

2.0 DETAILS OF THE PUBLIC ISSUE AND OFFER FOR SALE

This Prospectus is dated 24 April 2002.

A copy of this Prospectus has been registered with the SC and lodged with the CCM and neither the SC nor the CCM takes any responsibility for its contents. The approval of the SC obtained vide SC's letters dated 2 July 2001 and 14 December 2001 shall not be taken to indicate that the SC recommends the Public Issue and Offer for Sale. Investors are advised to make their own independent assessment of YCB and should rely on their own evaluation to assess the merits and risks of any investment.

Application will be made to the KLSE within three (3) market days from the date of this Prospectus, for admission to the Official List of the Second Board of the KLSE and for dealing in and quotation for the entire issued and fully paid-up shares of YCB, including the Public Issue Shares and Offer Shares, which are the subject of this Prospectus. These shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after 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.

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 YCB shares as a CDS counter. In consequence thereof, the shares issued/offered through this Prospectus will be deposited directly with the MCD and any dealings in these YCB shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

Acceptance of the applications will be conditional upon permission being granted by the KLSE to deal in and quotation for the entire issued and fully paid-up share capital of YCB on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the applications will be returned without interest if the said permission for listing is not granted within 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. Admission to listing is not being sought on any other stock exchange.

Pursuant to the SC Guidelines, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 750 public shareholders holding not less than 1,000 shares each upon completion of the Public Issue and Offer for Sale, and at the point of listing. In the event that the above requirement is not met pursuant to the Public Issue and Offer for Sale, the Company may not be allowed to proceed with its listing on the Second Board of the KLSE.

In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form only if he/she should presently has such an account. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares and Offer Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and Offer for Sale and if given or made, such information or representation must not be relied upon as having been authorised by YCB and/or the Offerors. Neither the delivery of this Prospectus nor any Public Issue and Offer for Sale made in relation with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of YCB or the Group since the date hereof.

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The distribution of this Prospectus and the sale of the Public Issue Shares and Offer Shares are subject to Malaysian laws and the Company and its Advisers take no responsibility for the distribution of this Prospectus and the sale of the Public Issue Shares and Offer Shares outside Malaysia. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation to subscribe for the Public Issue Shares and Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful, or to any person to whom it is unlawful to make such offer or invitation. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

The SC and KLSE assume no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the Official List of the Second Board of the KLSE is not to be taken as an indication of the merits of YCB or of its shares.

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

2.1 Opening and Closing of Application Lists

The Application Lists for the Public Issue Shares and Offer Shares will open at 10.00 a.m. on 8 May 2002 and will remain open until 8.00 p.m. on the same day or such further period or periods as the Directors of YCB and/or the Offerors in their absolute discretion may decide.

2.2 Indicative Timetable

The timing of the events leading up to the listing of and quotation for YCB's issued and paid-up share capital on the Second Board of the KLSE is set out below:-

Events	Date Year 2002
Opening Date of the Public Issue/Offer for Sale	24 April
Closing Date of the Public Issue/Offer for Sale	8 May
Tentative Balloting Date	15 May
Tentative Allotment Date	31 May
Tentative Listing Date	6 June

Note:-

This timetable is tentative and is subject to change which may be necessary to facilitate implementation procedures. The Public Issue and Offer for Sale will close at the date as stated above or such later date as the Directors and/or Offerors of YCB together with the underwriters may decide.

2.3 Purposes of the Public Issue and Offer For Sale

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

- (a) To provide an opportunity for the Directors, eligible employees and persons who have contributed to the success of the YCB Group and the Malaysian investing public to participate in the equity and the continuing growth of the YCB Group;
- (b) To obtain listing of and quotation for the entire issued and paid-up share capital of YCB on the Second Board of the KLSE;
- (c) To enable the YCB Group to gain access to the capital markets to tap external sources of debt and equity funds for future expansion, diversification, modernisation and continued growth of the YCB Group;

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- (d) To enable YCB to enhance Bumiputera equity participation in YCB so as to comply with the aspirations of the National Development Policy; and
- (e) The listing of YCB shares on the Second Board of the KLSE is expected to enhance the YCB Group's corporate reputation and assist the Group in expanding its customer base.

