



Leading Through Technology And Quality

Annual Report

2005



**YLI HOLDINGS BERHAD**

Co. No. 367249-A

# YLI HOLDINGS BERHAD

Co. No. 367249-A

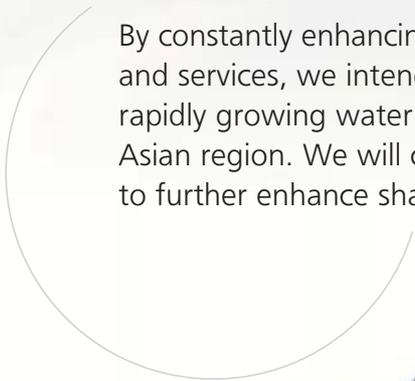
71-A Jalan Jelutong, 11600 Penang, Malaysia.

Tel : 04 282 1942 Fax : 04 282 0821



## Our Vision

To be a pre-eminent company in providing products and services to the water industry, thus contributing effectively towards nation building.



## Our Mission

By constantly enhancing our capabilities in manufacturing and services, we intend to be the leading player in the rapidly growing water and sewerage sectors within the Asian region. We will continue to look for opportunities to further enhance shareholders' value.



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# Corporate Information

## Board Of Directors

Dato' Loh Toa Thau @ Loh Eng Kim • *Executive Chairman*  
Loh Yok Yeong • *Group Managing Director*  
Lee Then Wah • *Group Executive Director*

## Independent Non-Executive Directors

Dato' Ir. Syed Muhammad Shahabudin  
Ng Chong Wee  
Tan Hock Hin

## Non-Independent Non-Executive Director

Foong Kai Choong

## Board Committees

### Audit Committee

Dato' Ir. Syed Muhammad Shahabudin • *Chairman*  
Ng Chong Wee  
Tan Hock Hin  
Loh Yok Yeong

### Remuneration Committee

Foong Kai Choong • *Chairman*  
Dato' Ir. Syed Muhammad Shahabudin  
Loh Yok Yeong

### Nomination Committee

Dato' Ir. Syed Muhammad Shahabudin • *Chairman*  
Foong Kai Choong  
Ng Chong Wee

### Options Committee

Dato' Loh Toa Thau @ Loh Eng Kim • *Chairman*  
Lee Then Wah  
Foong Kai Choong

## Registered Office

71-A Jalan Jelutong  
11600 Penang, Malaysia  
Tel • 04 282 1942  
Fax • 04 282 0821

## Company Secretary

Molly Gunn Chit Geok  
MAICSA 0673097

## Auditors

PricewaterhouseCoopers  
Chartered Accountants  
4th Floor Wisma Penang Garden  
Jalan Sultan Ahmad Shah  
P. O. Box 856  
10810 Pulau Pinang, Malaysia

## Share Registrar

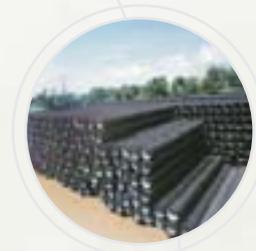
Plantation Agencies Sdn Berhad  
Standard Chartered Bank Chambers  
Lebuh Pantai  
10300 Penang  
Tel • 04 262 5333  
Fax • 04 262 2018

## Principal Bankers

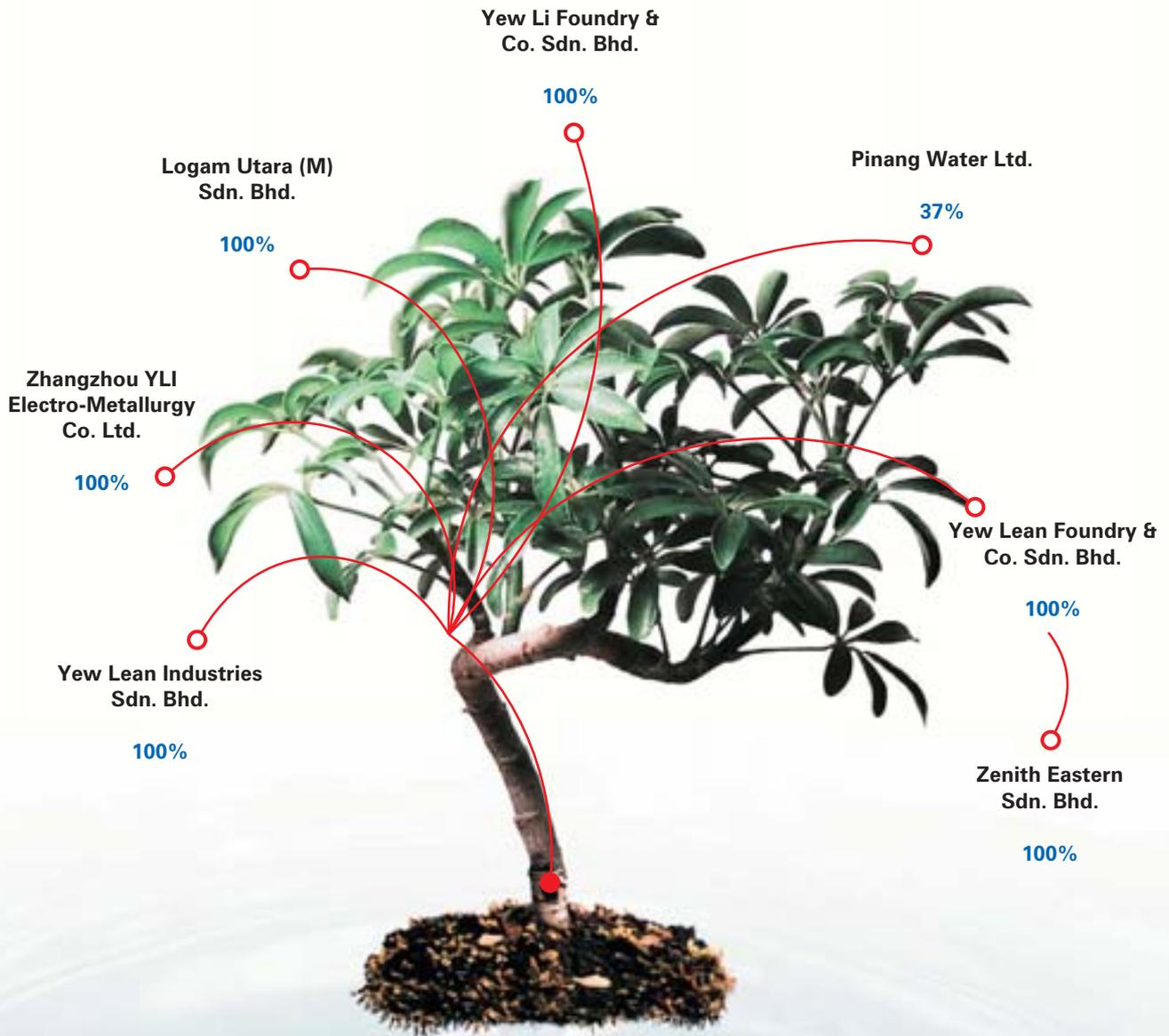
Citibank Berhad  
EON Bank Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia) Berhad

## Stock Exchange Listing

The Main Board of Bursa Malaysia Securities Berhad  
Sector • Industrial Products  
Stock Name • YLI  
Stock Code • 7014



# Corporate Structure



**YLI HOLDINGS BERHAD**

Co. No. 367249-A

# Chairman's Statement

On behalf of the Board of Directors of YLI Holdings Berhad (YLI), I wish to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 March 2005.



## Financial Performance

For the financial year ended 2005, the Group like others in the sector was affected by ongoing developments surrounding the water industry and record high steel scrap prices. Consequently, the Group's pipe business registered lower sales but strength in its raw materials division enabled it to mitigate the negative effects on its performance. Group turnover was down marginally by RM3.5 million to RM98.8 million as compared to RM102.3 million in the preceding year. In spite of the challenging operating environment, the Group remains profitable, achieving after-tax profit of RM14.8 million. Earnings per share for the financial year ending 31 March 2005 stood at 15.1 sen. Notwithstanding the weaker operating performance, the Group prudently maintained a healthy balance sheet. The Group's net cash position at the end of the financial year increased to RM42.9 million. Meanwhile, shareholders' funds expanded to RM171.7 million as at 31 March 2005.



## Dividend

The Board is recommending a first and final dividend of 7% per share less tax of 28% for the financial year ended 31 March 2005. The Company will continue its policy of retaining a significant portion of earnings to explore investment opportunities for growth in strategic and synergistic businesses to enhance shareholders' value. Ultimately, the Group recognizes the importance of rewarding its shareholders through both dividend and capital returns.

## Operations Highlights

The year had been eventful with unprecedented developments in the industry and volatility in raw material prices. Nevertheless, the Group has the resilience to overcome this challenging period because it continued to maintain a sound and healthy financial position with sufficient internal funds and negligible borrowings.

The Group had also stepped up its marketing efforts to promote its Class 40 Ductile Iron (DI) pipes to commercial and private sectors. In the export market, the Group will continue to promote its products aggressively to increase market penetration. Export sales are expected to be encouraging as the Group's products became more cost competitive with its expanded production capacity and efficiency.

