance Sheets are provided for illustrative purposes only and is based on the audited financial statements of Yi-Lai and its subsidiaries at 31 December 2001.
- ii) The bases and accounting principles are consistent with those normally adopted in the preparation of audited financial statements of Yi-Lai Group.

- 2) The pro forma consolidated balance sheets are prepared on the basis set out in Note 1 above after incorporating the Public Issue of 24,120,000 new ordinary shares of RM0.50 each at an issue price of RM1.10 per share.

3) Share Capital of Yi-Lai

The movement of the issued and paid-up share capital of Yi-Lai after the listing are as follow:-

	RM'000
At 31 December 2001	67,940
Public issue of 24,120,000 ordinary shares of RM0.50 each	<u>12,060</u>
Enlarged issued and paid-up capital (Pro forma I)	<u>80,000</u>

4) Share Premium Account

The movement of share premium account of Yi-Lai after the listing are as follows:-

	RM'000
At 31 December 2001	12,431
Public issue of 24,120,000 ordinary shares of RM0.50 each at an issue price of RM1.10	14,472
Less: Estimated listing expenses	<u>(2,500)</u>
Pro forma I	<u>24,403</u>

- 5) Total proceeds from the Public Issue of RM26,532,000 are to be utilised as follows:-

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

* The proceed from the public issue will be used to replenish the internally generated funds which has been used to repay the purchase and expansion of the above expenditure.

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7. FINANCIAL INFORMATION (CONT'D)

7.13 Reporting Accountants' Letter On The Pro forma Consolidated Balance Sheets



KPMG (Firm No. AF 0758)
Chartered Accountants
Level 14, Menara Ansar
65, Jalan Trus
80000 Johor Bahru, Malaysia

Tel + (607) 224 2870
Fax + (607) 224 8055
E-mail : kpmgmjb@pojaring.mj

The Board of Directors
Yi-Lai Berhad
Lot 7020 Batu 23
Jalan Air Hitam
81000 Kulai
Johor, Malaysia

18 March 2002

Dear Sirs

Pro Forma Consolidated Balance Sheets At 31 December 2001

We have reviewed the presentation of the pro forma consolidated balance sheets of Yi-Lai Berhad ("Yi-Lai") and its subsidiaries ("Yi-Lai Group"), together with the notes and assumptions thereon for which the Directors are solely responsible, as set out in the Prospectus to be dated **27 MAR 2002** in connection with the Public Issue of 24,120,000 new ordinary shares of RM0.50 each at an issue price of RM1.10 per ordinary share and Offer For Sale of 1,000,000 ordinary shares of RM0.50 each at an offer price of RM1.10 per ordinary share and the listing of and quotation for the entire issued and paid-up share capital of Yi-Lai on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the pro forma consolidated balance sheets together with the notes thereon which are provided for illustrative purposes only, have been prepared on the accounting principles and bases consistent with those normally adopted by Yi-Lai Group.

Yours faithfully

KPMG
Firm No.: AF 0758
Chartered Accountants

Lee Soon Teck
Partner
Approval Number: 1587/06/02 (J)



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8. DIRECTORS' REPORT

Registered Office :

Suite 14A2, Level 14,
Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor

Date: **22 MAR 2002**

The Shareholders
YI-LAI BERHAD
Suite 14A2, Level 14, Menara Ansar
65 Jalan Trus
80000 Johor Bahru
Johor

Dear Sir / Madam,

On behalf of the Board of Yi-Lai, I report after due inquiry that during the period from 31 December 2001 being a date to which the last audited accounts of the Company and its subsidiary companies have been made up to the date hereof, being a date not earlier than fourteen (14) days before the issue of this Prospectus that:

- (a) the business of the Company and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or its subsidiaries;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Company or its subsidiaries; and
- (e) since the last audited accounts of the Company and its subsidiaries save as disclosed in the Accountants' Report as set out in Section 9 of this Prospectus, there has been no changes in published reserve nor any unusual factors affecting the profits of the Company and its subsidiary companies.

Yours faithfully
On behalf of the Board of Directors of
YI-LAI BERHAD



Lim Oon Kok
Managing Director