2.4 Number and Type of Securities to be Issued and Offered

Share Capital	RM
<i>Authorised:-</i>	
50,000,000 shares of RM1.00 each	50,000,000
<i>Issued and fully paid-up:-</i>	
34,000,000 shares of RM1.00 each	34,000,000
<i>To be issued pursuant to the Public Issue:-</i>	
6,000,000 new shares of RM1.00 each	6,000,000
<i>Enlarged Issued and Fully Paid-up Share Capital</i>	<u>40,000,000</u>

The Public Issue/Offer for Sale price of RM1.80 per share is payable in full upon application.

There is only one class of shares in the Company, namely ordinary shares of RM1.00 each. The Public Issue Shares and Offer Shares rank *pari passu* in all respects with the existing issued and fully paid-up shares of the Company, including voting rights and the rights to all dividends and other distributions 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 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 among the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

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

2.5 Details of the Public Issue and Offer for Sale

The Public Issue and Offer for Sale shall be subject to the terms and conditions of this Prospectus and upon acceptance, shall be allocated in the following manner:-

- (a) **Bumiputera Investors Nominated by MITI**
- 4,000,000 Offer Shares have been reserved for Bumiputera investors nominated by MITI.
- (b) **Directors, Eligible Employees and Persons Who Have Contributed to the Success of the YCB Group**
- 1,980,000 Public Issue Shares and 20,000 Offer Shares have been reserved for the Directors, eligible employees and persons who have contributed to the success of the YCB Group.

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4,020,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Public Issue Shares under paragraph to 2.5(c) above have been fully underwritten. The Public Issue Shares and Offer Shares under paragraphs 2.5(a) and (b) will not be underwritten. Any Public Issue Share and Offer Share under paragraph 2.5(b) above not taken up by the Directors, eligible employees and persons who have contributed to the success of the YCB Group will be made available for application by the Malaysian investing public and will be underwritten by the Managing Underwriter.

2.6 Basis of Arriving at the Public Issue/Offer for Sale Price

The Public Issue/Offer for Sale price of RM1.80 per share was determined and agreed upon by the Company, Offerors and MIMB as the Adviser and Managing Underwriter based on various factors after taking into account, inter-alia, the following:-

- (a) the qualitative and quantitative aspects of the YCB Group as outlined in Section 4.0 of this Prospectus;
- (b) the forecast net PE Multiple of 8.06 times based on the enlarged share capital of 40,000,000 shares and the consolidated forecast net EPS of 22.32 sen.
- (c) the proforma consolidated NTA per share of YCB as at 31 October 2001 of RM1.19 per share; and
- (d) the forecast effective gross dividend yield of 6.17% based on the Public Issue/Offer for Sale price of RM1.80 per share.

However, applicants for the Public Issue Shares and Offer Shares should note that the market prices of YCB shares upon listing on the Second Board of the KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price of YCB shares being traded.

2.7 Utilisation of Proceeds

The total gross proceeds of RM23,793,543 from the Rights Issue and Public Issue of RM12,993,543 and RM10,800,000 respectively, based on the Rights Issue price of RM1.12 and the Public Issue price of RM1.80 per new share respectively, shall accrue to the Company and will be utilised in the following manner:-

Purposes	RM'000	Expected Completion of the Utilisation of Proceeds	Total Period After Listing
(a) Repayment of bank borrowings	8,000	December 2002	6 months
(b) Construction of a factory building	5,600	June 2003	12 months
(c) Purchase of plant and machinery	3,200	June 2003	12 months
(d) Investment in research & development	500	December 2002	6 months
(e) Working capital	5,144	December 2002	6 months
(f) Estimated listing expenses	1,350	December 2002	6 months
	<u>23,794</u>		

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- (a) *The bank borrowings are mainly Bankers' Acceptances, which are used for working capital. The repayment of the bank borrowings is expected to result in an estimated interest savings of RM416,000 per annum for the YCB Group based on an average interest rate of 5.20% per annum.*
- (b) *To finance the construction of a 5-storey factory building adjacent to the existing manufacturing plant of YJI at Plot 36, Bayan Lepas Industrial Estate, Phase 4, 11900 Penang.*

The capital expenditure is estimated as follows:-

	RM' 000
Building costs	3,900
Other installation and fitting cost	1,700
	<u>5,600</u>

The construction of a new factory building will enable the Group to have additional floor space to house the new plant and machinery in (c) below and to accommodate the Group's future expansion plan.