The Group's wholly-owned subsidiary in China, Zhangzhou YLI Electro-Metallurgy Co. Ltd. which concentrates on the production of Petroleum Coke (Carburizer) has begun to generate meaningful returns on investment. This division continued to perform well with improvements in turnover and profitability as it continued to benefit from strong demand for the material from European and Far Eastern markets.

Given the Group's successful move into the manufacturing of Petroleum Coke, the Group intends to increase its investment to expand its capacity and product mix. This investment to a large extent reflected the Group's successful effort to diversify its income base.

## Chairman's Statement (continued)

The Group's associated company, Pinang Water Ltd. is not expected to be a significant earnings contributor in the immediate term due to the long term nature of the venture. It is however the Group's maiden investment into the water supply business with two of its key business partners, PBA Holdings Berhad and Ranhill KWI Sdn Bhd (formerly known as KWI Far East Sdn Bhd). It also represents one of the strategic steps for further diversification of the Group's revenue streams in the long run.

### Corporate Governance



The Board of Directors recognized the importance of adopting good corporate governance and has reviewed and considered the principles and best practices of the Code on Corporate Governance. The Board will also ensure the requirements of Bursa Malaysia's listing requirements are applied and adhered to by the Group.



### Our industry

In Malaysia, an average of 39% of the nation's treated water is lost every year due to problems with non-revenue water (NRW) caused by a number of factors such as water leakages, illegal connections and old meters. Water leakages are primarily attributable to aging asbestos cement pipes which constitute approximately 52.3% of the total pipeline in Malaysia. The government sees the rehabilitation of the aging sections of the network central to achieving reduction of NRW from its current level to 20% by 2015. \*

The Federal Government will spend at least RM10 billion to replace old and faulty water and sewage pipes nationwide.\* This bodes well for the Group which has supplied over 4,500km of pipes to waterworks throughout the country.

\*Source: Water Malaysia

### Looking ahead



Against the backdrop of an industry surrounded by uncertainties and a challenging operating environment, it is expected to be a challenging year for the Group. However, the outlook for the pipe industry remains positive over the long term. It is believed that steel scrap prices may soften in subsequent quarters which in turn, will sharpen the Group's competitive edge locally as well as in regional markets where the Group is establishing a stronger presence.

Going forward, the Group aims to further improve on its efficiency to strengthen its position as Malaysia's leading producer of Ductile Iron pipes. The Group's prudent approach of improvising cost-control measures augurs well during this challenging period. The Group is also ready to capitalize on new investment opportunities in businesses which are synergistic to its current operations to enhance shareholders' value.



### Appreciation

On behalf of the Board of Directors, I would like to thank all our employees for their continuous hard work, dedication and tireless efforts during the past challenging year. Similarly, I would like to express my appreciation to my fellow directors, the management team, valued clients, business and financial partners for their invaluable support and contribution. To the shareholders, I would like to thank them for their continuous support and confidence in the Group.

I would also like to express our sincere appreciation to Y.B. Dato' Haji Yahaya bin Ahmad who resigned on 1 December 2004 for his past contributions.



**DATO' LOH TOA THAU @ LOH ENG KIM**  
*Executive Chairman*

## Financial Track Record

	Financial Year Ended 31 March				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Turnover	98,777	102,271	113,755	92,125	76,600
Profit Before Taxation	19,494	27,660	36,168	27,357	19,786
Profit After Taxation Attributable to Shareholders	14,811	21,153	26,903	19,574	16,383
Shareholders' Funds	171,684	160,324	133,846**	110,954*	90,522
Total Assets Employed	187,855	173,537	150,205	129,604	105,963
Profit After Taxation as a Percentage of Shareholders' Funds	8.6	13.2	20.1	17.6	18.1
Basic Earnings Per Share (sen)	15.06	21.90	28.47***	31.90	26.77
Diluted Earnings Per Share (sen)	N/A	21.84	28.28***	31.53	26.40
Net Tangible Assets Per Share (RM)	1.74	1.64	2.13	1.80	1.48
No. of Shares in Issue	98,560	97,957	62,742	61,786	61,250

\* Figure has been adjusted in compliance with MASB 19 "Events After The Balance Sheet Date"

\*\* Figure has been adjusted in compliance with MASB 25 "Income Taxes"

\*\*\* Figure has been adjusted for the impact of Bonus Issue of 1-for-2

## Our Performance

		2005 RM'000	2004 RM'000	% Change	
INCOME STATEMENT	Turnover	98,777	102,271	-3.42	
	Profit Before Taxation	19,494	27,660	-29.52	
	Profit After Taxation	14,811	21,153	-29.98	
BALANCE SHEET	Shareholders' Funds	171,684	160,324	7.09	
	Total Assets Employed	187,855	173,537	8.25	
RATIOS	Current Ratio	times	13.31	15.59	-14.62
	Interest Coverage	times	780.76	207.42	276.42
	Return On Equity	%	8.92	14.38	-37.97
	Return On Total Assets	%	8.20	13.07	-37.26
	Financial Leverage Ratio	times	0.00	0.01	0
	Basic Earnings Per Share	sen	15.06	21.90	-31.23
	Net Tangible Assets Per Share	RM	1.74	1.64	6.10
31st March Closing Price	RM	4.20	4.34	-3.23	

## Highlights of the Year

# WATERMALAYSIA 2005

April 2005

YLI HOLDINGS BERHAD



December 2004

SMI-AIA Achievers' Award

## Financial Calendar

### FINANCIAL YEAR END

- 31 March 2005

### ANNUAL GENERAL MEETING

- 25 August 2005

### ANNOUNCEMENT OF RESULTS

- First Quarter • 19 August 2004
- Second Quarter • 25 November 2004
- Third Quarter • 24 February 2005
- Fourth Quarter • 26 May 2005

### ANNUAL REPORT

- Date of issuance • 2 August 2005

### DIVIDEND

#### First & Final

- Recommendation • 26 May 2005
- Payment date • 18 November 2005  
*(if approved)*

## Profile of Directors

### **Dato' Loh Toa Thau @ Loh Eng Kim**

Malaysian aged 68, Executive Chairman, Non-Independent Executive Director

was appointed to the Board on 21 May 1997. He is the Chairman of the Options Committee. He is one of the founders of the Group when the Group first began its operations in the 1960s following the setting up of Yew Lean Foundry & Co ("Yew Lean"). He has vast experience and skills in various aspects of the iron trade and industry. He is credited for charting the growth of the Group, since the inception of Yew Lean which has grown from a small concern to become the leading Ductile Iron pipe manufacturer in Malaysia. He also sits on the Board of several private limited companies including subsidiaries of the YLI Group. He is the father of Mr Loh Yok Yeong and does not have any conflict of interest with YLI Holdings Berhad. He has attended all Board meetings held in the financial year.



### **Mr Loh Yok Yeong**

Malaysian aged 41, Group Managing Director, Non-Independent Executive Director

was appointed as The Group Managing Director on 21 May 1997. He is a member of the Audit Committee and Remuneration Committee of YLI Holdings Berhad. Since 1986, he has held key positions in Sales, Production and Business Development within the Group. He graduated with a Bachelor of Science degree with a double major in Production and Operations Management and Marketing from the Ohio State University, United States. He has accumulated almost 20 years of experience in the pipes and water industry.

As the Group Managing Director, he is mainly responsible for the Group's strategic direction as well as its business and corporate development. He also sits on the Board of various companies including subsidiaries of the YLI Group. He is the son of Dato' Loh Eng Kim and does not have any conflict of interest with the Company. He has attended all Board meetings held in the financial year.

### **Mr Lee Then Wah**

Malaysian aged 65, Non-Independent Executive Director

was appointed as Group Executive Director on 16 October 1997. He is a member of the Options Committee. He graduated with a Bachelor of Science degree in Chemical Engineering from the National Cheng Kung University, Taiwan in 1965. He started his career in the iron and steel industry in 1966 when he joined Malayawata Steel Bhd as Production Engineer.

He has been with the Group for over 20 years. He was the factory manager of Yew Lean, a position he has held since July 1984 prior to his appointment to the Board. In his present capacity, he oversees the Group's manufacturing plants and factory operations.

He is not related to any director and/or major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all Board meetings in the financial year.



## Profile of Directors (continued)

### **Dato' Ir. Syed Muhammad Shahabudin**

Malaysian aged 69, Independent Non-Executive Director



was appointed to the Board on 10 December 1998. He is the Chairman of the Audit and Nomination Committees as well as member of Remuneration Committee.

Dato' Ir. Syed Muhammad Shahabudin has been in the water engineering field for more than 40 years and is a Chartered Engineer and Environmental Manager, United Kingdom. After graduating as a civil engineer from Plymouth College of Technology, UK in 1963, he joined the Public Works Department, Malaysia. The first 12 years of his career was devoted to public service serving the Public Works Department, Malaysia; nearly all the time in water supply serving Selangor and Pulau Pinang. His last appointment was as Chief Executive Engineer, Penang Water Authority. The latter part of his career was spent in the private sector; in the consulting engineering industry specialising mainly in water engineering.