- (c) *To finance the purchase of plant and machinery and the upgrade of old plant and machinery which is expected to increase the production capacity of the YCB Group by approximately 50% or equivalent to an additional 300 kg per month or 3,600 kg per annum based on an 8-hour shift per day.*
- (d) *To upgrade and expand the Group's existing research and development facilities in order to enhance its product design capability and product quality.*
- (e) *The working capital will be used by the YCB Group to purchase raw materials, i.e. gold bullion and to finance the operations of the Group.*
- (f) *The expenses relating to the listing of and quotation for the entire issued and paid-up share capital of YCB on the Second Board of the KLSE, which include professional fees, underwriting commission, brokerage, stamp duty, advertising, authorities' fees and registration fees estimated at RM1,350,000 shall be borne by the Company. Any variation in the actual listing expenses from the estimated amount will be adjusted in the working capital.*

The proceeds from the Rights Issue were received on 27 March 2002 and as at 16 April 2002, RM3.0 million has been utilised for repayment of bank borrowings and working capital of the Group. The proceeds from Public Issue is expected to be utilised based on the timing mentioned above.

Based on the assumption that the YCB Group will obtain bank borrowings of RM17.30 million to finance the items set out in (a) to (d) above, the financial impact of the utilisation of RM17.30 million proceeds to repay the said RM17.30 million bank borrowings will result in an estimated interest savings of RM1.14 million per annum for the YCB Group based on an average interest rate of 7.80% per annum.

The Offer for Sale will raise gross proceeds of RM7,236,000 based on the Offer for Sale price of RM1.80 per share, which will accrue entirely to the Offerors. However, the Offerors shall bear all expenses relating to the Offer for Sale such as brokerage, stamp duty, registration fee and transfer fees.

2.8 Brokerage and Underwriting Commission

Brokerage is payable by the Company and the Offerors in respect of the Public Issue Shares and Offer Shares respectively at the rate of 1.0% of the Public Issue/Offer for Sale price of RM1.80 per share in respect of successful applications bearing the stamp of MIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIDFCCS.

There is no minimum subscription to be raised from the Public Issue and Offer for Sale. The Public Issue Shares and the Offer Shares, where applicable, are fully underwritten.

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The Managing Underwriter and the Underwriter have entered into an underwriting agreement on 11 March 2002 to underwrite the 4,020,000 Public Issue Shares, which are available for subscription by the Malaysian investing public. A management fee of RM10,000 is payable to the Managing Underwriter by the Company for managing the underwriting of the shares.

Underwriting commission is payable by the Company and Offerors at the rate of 2.75% of the Public Issue/Offer for Sale price of RM1.80 per share in respect of the Public Issue Shares which are required to be underwritten.

2.9 Salient Terms of the Underwriting Agreement

In accordance with the underwriting agreement dated 11 March 2002 (“the Underwriting Agreement”), upon any material breach of the warranties or representations, or any material failure to perform any of the agreements or undertakings or any change rendering any of the said warranties, representations or agreements inaccurate in a material respect prior to the closing date of the Public Issue and Offer for Sale, the Underwriter shall by way of prior written notice to the Managing Underwriter at any time before the Closing Date, be entitled to terminate their obligations under the Underwriting Agreement.

Some of the salient terms of the Underwriting Agreement are reproduced as follows:

Clause 3.02

- “(a) Notwithstanding anything herein contained, the Underwriters or any of them may at any time before the Listing Date by notice in writing to the Company and the Offerors terminate their respective obligations under this Agreement if in the reasonable opinion of the Underwriters:-
- (i) there is any material breach by the Company and/or by the Offerors of any of the representations, warranties or undertakings contained herein which, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Company;
 - (ii) the Company and/or by the Offerors withholds any information of a material nature from the Underwriters, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Group taken as a whole, the success of the Public Issue and Offer for Sale; or
 - (iii) there is withholding of information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as stipulated in the notice requesting for such information from the Company and/or the Offerors, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the financial condition, earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries or the Group taken as a whole, the success of the Public Issue and Offer for Sale; or
 - (iv) there shall have occurred, happened or come into effect any material and adverse change to the financial condition, earnings, affairs, business or prospects of the Company, any of its subsidiaries and the Group taken as a whole;

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- (v) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriters by reason of force majeure which would have or can reasonably be expected to have, a material adverse effect on the financial condition (including the earnings, affairs, business, operations or prospects) or otherwise of the Company, any of its subsidiaries or the Group taken as a whole or the success of the Public Issue and Offer for Sale, or its acceptance or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including:-
- (aa) war, acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy;
 - (bb) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organised armed resistance to the government, insurrection, revolt, military or usurped power, civil war, industrial;
 - (cc) flood, fire, storm, lightning tempest, accident or other Acts of God; or
 - (dd) epidemic, explosion, disease, earthquake, hijacking, sabotage or crime;
- (vi) any government requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial condition, earnings, affairs, business or prospects of the Company, any of its subsidiaries or the Group taken as a whole;
- (vii) the composite index of the KLSE falls below 600 points;
- (viii) any adverse change in national, regional or international monetary, financial or economic conditions or exchange control or currency exchange rates; or
- (ix) the Closing Date does not occur on or before 30th June 2002.
- (b) Upon such notice(s) of termination being given pursuant to the provisions herein, the Underwriters will be released and discharged of their obligations without prejudice to their rights; and
- (c) This Agreement will thereafter be of no further force or effect and no party will be under any liability to any others in respect of this Agreement, except that the Company will remain liable in respect of any of its obligations and liabilities under these presents, for the payment of the costs and expenses already incurred up to the date on which such notice was given and for the payment of any taxes, duties or levies."

Clause 2.03

"The Company and each of the Offerors further severally undertake with the Underwriters and each of them as follows:-

- (a) that the Prospectus shall be in form and substance satisfactory and acceptable to and approved by the Securities Commission and that the Prospectus contains all information with respect to the Company and its subsidiaries which is or may be material and that such information is true, complete and accurate in all respects and does not contain any untrue statement or omission of material fact required to be stated therein or necessary to make the statements therein not misleading and where any statements in the Prospectus relate to opinions, expectations or intentions, that the opinions, expectations and intentions stated therein are carefully considered based on relevant considerations and facts existing as at the date hereof and are fair, reasonably and honestly held by the directors of each of the companies of the Yikon Group;

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- (b) that they will give to the Underwriters any or all information which the Underwriters may reasonably need or require affecting the Public Issue and Offer for Sale and (in the case of the Company alone) the accounts or affairs of the Company;
- (c) that they will forthwith notify the Managing Underwriter which shall thereupon inform the other Underwriters of any facts or information or situations or circumstances that may adversely affect the success of the Public Issue and Offer for Sale and in particular and without prejudice to the generality of the foregoing, of any material change affecting any of the aforesaid representations, warranties or agreements at any time prior to the Listing Date and take such steps as may be reasonably requested by the Underwriters or any of them to remedy and/or publicise the same; and
- (d) disclose to the Underwriters any matter occurring prior to the Listing Date which may constitute a breach of or is inconsistent with any of the representations, warranties and undertaking contained in this Agreement immediately after becoming aware of the same.”