In January 1975, he became a partner in the consulting engineering firm of Binnie dan Rakan Malaysia, a member of the international group practice of Binnie and Partners, United Kingdom. The firm was restructured in 1980 as Syed Muhammad, Hooi dan Binnie Sdn Bhd and Dato' Ir Syed Muhammad Shahabudin became the Chairman and Managing Director.

When the firm was completely taken over in 1995, a local company SMHB Sdn Bhd was formed. He assumed the duty as Executive Chairman.

As a Consulting Engineer, he has been involved in several project feasibility studies in water and water related schemes. These include the National Water Resources Studies incorporating water resources policy, management and master plan for development, water supply and distribution studies, sewerage, drainage and irrigation studies.

Currently, he is the President of the Malaysian Water Association (MWA) an NGO formed under the Malaysia-Inc Concept in 1988 and a Country Board Member of the International Water Association, London. He is a member of the board of Selangor Water Management Board or Lembaga Urus Air Selangor (LUAS) which is responsible for water resources in the state.

He is not related to any director and/or major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all Board Meetings held in the financial year.

### **Mr Foong Kai Choong**

Malaysian aged 43, Non-Independent Non-Executive Director

was appointed to the Board on 16 October 1997. He is the Chairman of Remuneration Committee as well as a member of the Options and Nomination Committees. He holds a Bachelor of Law (Honours) degree from Universiti Malaya and was called to the Malaysian Bar in 1987. He is a partner in the legal firm known as M/s Ban Eng, Annual & Foong. He also sits on the Board of Mount Miriam Hospital. He is also a Councillor of Majlis Perbandaran Pulau Pinang.

He is not related to any director and/or major shareholder of YLI and does not have any conflict of interest with the Company. He has attended all Board Meetings held during the financial year.



## Profile of Directors (continued)

### Mr Tan Hock Hin

Malaysian aged 58, Independent Non-Executive Director

was appointed to the Board on 1 April 2004. He is the Senior Independent Non-Executive Director and a member of the Audit Committee.

He qualified as a Chartered Certified Accountant, United Kingdom in 1971. He worked for Coopers & Lybrand and was made a Director in 1978. He was admitted as a Partner of Coopers & Lybrand in 1982 and retired as a Senior Partner of PricewaterhouseCoopers in 2002.

He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom, a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants.

He is not related to any director and/or major shareholder of YLI and does not have any conflict of interest with the Company. He has attended all Board meetings held during the financial year.



### Mr Ng Chong Wee

Malaysian aged 36, Independent Non-Executive Director

was appointed to the Board on 30 May 2001. He is a member of the Audit Committee and Nomination Committee. He is also a member of CPA Australia and Malaysian Institute of Accountants (MIA). He holds a Bachelor of Commerce degree from University of New South Wales, Australia majoring in Accounting with disciplinary minor in Legal Studies and Taxation. He started his career in Audit in BDO Binder and subsequently, Coopers & Lybrand (now known as PricewaterhouseCoopers). Thereafter, he served as Group Accountant in Sriwani Holdings Berhad. Since April 2000, he is the Financial Controller of Malayan Electro-Chemical Industry Co Sdn Bhd, a company involved in the manufacturing of petrol chemical products. He also sits on the board of several private companies.

He is not related to any director and/or major shareholder of YLI and does not have any conflict of interest with the Company. He has attended all Board meetings held during the financial year.



# Corporate Governance Statement

The Malaysian Code on Corporate Governance ("the Code") sets out principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of YLI Holdings Berhad ("the Board") has always recognised the importance of adopting good corporate governance. The Board is committed to ensure that the highest standards of corporate governance are practised throughout the Group. The Board views this as a fundamental part of its responsibilities to protect and enhance shareholders' value and the performance of the Company.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent of compliance with the best practices of good governance as set out in Part 1 and Part 2 respectively of the Code pursuant to paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad (BMSB) throughout the year save where otherwise identified.

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices throughout the financial year ended 31 March 2005.

## THE BOARD OF DIRECTORS

### The Board

The Board which is responsible for the control and proper management of the Company comprises members with a wide range of experience in fields such as accounting, marketing, engineering, legal and corporate planning. The Board has delegated specific responsibilities to four main committees namely the Audit, Remuneration, Nomination and Options Committees, which operate within approved terms of reference. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

#### (i) Board Composition

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business and industry. The current Board consists of three Executive Directors and four Non-Executive Directors, of whom three are independent. The composition of the Board also reflects the investment of the minority shareholders of the Company as only two out of the total of seven members represent the interests of Fuji Fusion Sdn Bhd, the largest shareholder of the Company.

There is a clear division of responsibility between the Executive Chairman and the Group Managing Director. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors. The Non-Executive members provide unbiased and independent views to safeguard the interests of shareholders.

The Board considers that the current size of the Board adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

#### (ii) Board meetings

The Board meets on a scheduled basis at least four times a year, with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, dividend recommendations, major acquisitions and disposals, major capital expenditures, risk management policies and appointment of Directors are discussed and decided by the Board.

## Corporate Governance Statement *(continued)*

### THE BOARD OF DIRECTORS *(continued)*

#### (ii) Board meetings *(continued)*

During the financial year ended 31 March 2005, four (4) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		May 04	Aug 04	Nov 04	Feb 05	Total	%
Directors	Position	Attendance					
1	Dato' Loh Toa Thau @ Loh Eng Kim	Executive Chairman	•	•	•	•	4/4 100
2	Loh Yok Yeong	Group Managing Director	•	•	•	•	4/4 100
3	Lee Then Wah	Group Executive Director	•	•	•	•	4/4 100
4	Dato' Ir Syed Muhammad Shahabudin	Director	•	•	•	•	4/4 100
5	Dato' Haji Yahaya bin Ahmad <i>(resigned w.e.f 1/12/2004)</i>	Director	•	X	X	N/A	1/3 33
6	Foong Kai Choong	Director	•	•	•	•	4/4 100
7	Ng Chong Wee	Director	•	•	•	•	4/4 100
8	Tan Hock Hin <i>(appointed w.e.f. 1/4/2004)</i>	Director	•	•	•	•	4/4 100
Total number of meetings held :						4	

#### (iii) Supply of Information

All Directors are provided with an agenda and a set of Board papers issued in sufficient time prior to Board meetings to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of annual and quarterly results, acquisitions and disposals of assets that are material to the Group, major investments, dividend recommendations, risk management policies, including key policies, procedures and authority limits.

In exercising their duties, the Directors have access to all information within the Company. All Directors have access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in furtherance of their duties.

At Board meetings, the Management updates the Board on the business and market factors relevant to the Group.

#### (iv) Appointments to the Board

The Nomination Committee was set up on 24 May 2001 comprising three Non-Executive Directors, two of whom are independent. The current members are Dato' Ir. Syed Muhammad Shahabudin (Independent Non-Executive Director) who is the Chairman, Mr Ng Chong Wee (Independent Non-Executive Director) and Mr Foong Kai Choong (Non-Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

- (1) Recommends to the Board candidates for Directorships
- (2) Consider candidates proposed by the Managing Director or any director
- (3) Recommends to the Board Directors to fill the seats on Board committees
- (4) Review the Board structure, size and composition

As an integral element of the process of appointing new Directors, the Nomination Committee will ensure that there is an orientation and education programme for new Directors with respect to the business and management of the Group.

# Corporate Governance Statement (continued)

## THE BOARD OF DIRECTORS (continued)

### (iv) Appointments to the Board (continued)

On 26 May 2005, the Nomination Committee held a meeting to review the effectiveness and composition of the Board and Board Committees and to propose the re-election of retiring Directors.

### (v) Re-election of Directors

In accordance with the Company's Articles of Association, all Directors except for the Group Managing Director who is on contract with the Company, shall retire from office once at least in each three years but shall be eligible for re-election.

The names of Directors who are standing for re-election at the Tenth Annual General Meeting of the Company to be held on 25 August 2005 are contained in the Statement Accompanying Notice of Annual General Meeting.

### (vi) Directors' Training

All the Directors have attended the Directors' Mandatory Accreditation Programme and will continue to undergo other relevant training programmes to further enhance their skills and knowledge and to keep abreast with the latest statutory and/or regulatory requirements in compliance with Practice Note No. 15/2003 of the Listing Requirements on the Continuing Education Programme. The Board shall determine the training needs of the Directors to enhance their knowledge where relevant, in the discharge of their duties. The Company Secretary ensures that every new Director is provided with essential information pertaining to his responsibility under the rules and regulations and all Directors are kept informed of any changes in relevant laws and regulations.

## DIRECTORS' REMUNERATION

### (i) Remuneration Committee

The Remuneration Committee was formed on 24 May 2001. It comprises mainly Non-Executive Directors. The current members are Mr Foong Kai Choong (Chairman) who is a Non-Independent Non-Executive Director, Dato' Ir. Syed Muhammad Shahabudin, (Independent Non-Executive Director) and Mr Loh Yok Yeong (Group Managing Director).