Clause 3.01

The obligations of the Underwriters under this Agreement shall further be conditional upon:-

- (a) the Kuala Lumpur Stock Exchange and the Securities Commission having approved the Prospectus and having agreed in principle on or prior to the Closing Date to the listing and quotation thereon of all the ordinary shares of the Company including the Underwritten Shares (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters) and the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) clear Business Days after the Company shall have delivered to the Central Depository a record of the successful applicants of the ordinary shares of the Company together with such particulars as may be required by the Central Depository for the purpose of making appropriate entries in the CDS accounts of the respective applicants, together with the appropriate share scripts (in such denominations as may be specified by the Central Depository) registered in the name of the Central Depository;
- (b) there not having been, on or prior to the Listing Date, in the opinion of the Underwriters any material adverse change or any development reasonably likely to involve a material adverse change in the condition (financial or otherwise) of the Company and its subsidiaries as defined by Section 5 of the Companies Act, 1965 from that set forth in the Prospectus including , in respect of earnings, affairs, business, operations or prospects of the Company, any of its subsidiaries nor the Group taken as a whole which is material in the context of the Public Issue and Offer for Sale nor the occurrence of any event rendering untrue or inaccurate to an extent which is material as aforesaid any representations or warranties contained in this Agreement as though they had been given or made on such date;
- (c) the delivery to the Securities Commission and to the Registrar of Companies, Malaysia for lodgement of the Prospectus in accordance with the requirements of the Securities Commission Act, 1993 together with copies of all documents required by that Section and or the said Act;
- (d) the registration with the Securities Commission of the Prospectus and accompanying documents on or before their issue, circulation or distribution;
- (e) the listing and quotation of all the ordinary shares of the Company having been approved by members of the Company at its extraordinary general meeting and by all relevant regulatory authorities;
- (f) all necessary consents and approvals including the approval in principle of the KLSE required for the admission to the official list of the KLSE and dealing in and quotation of the shares to be issued having been obtained on terms which are, in the Underwriter's reasonable opinion, satisfactory and the same remaining valid and continuing to be in full force and effect on the Listing Date and that all conditions imposed by the KLSE have been fully complied with;

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- (g) the delivery to the Managing Underwriter, on the Closing Date of a certificate by the directors of the Company in the form set out in the third schedule hereto stating that to the best of their knowledge and belief after having made all reasonable enquiries there has been no adverse change, development or event as referred to in paragraph (b) of this clause that as at such date the Company has not committed a breach of its covenants herein;
- (h) the issue of the Total Shares Issued and Offered having been approved by the Securities Commission, Malaysia, Foreign Investment Committee and the Ministry of International Trade and Industry Malaysia and/or any other relevant authority or authorities; and
- (i) the following shareholders of the Company subscribing for the renounceable rights issue of 11,601,378 new ordinary shares of Ringgit Malaysia One (RM1.00) each in the Company at an issue price of Ringgit Malaysia One and Sen Twelve (RM1.12) only per share in the amounts set out opposite each of their names in the following table:-

Offerors	No. of Rights Issue Shares Subscribed for at the Issue Price of RM1.12 Per Share in the Company
Profound Era Sdn Bhd	5,800,691
Chin Kok On	20,275
Chin Poh On	20,275
Wan Mohd. Ismail Bin Wan Hussain	5,144,055
Abdol Rahaman Bin Mahmud	308,041
Ramlah Bte. Jamaludin	308,041
Total	<u>11,601,378</u>

If any of the foregoing conditions are not satisfied by the Closing Date or any other applicable time frame prescribed by the Underwriters, any one of the Underwriters shall thereupon be entitled, subject as mentioned below, to terminate this Agreement by notice in writing to the Company and the Offerors and in that event (except for the liability of the Offerors and the Company for the payment of costs and expenses as provided in clause 4.03 hereof incurred prior to or in connection with such termination) the parties hereto shall be released and discharged from their respective obligations hereunder PROVIDED THAT:- the Underwriters may at their discretion jointly and unanimously waive compliance with any provisions of this clause.

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3.0 RISK FACTORS

Applicants should carefully consider the following risk factors (which may not be exhaustive), in addition to the other information contained in this Prospectus, before applying for the Public Issue Shares and Offer Shares.

3.1 No Prior Market for YCB Shares

Prior to this Public Issue and Offer for Sale, there has been no public market for YCB shares and there can be no assurance regarding the future development of the market for the YCB shares. The Public Issue/Offer for Sale price of RM1.80 per share for the Public Issue Shares and Offer Shares have been determined after taking into consideration a number of factors, including but not limited to, the Group's financial history and operating conditions, the future prospects of the Group and the prospects for the industry in which the YCB Group operates, the management of the Group and the prevailing market conditions.

There can be no assurance that the Public Issue/Offer for Sale price will correspond with the price at which YCB shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for YCB shares will develop or, if developed, that such market will be sustained.

3.2 Business Risk

The Group is involved in the gold jewellery manufacturing industry, which is subject to certain risks inherent in the industry. Risks applicable to the gold jewellery industry would include fluctuations in prices of raw material, fluctuations in foreign exchange rates/currency controls, dependence on skilled craftsmen and designers, non-existence of long term contracts with customers and suppliers, changes in the general economic and business conditions and changes in the legal and regulatory framework. Although YCB seeks to limit these risks, no assurance can be given that any change to these factors will not have a material adverse effect on the businesses of the YCB Group.

3.3 Domestic Borrowings

Bank borrowings finance some of the Group's working capital and capital expenditure. As such, the Group has interest commitment due to loans/borrowings granted by domestic financial institutions. Although the Group has not experienced any adverse effects from its loans and interest commitment, no assurance can be given that these commitments in future will not have any material impact on the Group's financial performance.

3.4 Seasonality

Sales of gold jewellery are generally higher during the festive seasons such as Hari Raya, Chinese New Year and Christmas. Occasions such as Valentine's Day, Mother's Day, weddings, engagements, anniversaries and births will also spur the demand in gold jewellery. Consequently, market demand for gold jewellery products always exists throughout the year and the Group does not have any seasonal sales cycle except for higher sales in certain months depending on the markets the Group caters for based on the customers' orders.

3.5 Fluctuation in the Price of Gold

Gold is a commodity traded internationally. The price of gold in the local market fluctuates according to demand and supply as well as the global market conditions and international gold prices.

For the financial year ended 31 October 2001, approximately 94.83% of the Group's total purchases were gold bullion. At present, the Group has the following arrangements with its suppliers/customers:-

- (i) the Group will confirm the purchase price of gold bullion with its customers prior to committing to its suppliers or simultaneously;
- (ii) the Group will collect in advance, the gold bullion from its customers or its customers' appointed gold bullion banks/traders/dealers, as agreed between the Group and the customers; and

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- (iii) the Group will deposit a certain amount of cash plus a margin with gold bullion banks/traders/dealers in order to borrow gold bullion for manufacturing. The gold borrowed are “unfixed” or in open position contract. The Group will fix the purchase price of gold bullion with its suppliers at the same time it fixes with its customers the gold price of its gold jewellery products.

With the abovementioned arrangements, the Group is not exposed to the risk of fluctuations in gold prices. However, in the event that the abovementioned arrangements no longer continue, any fluctuations in gold prices may have an adverse effect on the Group’s cost of raw materials.

3.6 Non-existence of Long Term Contracts with Customers and Suppliers

The Group has not entered into any long term supply contract with either its customers or suppliers. In the event that its customers cease to purchase gold jewellery from the Group or the suppliers cease to supply gold bullion to the Group, the Group may face difficulty in selling the gold jewellery or sourcing the gold bullion, thus the profitability and production of the Group may be adversely affected.

According to the Independent Expert Opinion Report by MIDF Sisma Securities Sdn Bhd dated 15 April 2002:-

“YJI does not have any long-term contracts with its customers. The company is believed to address this issue by emphasising on product quality, multiplicity of product designs, timely delivery and mass production to achieve economies of scale. Its aggressive marketing strategies and quick response to the changing fashion trends helps to establish strategic alliances with its buyers, i.e. wholesale distributors, retail chain operators and retailers.”