During the financial year ended 31 March 2005, one meeting was held on 25 November 2004.

### (ii) Remuneration Policy

The Remuneration Committee recommends to the Board for approval the remuneration package of Executive Directors. The remuneration system takes into account individual performance, comparison of the Company's actual performance relative to other companies in the same sector and additional responsibilities of the Directors. The fees of the Directors are subject to shareholders' approval at the Annual General Meeting.

## Corporate Governance Statement *(continued)*

### DIRECTORS' REMUNERATION *(continued)*

#### (iii) Details of the Directors' remuneration

The aggregate remuneration of the Directors during the financial year ended 31 March 2005 is set out below:-

##### A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fees	92,000	73,000
Salaries	852,600	-
Bonus	265,165	-
Benefits in kind	47,630	-
Other benefits	242,124	-
	<u>1,499,519</u>	<u>73,000</u>

##### B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
0 - 50,000	-	5	5
150,000 - 200,000	1	-	1
600,000 - 650,000	1	-	1
651,000 - 700,000	1	-	1

The Board feels that it is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

### RELATIONS WITH SHAREHOLDERS

The Company keeps shareholders informed by announcements and timely release of quarterly financial results through the Bursa Malaysia Link, press releases, annual report and circulars to shareholders. The Company also responds to ad-hoc requests from institutional investors and analysts for a better understanding on the Group's strategy and financial performance.

Any queries and concerns regarding the Group may be conveyed to the following person:-

Mr Tan Hock Hin, Senior Independent Non-Executive Director

Telephone number : 04-2821942

Facsimile number : 04-2820821

Email address : corporate@yli.com.my

Shareholders and members of the public are invited to access the Group's website at [www.yli.com.my](http://www.yli.com.my) to obtain the latest information on the Group.

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. The notice of the AGM and the Annual Reports are sent to shareholders at least 21 days before the date of the meeting. The notice of the AGM is also published in a national newspaper and released to the BMSB for public dissemination. Members of the Board are present at the AGM to answer questions raised at the meeting. Auditors of the Company will also be present.

# Corporate Governance Statement (continued)

## ACCOUNTABILITY AND AUDIT

### (i) Financial Reporting

The Directors have a responsibility to present a true and fair assessment of the Groups' financial position and prospects primarily through the annual report to shareholders and quarterly financial statements to the BMSB.

The Audit Committee assists the Board in reviewing the information disclosed to ensure accuracy, adequacy and completeness of all annual and quarterly reports, audited or unaudited, and approved by the Board of Directors before releasing to the BMSB.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 18 of this Annual Report.

### (ii) STATEMENT ON INTERNAL CONTROL

#### INTRODUCTION

The Malaysian Code on Corporate Governance ("Code") requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad requires directors of listed companies to include a statement in their annual reports on the state of internal control of these companies. The Board's Internal Control Statement for the Group which has been prepared in accordance with the Code is set out below.

#### BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness in terms of adequacy and integrity. The objective of the system of internal control is to enhance the value of shareholders' investments and safeguard all assets.

There are always limitations inherent in any system of internal control and this system is designed to manage rather than eliminate the risk of failure in all areas of the Group's operation, from judgement in decision making to control processes. Accordingly, the Group's system of internal control can provide only reasonable and not absolute assurance against material misstatement, operational failures or loss.

#### KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

##### Risk Management Framework

There is in place a formal and on-going process to identify, evaluate and manage significant risks faced by the Group. This process entails the establishment of an appropriate risk management framework to embed risk management precepts in the processes and activities of the Group. This includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and ensuring the principal risks are adequately addressed and mitigated. Possible new risks emerging from respective operational activities have also been addressed. The risk profile and control measures are raised to senior management and the Audit Committee which assists the Board in reviewing the controls in place to manage risks. Strategies to manage risks are then communicated to operating levels. The internal audit findings and recommendations are reviewed quarterly by the Audit Committee and its recommendation and minutes of Audit Committee meetings are circulated to the Board.

As part of the risk management framework, an internal control working committee with the Group Managing Director as advisor assists the Audit Committee on the implementation of the system.

## Corporate Governance Statement (continued)

### **(ii) STATEMENT ON INTERNAL CONTROL (continued)**

#### **KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT (continued)**

##### **Internal Audit Function**

The Group has in place a group internal audit function which assists the Audit Committee with assessment on the adequacy and integrity of the systems of internal control. Internal Audit reports directly to the Audit Committee and conducts reviews on the internal control of the Company and the effectiveness of the processes that have been put in place to identify, manage and report risks. Routine reviews are conducted on the Group's core activities in accordance with the annual audit plan approved by the Audit Committee. The audit plan covered key operating companies within the Group but did not include its jointly controlled entity, Pinang Water Ltd. Control measures are in place to resolve any weaknesses (if any) identified in the internal audit reports. Internal Audit also monitors compliance with procedures issued by the Company and highlights any significant findings in respect of non-compliance for action accordingly, if any.

Other components of internal control include organisational structure with formally defined responsibility lines and delegation of authority and operational procedures which are continuously reviewed and updated.

##### **Effects of the Internal Control Systems**

There were no material losses which occurred during the year that resulted from weaknesses in the internal control systems. Management continues to review and take measures to strengthen the internal control environment.

This statement has been seen and approved by the Board of Directors at the meeting held on 26 May 2005.

The external auditors have reviewed this Statement of Internal Control and are satisfied that the statement appropriately reflects the process the Board has adopted in reviewing the adequacy and integrity of the internal control system of the Group.

### **(iii) Relationship with the External Auditors**

The Board has established a close and transparent relationship with the external auditors of the Company. As disclosed on pages 19 to 22 the Audit Committee is the independent channel of communication for the external and internal auditors. It also reviews the activities of the internal audit function as well as the effectiveness of the system of internal control.

#### **Additional Compliance Information**

##### **Non-audit fees**

The amount of non-audit fees paid to external auditors for the financial year was RM17,803.

##### **Exercise of Options**

During the financial year, a total of 603,000 options were exercised in respect of the YLI Group Employees' Share Option Scheme (ESOS). The ESOS had expired on 29 November 2004.

## Corporate Governance Statement (continued)

### **Additional Compliance Information (continued)**

#### **During the financial year:**

- a) No proceeds were raised by the Company from any corporate proposal.
- b) There were no share buybacks by the Company during the financial year.
- c) None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.
- d) The Company did not sponsor any American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") programmes.
- e) There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.
- f) The Company did not release any profit estimate, forecast or projection for the financial year. There is no variance between the results for the financial year and the unaudited results previously released by the Company.
- g) There is no profit guarantee given by the Company.
- h) There were no material contracts of the Company and its subsidiaries involving Directors' and major shareholders' interests.
- i) There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item.

### **Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")**

During the financial year, the Company did not enter into any RRPT.

### **Directors' Responsibilities Statement in respect of Annual Audited Accounts**

Under the Companies Act, 1965, the Directors are required to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the Group and the Company. In preparing the financial statements, the Directors have:-

- adopted and used accounting policies consistently in dealing with items which are considered material in relation thereto;
- made accounting estimates where applicable that are prudent, just and reasonable; and
- ensured that the Company has taken reasonable steps to deter and minimize fraud and other irregularities.

# Audit Committee Report

## Members

Dato' Ir. Syed Muhammad Shahabudin\* *Chairman*  
Dato' Haji Yahaya bin Ahmad\* @  
Tan Hock Hin\*  
Ng Chong Wee\*  
Loh Yok Yeong\*\*

\* *Independent Non-Executive Director*

\*\* *Executive Director (Group Managing Director)*

*Mr Tan Hock Hin and Mr Ng Chong Wee are members of MIA  
@ Resigned w.e.f. 1 December 2004*

## Terms of Reference

### 1.0 Membership

1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements: -

- (a) the Committee must be composed of no fewer than 3 members;
- (b) a majority of the Committee must be independent directors; and
- (c) at least one member of the Committee:
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

1.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

1.3 No alternate director should be appointed as a member of the Committee.

1.4 In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of the Exchange pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

1.5 The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

### 2.0 Meetings

#### 2.1 Frequency

- 2.1.1 Meetings shall be held not less than four times a year.
- 2.1.2 Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

## Audit Committee Report (continued)

### 2.2 Quorum

2.2.1 A quorum shall consist of a majority of independent directors.

### 2.3 Secretary

2.3.1 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

### 2.4 Attendance

2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditor shall normally attend meetings.

2.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.4.3 At least once a year, the Committee shall meet with the external auditors without any executive Board members present.

### 2.5 Reporting Procedure

2.5.1 The minutes of each meeting shall be circulated to all members of the Board.

### 2.6 Meeting Procedure

The Committee shall regulate its own procedure, in particular: -

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

### 3.0 RIGHTS

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

## Audit Committee Report *(continued)*

### 4.0 FUNCTIONS

The Committee shall, amongst others, discharge the following functions:

#### 4.1 To review:

- (a) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on: -
  - (i) the going concern assumption;
  - (ii) changes in or implementation of major accounting policy changes;
  - (iii) significant and unusual events; and
  - (iv) compliance with accounting standards and other legal requirements.
- (b) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (c) with the external auditor:
  - (i) the audit plan;
  - (ii) his audit report; and
  - (iii) his management letter on internal control issues arising from his year end audit and management's response; and
  - (iv) the assistance given by the Company's employees to the external auditor.

#### 4.2 To monitor the management's risk management practices and procedures.

#### 4.3 In respect of the appointment of external auditors:

- (a) to review whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
- (b) to consider the nomination of a person or persons as external auditors and the audit fee;
- (c) to consider any questions of resignation or dismissal of external auditors.

#### 4.4 In respect of the internal audit function:

- (a) to review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (c) to review any appraisal or assessment of the performance of members of the internal audit function;
- (d) to approve any appointment or termination of senior staff members of the internal audit function; and
- (e) to inform itself of any resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reasons for resigning.

#### 4.5 To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

#### 4.6 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

## Audit Committee Report *(continued)*

### 4.0 FUNCTIONS *(continued)*

For the financial year ended 31 March 2005, eight (8) Audit Committee meetings were held.

The attendance of each member is as set out below:

Committee Members	Position	Attendance								Total	%
		#1	#2	#3	#4	#5	#6	#7	#8		
Dato' Ir Syed Muhammad Shahabudin	Chairman	•	•	•	•	•	•	•	•	8	100
Loh Yok Yeong	Member	•	•	•	•	•	•	•	•	8	100
Dato' Haji Yahaya bin Ahmad <i>(Resigned w.e.f. 1/12/04)</i>	Member	•	•	x	x	x	x	N/A	N/A	2	33
Ng Chong Wee	Member	•	•	•	•	•	•	•	•	8	100
Tan Hock Hin	Member	•	•	•	•	•	•	•	•	8	100
Total number of meetings held:										8	

### Activities of the Audit Committee

Based on duties specified in the Terms of Reference, the main activities performed by the Audit Committee during the financial year ended 31 March 2005 were as follows:-

- Reviewed the Group's quarterly results and announcements and year end financial statements, prior to recommending to the Board of Directors for approval
- Reviewed with the external auditor the audit plan, audit report and the audit approach.
- Considered and recommended the reappointment and remuneration of the external auditors
- Reviewed and approved the internal auditor's annual audit plan, audit findings and reports and assessed his performance, adequacy of resources and approved his remuneration
- Reviewed and approved the risk management framework and assessed the adequacy of the internal control system.
- Reviewed the Audit Committee report and Statement on Internal Control for inclusion in the Annual Report
- Reviewed the external auditor's management letter and management's response

### Activities of the Internal Audit Department

The Group has in place a group internal audit function, an independent department which functions on the annual audit plan that has been tabled to the Audit Committee for its review and approval. The audit plan focuses on financial, operational, compliance with applicable laws and assesses the adequacy of internal controls as well as the effectiveness of risk management framework for key operating companies within the Group. Internal Audit reports directly to the Audit Committee and provides the committee with independent views on the effectiveness of the system of internal control after its reviews. The internal audit findings and recommendations are reviewed quarterly by the Audit Committee and its recommendations and minutes of Audit Committee meetings are circulated to the Board.

Further information on the internal audit activities of the Group is set out under the Statement on Internal Control on page 16.



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# Directors' Report

for the financial year ended 31 March 2005

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2005.

## Principal activities

The principal activity of the Company during the financial year is that of investment holding. The principal activities of the Group consist of manufacturing and marketing of ductile iron pipes and fittings and waterworks related products for waterworks and sewerage industry. There have been no significant changes in the nature of these activities during the financial year.

## Financial results

	Group RM	Company RM
Net profit after taxation	<u>14,811,093</u>	<u>5,243,769</u>

## Dividend

Dividend proposed, declared or paid since 31 March 2004 are as follows:

In respect of the financial year ended 31 March 2004:

	RM
As shown in the Directors' Report for that financial year, a first and final dividend of 7.0 sen less tax at 28%, paid on 7 December 2004	4,937,033
Dividend on additional 551,000 ordinary shares due to exercise of employee share options	<u>27,770</u>
	<u>4,964,803</u>

The Directors now recommend the payment of a first and final dividend of 7.0 sen less tax at 28% amounting to RM4,967,424 subject to the approval of members at the forthcoming Annual General Meeting of the Company, which will be paid on 18 November 2005 to shareholders registered on the Company's Register of Members at the close of business on 26 October 2005.

## Share capital

During the financial year, the Company increased its issued and fully paid up share capital from RM97,957,000 to RM98,560,000 by way of the issuance of 603,000 ordinary shares of RM 1 each for cash at the respective share option prices by virtue of the exercise of share options granted under the Company's Employees' Share Option Scheme ("ESOS").

The newly issued ordinary shares rank pari passu in all respects with all the existing issued and fully paid shares.

## Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## Directors

The Directors who have held office during the period since the date of the last report are as follows:

Loh Toa Thau @ Loh Eng Kim  
Loh Yok Yeong  
Lee Then Wah  
Dato' Ir. Syed Muhammad Shahabudin  
Foong Kai Choong  
Ng Chong Wee  
Tan Hock Hin  
Dato' Haji Yahaya bin Ahmad (*resigned on 1 December 2004*)

# Directors' Report

for the financial year ended 31 March 2005 (continued)

## Directors' interests

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year are as follows:

	Number of ordinary shares of RM1 each			As at 31 March 2005
	As at 1 April 2004	Bought	Sold	
<b>YLI Holdings Berhad</b>				
Loh Toa Thau @ Loh Eng Kim				
Direct	318,500	100,000	0	<b>418,500</b>
Indirect	38,452,506	0	0	<b>38,452,506</b>
Loh Yok Yeong				
Direct	196,000	0	0	<b>196,000</b>
Indirect	38,452,506	0	0	<b>38,452,506</b>
Lee Then Wah				
Direct	145,000	55,000	(20,000)	<b>180,000</b>

	Number of share options over ordinary shares of RM1 each			As at 31 March 2005
	As at 1 April 2004	Granted	Exercised	
<b>YLI Holdings Berhad</b>				
Loh Toa Thau @ Loh Eng Kim	100,000	0	(100,000)	<b>0</b>
Lee Then Wah	55,000	0	(55,000)	<b>0</b>

Other than as disclosed above, none of the other Directors held any interest in shares in the Company and its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in note 8 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to Executive Directors pursuant to the ESOS. The ESOS which is valid for a period of 5 years from 30 November 1999 had expired on 29 November 2004.

## Other statutory information

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

# Directors' Report

for the financial year ended 31 March 2005 (continued)

## Other statutory information (continued)

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their book values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

(a) the results of the Group and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## Employees' Share Option Scheme

The Employees' Share Option Scheme ("ESOS") of YLI Holdings Berhad, which was approved by the shareholders at the Extraordinary General Meeting ("EGM") held on 28 September 1999 and was in force for a period of 5 years from this date had expired on 29 November 2004.

# Directors' Report

for the financial year ended 31 March 2005 (continued)

## Employees' Share Option Scheme (continued)

The movements of the ESOS during the financial year are as follows:

Date of expiry	Balance at 1 April 2004	Exercised	Lapsed	Balance at 29 November 2004
29 November 2004	604,000	(603,000)	(1,000)	0

The lapsed amount is attributed to an employee's resignation.

## Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 May 2005.

**Loh Toa Thau @ Loh Eng Kim**

*Director*

**Lee Then Wah**

*Director*

# Report of the Auditors

to the members of YLI Holdings Berhad

We have audited the financial statements set out on pages 29 to 60. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 March 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary company of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiary companies of which we have not acted as auditors are indicated in note 14 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**PricewaterhouseCoopers**

[AF:1146]

Chartered Accountants

Penang

26 May 2005

**Cho Choo Meng**

[2082/09/06 (J)]

Partner of the firm

# Income Statements

for the financial year ended 31 March 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	5	<b>98,776,903</b>	102,270,663	<b>7,722,151</b>	9,638,595
Cost of sales		<b>(70,726,426)</b>	(66,141,192)	<b>0</b>	0
Gross profit		<b>28,050,477</b>	36,129,471	<b>7,722,151</b>	9,638,595
Other operating income		<b>723,036</b>	648,960	<b>26,300</b>	38,872
Selling and distribution costs		<b>(3,699,373)</b>	(3,294,797)	<b>0</b>	0
Administrative expenses		<b>(5,520,838)</b>	(5,547,481)	<b>(350,289)</b>	(417,796)
Other operating expenses		<b>(140,261)</b>	(141,997)	<b>0</b>	0
Profit from operations	7	<b>19,413,041</b>	27,794,156	<b>7,398,162</b>	9,259,671
Finance costs	9	<b>(24,830)</b>	(133,998)	<b>0</b>	0
Share of results of a jointly controlled entity		<b>106,174</b>	(141)	<b>0</b>	0
Profit from ordinary activities before taxation		<b>19,494,385</b>	27,660,017	<b>7,398,162</b>	9,259,671
Taxation:					
- Company and subsidiaries		<b>(4,668,492)</b>	(6,506,752)	<b>(2,154,393)</b>	(2,639,785)
- Jointly controlled entity		<b>(14,800)</b>	0	<b>0</b>	0
Net profit after taxation	10	<b>(4,683,292)</b>	(6,506,752)	<b>(2,154,393)</b>	(2,639,785)
		<b>14,811,093</b>	21,153,265	<b>5,243,769</b>	6,619,886
<b>Earnings per share (sen)</b>					
- basic	11	<b>15.06</b>	21.90		
- diluted	11	<b>* N/A</b>	21.84		
<b>Dividend per share (sen)</b>					
- proposed first and final dividend	12	<b>7.0</b>	7.0	<b>7.0</b>	7.0