“YJI also does not have any long-term contracts with its suppliers of gold bullion. The company addresses this problem by employing the advance/collect and borrow method with its suppliers to source for gold bullion. This shields the group from gold price fluctuations as any differential is passed on to the clients.”

3.7 Fluctuation in Exchange Rate/Currency Controls

For the financial year ended 31 October 2001, all of the Group’s total sales are in USD. On the other hand, approximately 94.83% of the Group’s total purchases are denominated in USD as the Group’s main raw material, gold bullion is quoted in USD. Thus, the Group is in a net USD inflow position as the Group’s USD revenue is more than its USD purchases whilst other expenses such as contract charges are transacted in RM.

Before the introduction of the currency controls regulations by the Malaysian Government on 1 September 1998, the Group practised natural hedging by utilising its USD revenue to settle its purchases transacted in USD.

The risk of foreign exchange fluctuations has been limited since the imposition of currency control with a fixed exchange rate of RM3.80 to USD1.00 on 1 September 1998. However, no assurance can be given that the uplifting of the aforesaid currency control or a change in the aforesaid fixed exchange rate will not have adverse impact on the YCB Group’s business.

3.8 Dependency on Key Personnel

The Directors believe that the Group’s continued success would depend to a significant extent upon the abilities and commitment of its certain existing Executive Directors and competent senior management team. The loss of any of key personnel may affect the Group’s operations and performance.

The YCB Group’s continuous success in the future will also depend on its ability to attract and retain skilled personnel. Efforts are being made to recruit more management staff and to groom the younger members of the management to gradually succeed the senior members to ensure smooth transition in the management team should it occur as further elaborated in Section 4.5.9 of this Prospectus.

3.0 **RISK FACTORS**

3.9 **Dependence on Skilled Craftsmen and Designers**

Skilled craftsmen play an important role in ensuring the productivity and quality of the Group's manufacturing division while designers are responsible for conceptualising new jewellery designs for the manufacturing of the gold jewellery products. Any shortage of skilled craftsman and/or designer may affect the Group's continuing ability to compete in the industry.

Recognising the importance of its skilled craftsmen and designers to the business of the Group, efforts have been taken to retain its skilled craftsmen and designers, while at the same time, attract and groom younger craftsmen and designers to facilitate skill transfer so as to ensure continuity of the Group's productivity and quality of products manufactured.

3.10 **Risk Associated with Security**

The Directors believe that the Group has taken adequate precautionary steps and implementation of security measures such as the installation of closed circuit television, the engagement of external security guards to man the overall factory premise 24 hours and by the Group's personnel inside the factory's premise. Other security measures include different entrances used for operators and non-operators and a strict thorough electronic scanning and body search performed on employees who have access to the production area by external security guards engaged by the Group. The Group has also constructed a strong room for storage of raw materials and finished products comprising of gold bullion and gold jewellery products to ensure the security of the said inventories.

The Group will mitigate this risk by continuously placing emphasis on the said precautionary steps and security measures.

3.11 **Insurance Coverage**

At present, the Directors believe that the Group's raw materials and finished products comprising gold bullion and gold jewellery products are adequately insured against unforeseen circumstances such as loss, damage and theft in addition to the implementation of security measures as mentioned above.

For the delivery of the finished products, the Group will continually purchase a one-off insurance policy and marine insurance policy on the delivery of the finished products which exceeds the value insured in the standard insurance coverage, in order to mitigate the risk of loss, damage and theft.

Although the Group has taken the necessary measures to ensure that its raw materials, finished products and all its other assets are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the other assets of the YCB Group, including but not limited to, the raw materials and finished products or any consequential costs arising therefrom.

3.12 **Competition**

The Group faces competition from both local and foreign manufacturers. Nevertheless, the Group is taking every measure to maintain or increase its competitive edge. These include, inter-alia, intensifying its marketing activities, broadening its product range, implementing cost reduction and productivity enhancement programs, and expanding its research and development activities.

Although, the management strives to mitigate these risks, no assurance can be given that the Group will be able to maintain its existing market share in the local and export markets in the future.