\* N/A - Not applicable

## Balance Sheets

as at 31 March 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>Non current assets</b>					
Property, plant and equipment	13	81,015,197	74,779,787	0	0
Subsidiary companies	14	0	0	18,306,448	18,306,448
Jointly controlled entity	15	86,121	0	141	141
		<u>81,101,318</u>	<u>74,779,787</u>	<u>18,306,589</u>	<u>18,306,589</u>
<b>Current assets</b>					
Inventories	16	22,047,826	22,611,156	0	0
Receivables	17	37,189,288	29,745,373	56,506	4,350
Amounts due from subsidiary companies	18	0	0	63,126,377	63,875,645
Amount due from jointly controlled entity	19	3,537,025	1,595,712	3,505,537	1,595,712
Tax recoverable		476,315	1,504,463	0	68,168
Marketable securities	20	442,914	497,720	442,914	497,720
Deposits, bank and cash balances	21	43,059,883	42,802,746	22,382,010	21,633,753
		<u>106,753,251</u>	<u>98,757,170</u>	<u>89,513,344</u>	<u>87,675,348</u>
<b>Less: Current liabilities</b>					
Payables	22	7,699,192	5,354,307	151,370	241,129
Provision for taxation		131,644	0	129,969	0
Revolving credit	23	192,526	957,182	0	0
Hire-purchase liabilities	24	0	23,589	0	0
		<u>8,023,362</u>	<u>6,335,078</u>	<u>281,339</u>	<u>241,129</u>
<b>Net current assets</b>		<u>98,729,889</u>	<u>92,422,092</u>	<u>89,232,005</u>	<u>87,434,219</u>
<b>Less: Non current liability</b>					
Deferred taxation	25	8,147,295	6,877,745	0	0
		<u>171,683,912</u>	<u>160,324,134</u>	<u>107,538,594</u>	<u>105,740,808</u>
<b>Capital and reserves</b>					
Share capital	26	98,560,000	97,957,000	98,560,000	97,957,000
Share premium	27	7,208,014	6,292,194	7,208,014	6,292,194
Revaluation and other reserves	28	1,321,460	1,326,792	0	0
Retained earnings	29	64,594,438	54,748,148	1,770,580	1,491,614
Shareholders' equity		<u>171,683,912</u>	<u>160,324,134</u>	<u>107,538,594</u>	<u>105,740,808</u>

# Consolidated Statement of Changes In Equity

for the financial year ended 31 March 2005

	Note	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	Total RM
		Number of shares	Nominal value RM	Share premium RM	Revaluation and other reserves RM	Retained earnings RM	
At 1 April 2003		62,742,000	62,742,000	1,597,060	1,326,971	68,179,743	133,845,774
Net profit for the financial year		0	0	0	0	21,153,265	21,153,265
Dividend for the financial year ended 31 March 2003		0	0	0	0	(2,317,860)	(2,317,860)
Issue of shares							
- exercise of share options		2,948,000	2,948,000	4,695,134	0	0	7,643,134
- bonus issue		32,267,000	32,267,000	0	0	(32,267,000)	0
Exchange fluctuation differences arising in the financial year		0	0	0	(179)	0	(179)
Net loss not recognised in income statement		0	0	0	(179)	0	(179)
At 31 March 2004		97,957,000	97,957,000	6,292,194	1,326,792	54,748,148	160,324,134
At 1 April 2004		97,957,000	97,957,000	6,292,194	1,326,792	54,748,148	160,324,134
Net profit for the financial year		0	0	0	0	14,811,093	14,811,093
Dividend for the financial year ended 31 March 2004	12	0	0	0	0	(4,964,803)	(4,964,803)
Issue of shares							
- exercise of share options		603,000	603,000	915,820	0	0	1,518,820
Exchange fluctuation differences arising in the financial year		0	0	0	(5,332)	0	(5,332)
Net loss not recognised in income statement		0	0	0	(5,332)	0	(5,332)
At 31 March 2005		98,560,000	98,560,000	7,208,014	1,321,460	64,594,438	171,683,912

## Company Statement of Changes In Equity

for the financial year ended 31 March 2005

	Note	Issued and fully paid ordinary shares of RM1 each		Non-	Distributable	Total RM
		Number of shares	Nominal value RM	distributable Share premium RM	Retained earnings RM	
At 1 April 2003		62,742,000	62,742,000	1,597,060	29,456,588	93,795,648
Net profit for the financial year		0	0	0	6,619,886	6,619,886
Dividend for the financial year ended 31 March 2003		0	0	0	(2,317,860)	(2,317,860)
Issue of shares:						
- exercise of share options		2,948,000	2,948,000	4,695,134	0	7,643,134
- bonus issue		32,267,000	32,267,000	0	(32,267,000)	0
At 31 March 2004		<u>97,957,000</u>	<u>97,957,000</u>	<u>6,292,194</u>	<u>1,491,614</u>	<u>105,740,808</u>
At 1 April 2004		<b>97,957,000</b>	<b>97,957,000</b>	<b>6,292,194</b>	<b>1,491,614</b>	<b>105,740,808</b>
Net profit for the financial year		0	0	0	5,243,769	5,243,769
Dividend for the financial year ended 31 March 2004	12	0	0	0	(4,964,803)	(4,964,803)
Issue of shares:						
- exercise of share options		<b>603,000</b>	<b>603,000</b>	<b>915,820</b>	<b>0</b>	<b>1,518,820</b>
At 31 March 2005		<u><b>98,560,000</b></u>	<u><b>98,560,000</b></u>	<u><b>7,208,014</b></u>	<u><b>1,770,580</b></u>	<u><b>107,538,594</b></u>

# Cash Flow Statements

for the financial year ended 31 March 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>Operating cash flows</b>					
Cash receipts from customers		90,701,694	91,908,370	6,834,878	9,276,895
Cash paid to suppliers and employees		(71,293,639)	(79,980,090)	(385,242)	(430,187)
Cash flows from operations	30	19,408,055	11,928,280	6,449,636	8,846,708
Taxation paid		(2,239,150)	(7,019,044)	(1,956,256)	(2,642,687)
Interest paid		(19,554)	(105,601)	0	0
Interest received		1,324,748	1,246,064	684,385	720,899
		(933,956)	(5,878,581)	(1,271,871)	(1,921,788)
<b>Net operating cash flow</b>		<b>18,474,099</b>	<b>6,049,699</b>	<b>5,177,765</b>	<b>6,924,920</b>
<b>Investing cash flows</b>					
Dividends received from marketable securities		26,300	15,000	26,300	15,000
Acquisition of marketable securities		0	(1,143,719)	0	(1,143,719)
Acquisition of unit trusts		0	(2,000,000)	0	0
Proceeds from disposal of marketable securities		0	759,803	0	759,803
Proceeds from disposal of unit trusts		0	2,021,806	0	0
Proceeds from disposal of property, plant and equipment		10,500	192,000	0	0
Purchase of property, plant and equipment		(12,072,866)	(8,863,440)	0	0
<b>Net investing cash flow</b>		<b>(12,036,066)</b>	<b>(9,018,550)</b>	<b>26,300</b>	<b>(368,916)</b>
<b>Financing cash flows</b>					
Advances to subsidiary companies		0	0	(4,600,000)	(10,300,000)
Advances to a jointly controlled entity		(1,941,313)	(1,595,712)	(1,909,825)	(1,595,712)
Repayment of advances by subsidiary companies		0	0	5,500,000	4,287,573
Repayment of short term borrowings		(764,656)	0	0	0
Repayment of hire-purchase liabilities		(28,865)	(223,047)	0	0
Dividends paid		(4,964,803)	(5,719,536)	(4,964,803)	(5,719,536)
Net proceeds from issuance of ordinary shares		1,518,820	7,643,134	1,518,820	7,643,134
<b>Net financing cash flow</b>		<b>(6,180,817)</b>	<b>104,839</b>	<b>(4,455,808)</b>	<b>(5,684,541)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(79)</b>	<b>(179)</b>	<b>0</b>	<b>0</b>
<b>Net change in cash and cash equivalents during the financial year (carried forward)</b>		<b>257,137</b>	<b>(2,864,191)</b>	<b>748,257</b>	<b>871,463</b>

## Cash Flow Statements

for the financial year ended 31 March 2005 (continued)

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>Net change in cash and cash equivalents during the financial year (brought forward)</b>		<b>257,137</b>	(2,864,191)	<b>748,257</b>	871,463
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b><u>42,802,746</u></b>	<u>45,666,937</u>	<b><u>21,633,753</u></b>	<u>20,762,290</u>
<b>Cash and cash equivalents at the end of the financial year</b>	21	<b><u>43,059,883</u></b>	<u>42,802,746</u>	<b><u>22,382,010</u></b>	<u>21,633,753</u>

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM13,148,408 (2004: RM8,863,440) of which RM1,075,542 (2004: Nil) was included in other payables at balance sheet date. Cash payments of RM12,072,866 (2004: RM8,863,440) were made to purchase these property, plant and equipment.

Note:

Certain comparatives of the cash flow statements had been extended to comply with the change in presentation from indirect method to the direct method.

# Notes to the Financial Statements

for the financial year ended 31 March 2005

## 1 General information

The principal activity of the Company during the financial year is that of investment holding. The principal activities of the Group consist of manufacturing and marketing of ductile iron pipes and fittings and waterworks related products for waterworks and sewerage industry. There have been no significant changes in the nature of these activities during the financial year.

The Group had 374 (2004: 366) employees at the end of the financial year. The Company does not have any employee at the end of the current and previous financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is as follows:

71-A, Jalan Jelutong  
11600 Penang  
Malaysia

## 2 Financial risk management objectives and policies

The Group's overall financial management objective is to ensure that the Group creates value for its shareholders. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, credit, liquidity and cash flow risk. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial risk management policies. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

### (a) Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiary companies in currencies other than their functional currency. The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments. Foreign exchange exposure in non functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

### (b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's cash and bank balances and deposits placed with licensed banks and financial institutions. The Group manages its interest rate risks by varying maturities and interest rate terms on its cash and bank balances deposited with creditworthy licensed banks and financial institutions.

### (c) Credit risk

Credit risk arises when sales are made on deferred credit terms. Credit risk is managed through credit assessment and approvals, credit limits and monitoring procedures. Where appropriate, the Group obtained letter of credits, bank guarantees or alternatively advance payment from customers. The Group considers the risk of material loss in the event of non-performance by a financial counter party to be unlikely.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 2 Financial risk management objectives and policies (continued)

### (d) Liquidity and cash flow risk

In the management of liquidity and cash flow risk, the Group monitors and maintains a level of cash and cash equivalents, which is deemed adequate by the management to meet its working capital requirements and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

### (e) Market risk

The Group's exposure to market risk arises mainly from fluctuation in the price of key raw materials. The Group manages its risk by implementing an ongoing system of price comparison against alternative materials.

## 3 Basis of preparation

The financial statements of the Group and of the Company have been prepared under historical cost convention unless otherwise indicated in the significant accounting policies below and comply with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

The financial statements of the Group and of the Company adopt the new name of the approved accounting standards in Malaysia, i.e. Financial Reporting Standards ("FRS"), in place of the Malaysian Accounting Standards Board ("MASB") Standards.

## 4 Significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year except as otherwise stated.

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 31 March 2005.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated and unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

The subsidiary companies are consolidated using the merger method of accounting except for a subsidiary company which is consolidated using the acquisition method of accounting in accordance with Malaysian Accounting Standard No. 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time.

The Group has taken advantage of the exemption provided by Financial Reporting Standard No. 122 "Business Combinations" to apply this standard prospectively. Accordingly, business combinations entered into prior to 1 January 2002 have not been restated to comply with this standard.

Under the merger method of accounting, the results of subsidiary companies are presented as if the companies have been combined throughout the current and previous financial years. The difference between cost of acquisition over the nominal value of the share capital and reserves of the subsidiary companies is taken to merger reserve. Merger debit arising on consolidation is set off against the revaluation and other reserves of the Group.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 4 Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included from the date of acquisition up to date of disposal. At the date of acquisition, the fair values of the subsidiary company's net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and fair values of the subsidiary company's net assets is reflected as goodwill on consolidation.

### (b) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently stated at valuation in the years indicated in note 13 to the financial statements and subsequent additions are stated at cost less subsequent amortisation/depreciation and any impairment losses. The cost of other property, plant and equipment comprises their purchase costs and any incidental costs of acquisition. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The freehold and leasehold land and buildings have not been revalued since 1994 and 1996. The Directors have adopted the transitional provisions in International Accounting Standard No. 16 (Revised): Property, Plant and Equipment as allowed for by the Malaysian Accounting Standards Board to retain the carrying amounts of these freehold and leasehold land and buildings on the basis of their previous revaluation subject to the continuing application of current depreciation policy.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in the carrying amount is charged to the income statement.

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised over the life of the unexpired lease of the land on the reducing balance basis. Depreciation on other property, plant and equipment is calculated so as to write off the cost or valuation on the reducing balance basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are as follows:

	%
Leasehold flats	2.0
Buildings	2.0
Plant and machinery	10.0 - 33.3
Tools and equipment	10.0
Motor vehicles	10.0 - 20.0
Furniture and fittings	5.0
Office equipment and air conditioners	10.0 - 25.0
Renovation	10.0

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in profit from operations. On disposal of the revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the period in which they are incurred. The cost of major renovations is capitalised when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 4 Significant accounting policies (continued)

### (c) Impairment of assets

Property, plant and equipment and other non-current assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the affected asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior financial years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation reserve. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

### (d) Investments in subsidiary companies

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Investments in subsidiary companies are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 4 (c) on impairment of assets.

### (e) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is agreed control by the Group with one or more parties. The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of jointly controlled entities in the income statement and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated amortisation).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that results from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Where necessary, in applying the equity method, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 4 Significant accounting policies (continued)

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Raw material is stated at cost of purchase. The cost of work in progress and finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity).

Where necessary, allowance is made for obsolete, slow moving or defective inventories.

### (g) Trade receivables

Trade receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables based on a review of all outstanding amounts at the financial year end. Bad debts are written off in the period in which they are identified.

### (h) Deferred taxation

Deferred taxation is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

### (i) Marketable securities

Investments in quoted shares (within current assets) are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to the stock exchange quoted selling prices at the close of business on the balance sheet date. Decreases in the carrying amount of marketable securities are charged to the income statement while increases are credited to the income statement to the extent of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 4 Significant accounting policies (continued)

### (j) Share capital

#### (i) Classification

Ordinary shares are classified as equity.

#### (ii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue will not be recognised as a liability at balance sheet date until it has been approved by the shareholders at the Company's annual general meeting.

### (k) Foreign currencies

#### (i) Reporting currency

The financial statements are presented in Ringgit Malaysia.

#### (ii) Foreign currency transactions and balances

Foreign currency transactions are accounted for at exchange rates prevailing at the transaction dates. At balance sheet date, foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at the rates of exchange ruling at that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	2005 RM	2004 RM
1 US Dollar	<b>3.8000</b>	3.8000
1 Chinese Renminbi	<b>0.4591</b>	0.4591

### (l) Revenue recognition

Revenue comprises the invoiced value for sale of goods, net of sales tax, trade discounts and allowances after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on an accrual basis determined by the principal outstanding and the rate applicable.

Rental income is recognised on an accrual basis in accordance with the substance of the rental agreement.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 4 Significant accounting policies (continued)

### (m) Finance costs

Finance costs comprise interest on bank borrowings. All interest incurred in connection with bank borrowings are charged directly to the income statement.

### (n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (o) Employee benefits

#### (i) Short term employee benefits

Wages, salaries, annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### (ii) Defined contribution plan

Subsidiary companies incorporated in Malaysia contribute to the Employees Provident Fund of Malaysia, which is a defined contribution plan while the subsidiary incorporated in the People's Republic of China contributes to the national defined contribution plan of the People's Republic of China. The Group's contributions to these defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, these companies have no further payment obligations.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial years.

### (p) Financial instruments

#### (i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument or another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

#### (ii) Financial instruments recognised on the balance sheet

The accounting policies and recognition methods adopted for financial instruments recognised on the balance sheets are separately disclosed in the individual accounting policy statements associated with each item.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 4 Significant accounting policies (continued)

### (p) Financial instruments (continued)

#### (iii) Fair value estimation for disclosure purposes

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

## 5 Revenue

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of goods	<b>98,092,518</b>	101,549,764	<b>0</b>	0
Interest income from:				
- licensed banks and finance companies	<b>684,385</b>	720,899	<b>684,385</b>	720,899
- a subsidiary company	<b>0</b>	0	<b>142,206</b>	142,890
Dividend income from a subsidiary company	<b>0</b>	0	<b>6,895,560</b>	8,774,806
	<b><u>98,776,903</u></b>	<u>102,270,663</u>	<b><u>7,722,151</u></b>	<u>9,638,595</u>

## 6 Significant party balances and transactions

In relation to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

### (i) Significant related party balances

	Company	
	2005 RM	2004 RM
Amounts due from subsidiary companies (note 18) (non-trade) :		
- Yew Lean Foundry & Co. Sdn. Bhd.	<b>53,614,232</b>	55,614,232
- Yew Li Foundry & Co. Sdn. Bhd.	<b>6,006,000</b>	5,906,000
- Logam Utara (M) Sdn. Bhd.	<b>1,000,000</b>	0
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	<b>2,506,145</b>	2,355,413
	<b><u>63,126,377</u></b>	<u>63,875,645</u>

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 6 Significant party balances and transactions (continued)

(ii) Significant transactions with related parties during the financial year are as follows:

	Company	
	2005	2004
	RM	RM
Gross dividend income from a subsidiary company:		
- Yew Lean Foundry & Co Sdn. Bhd.	<b>6,895,560</b>	8,774,806
Interest income from a subsidiary company:		
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	<b>142,206</b>	142,890
Advances to subsidiary companies:		
- Yew Lean Foundry & Co. Sdn. Bhd.	<b>1,500,000</b>	10,300,000
- Yew Li Foundry & Co. Sdn. Bhd.	<b>2,100,000</b>	0
- Logam Utara (M) Sdn. Bhd.	<b>1,000,000</b>	0

The above transactions were based on terms and agreements made in the normal course of business between the Company and the related parties.