3.0 RISK FACTORS**3.13 Competition from New Entrants**

As a fabricator of gold jewellery, the YCB Group faces competition from new entrants, both locally and abroad, for both its manufacturing and marketing operations.

According to the Independent Expert Opinion Report by MIDF Sisma Securities Sdn Bhd dated 15 April 2002, the YCB Group:-

".....YJI will seek to maintain its competitive position by emphasising on research and development to reduce production costs and come up with the latest designs.....new entrants will face difficulties in setting up an extensive distribution network to rival YJI. Furthermore, it will take a couple of years for them to establish the trust and goodwill with the wholesalers, distributors or retail chain operators. The possibility of new entrants to leapfrog the 50 years of experience, which the Chin family has accumulated in enhancing their technical know-how and marketing capabilities, is rather remote."

3.14 Threat of Substitute Products

Gold jewellery products face competition from costume jewellery and other precious metal jewellery products such as platinum. According to the Independent Expert Opinion Report by MIDF Sisma Securities Sdn Bhd dated 15 April 2002, *"It is obvious that costume jewellery cannot replace gold as a decorative item and as an asset, but it does not mean that the commodity has no competitor at all."*

Costume jewellery, which is also used as a decorative item will not be able to substitute or replace gold jewellery as they cater to a different market segment and susceptible to changes in consumer tastes and fashion trends. Furthermore, costume jewellery has limited useful life and does not have any investment value.

The Group will mitigate this risk by continuously placing emphasis on the product designs and quality production by responding promptly to market changes due to consumer tastes and fashion trends in order to provide customers with the wide selection of high quality and fashionable gold jewellery products.

3.15 Dependency on Particular Products, Markets or Geographical Locations

The main contribution to the Group's income arises from the sales of gold jewellery products via exports to overseas customers especially those from the Middle East countries. The Group has been able to secure sales from customers of various countries and will continue to do so as the Directors of the Group believe that a wider range of products and markets will help to reduce the risk of being dependent on a particular product, market or geographical location. The Group plans to develop a more diversified portfolio of customers and markets in the future. As such, there is no assurance that the gold jewellery products and sales to Middle East countries will continue to contribute as main income to the Group in the foreseeable future.

3.16 Changes in General Economic, Political, Legislative, Business and Credit Conditions

As with any other companies, any adverse development in the general economic, political, legislative, business and credit conditions in Malaysia and internationally including changes in interest rates, inflation, methods and rates of taxation, currency exchange rules and controls or introduction of new regulations could materially affect the operational and financial prospects of the Group, and therefore, the investment in the Public Issue Shares and Offer Shares respectively.

3.17 Control by Substantial Shareholders

Upon the completion of the Public Issue and Offer for Sale, the Chin family through PESB, Mr Chin Kok On and Mr Chin Poh On will hold a total of 54.95 % of the enlarged issued and paid-up share capital of YCB. As a result, it is likely that the said substantial shareholders will be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

3.0 RISK FACTORS

3.18 Government Control or Regulations

The growth of the gold jewellery manufacturing industry, such as the one that the Group is involved in, moves in tandem with the growth of the gold jewellery wholesales or retail sector. Therefore, any Government's control or regulations imposed on either the manufacturing industry or the wholesales/retail sector could materially and adversely affect the future growth and level of profitability of the Group.

3.19 Profit Forecast

This Prospectus contains the profit forecast of the YCB Group for the financial year ending 31 October 2002, which is based on assumptions that the Directors of YCB deemed to be reasonable at the time of issuance of this Prospectus, but are, nonetheless subject to uncertainties and contingencies. Because of the subjective judgement and inherent uncertainties of the forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecast contained herein will be realised and actual results may be materially different from the forecast. Investors will be deemed to have read and understood the assumptions and the descriptions of uncertainties underlying the forecast that are contained in this Prospectus.

3.20 Forward Looking Statements

This Prospectus contains forward looking statements, which are statements of opinion rather than fact. Although the Directors of YCB believe that the expectation reflected in such future statements are reasonable at this time, there can be no assurance that such expectations may or may not have an adverse effect on the Group's financial and business performance.

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