## 7 Profit from operations

Profit from operations is stated after charging:

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audit	<b>70,127</b>	73,575	<b>25,000</b>	25,000
- other services	<b>17,803</b>	21,439	<b>2,000</b>	7,000
Depreciation of property, plant and equipment	<b>6,448,356</b>	6,428,299	<b>0</b>	0
Rental of land and building	<b>23,145</b>	40,484	<b>0</b>	0
Property, plant and equipment written off	<b>457,423</b>	236,348	<b>0</b>	0
Bad debts written off	<b>71,060</b>	27,000	<b>0</b>	0
Allowance for diminution in value of marketable securities	<b>68,690</b>	0	<b>68,690</b>	0
Foreign exchange loss (realised)	<b>0</b>	8,206	<b>0</b>	0
Staff costs	<b>9,408,899</b>	9,906,353	<b>0</b>	0
and crediting:				
Interest income from:				
- licensed banks and finance companies	<b>1,324,748</b>	1,246,064	<b>684,385</b>	720,899
- a subsidiary company	<b>0</b>	0	<b>142,206</b>	142,890
Gain on disposal of unit trusts	<b>0</b>	21,806	<b>0</b>	0
Gain on disposal of marketable securities	<b>0</b>	23,872	<b>0</b>	23,872
Rental income	<b>51,000</b>	12,000	<b>0</b>	0
Gain on disposal of property, plant and equipment	<b>3,281</b>	59,231	<b>0</b>	0
Dividend income from marketable securities	<b>26,300</b>	15,000	<b>26,300</b>	15,000
Foreign exchange gain (realised)	<b>1,835</b>	0	<b>0</b>	0

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 7 Profit from operations (continued)

The above staff costs (excluding Directors' fees) are analysed as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Wages, salaries and bonuses	<b>7,332,683</b>	7,556,737	<b>0</b>	0
Defined contribution plan	<b>698,869</b>	671,776	<b>0</b>	0
Other employee benefits	<b>1,377,347</b>	1,677,840	<b>0</b>	0
	<b>9,408,899</b>	9,906,353	<b>0</b>	0

## 8 Directors' remuneration

The Directors of the Company in office during the financial year are as follows:

### Non-Executive Directors

Dato' Ir. Syed Muhammad Shahabudin  
 Foong Kai Choong  
 Ng Chong Wee  
 Tan Hock Hin  
 Dato' Haji Yahaya bin Ahmad (*resigned on 1 December 2004*)

### Executive Directors

Loh Toa Thau @ Loh Eng Kim  
 Loh Yok Yeong  
 Lee Then Wah

The aggregate amounts of emoluments receivable by Directors of the Company during the financial year are as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-Executive Directors - fees	<b>73,000</b>	73,000	<b>73,000</b>	73,000
Executive Directors:				
- fees	<b>92,000</b>	92,000	<b>42,000</b>	42,000
- salaries and bonuses	<b>1,117,765</b>	1,232,116	<b>0</b>	0
- defined contribution plan	<b>141,374</b>	140,994	<b>0</b>	0
- other employee benefits	<b>100,750</b>	88,750	<b>0</b>	0
- estimated money value of benefits-in-kind	<b>47,630</b>	59,379	<b>0</b>	0
	<b>1,499,519</b>	1,613,239	<b>42,000</b>	42,000
	<b>1,572,519</b>	1,686,239	<b>115,000</b>	115,000

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 8 Directors' remuneration (continued)

The Employees' Share Option Scheme ("ESOS") of YLI Holdings Berhad had expired on 29 November 2004.

The movements of the Executive Directors' share options over ordinary shares during the financial year are as follows:

Grant date	Expiry date	Exercise price RM/share ^	Number of options over ordinary shares of RM1 each			
			At 1 April 2004	Exercised	Lapsed	At 29 November 2004
05.07.2002	29.11.2004	2.60	155,000	(155,000)	0	0

^ The exercise prices for these share options have been adjusted pursuant to the bonus issue undertaken by the Company during the previous financial year ended 31 March 2004.

## 9 Finance costs

	Group	
	2005 RM	2004 RM
Interest expense on:		
- revolving credit / bankers acceptance	(15,038)	(51,678)
- hire-purchase	(5,276)	(28,496)
- bank overdraft	(4,516)	(47,354)
- trust receipts	0	(6,470)
	<b>(24,830)</b>	<b>(133,998)</b>

## 10 Taxation

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Malaysian taxation:				
- current taxation	(3,297,184)	(5,481,770)	(2,154,133)	(2,685,533)
- deferred taxation (note 25)	(1,207,066)	(1,093,696)	0	0
	<b>(4,504,250)</b>	<b>(6,575,466)</b>	<b>(2,154,133)</b>	<b>(2,685,533)</b>
(Under) / over accrual in prior financial year:				
- current taxation	(116,558)	397,813	(260)	45,748
- deferred taxation (note 25)	(62,484)	(329,099)	0	0
	<b>(4,683,292)</b>	<b>(6,506,752)</b>	<b>(2,154,393)</b>	<b>(2,639,785)</b>

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 10 Taxation (continued)

The explanation of the relationship between tax expense and profit from ordinary activities before taxation is as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit from ordinary activities before taxation	<b>19,494,385</b>	27,660,017	<b>7,398,162</b>	9,259,671
Tax calculated at the Malaysian income tax rate of 28% (2004: 28%)	<b>(5,458,428)</b>	(7,744,805)	<b>(2,071,485)</b>	(2,592,708)
Tax effects of:				
Expenses not deductible for tax purposes	<b>(342,302)</b>	(305,192)	<b>(84,059)</b>	(99,579)
Income not subject to tax	<b>147,520</b>	59,770	<b>1,411</b>	6,754
Utilisation of reinvestment allowances	<b>1,081,962</b>	1,305,737	<b>0</b>	0
Utilisation of previously unrecognised temporary differences	<b>0</b>	11,124	<b>0</b>	0
Difference in tax rate for the first RM500,000 (2004: RM500,000) of taxable income of Malaysian subsidiaries	<b>46,694</b>	97,900	<b>0</b>	0
Current financial year's tax loss not recognised	<b>(12,776)</b>	0	<b>0</b>	0
Deductible temporary differences not recognised	<b>(27,222)</b>	0	<b>0</b>	0
Difference in foreign tax rate	<b>60,302</b>	0	<b>0</b>	0
(Under) / over accrual in prior financial year:				
- current taxation	<b>(116,558)</b>	397,813	<b>(260)</b>	45,748
- deferred taxation	<b>(62,484)</b>	(329,099)	<b>0</b>	0
	<b>(4,683,292)</b>	(6,506,752)	<b>(2,154,393)</b>	(2,639,785)

## 11 Earnings per share

### (i) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit after taxation for the financial year by the weighted average number of ordinary shares in issue during the financial year. The weighted average number of ordinary shares in issue during the financial year has been adjusted for the issuance of ordinary shares in respect of the ESOS during the financial year.

	2005	2004
Net profit after taxation (RM)	<b>14,811,093</b>	21,153,265
Weighted average number of ordinary shares in issue	<b>98,353,216</b>	96,578,525
Basic earnings per share (sen)	<b>15.06</b>	21.90

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 11 Earnings per share (continued)

### (ii) Diluted earnings per share (2004 only)

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has share options granted to employees as a category of dilutive potential ordinary shares.

For the share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit after taxation for the share options calculated.

	2004
Net profit after taxation (RM)	21,153,265
Weighted average number of ordinary shares in issue	96,578,525
Adjustment for share options	267,658
Weighted average number of ordinary shares for diluted earnings per share	<u>96,846,183</u>
Diluted earnings per share (sen)	21.84

The diluted earnings per share for financial year ended 31 March 2005 is not presented as the ESOS (a category of dilutive potential ordinary shares) had expired on 29 November 2004.

## 12 Dividend

	<u>Group and Company</u>	
	<u>2005</u>	2004
	RM	RM
Proposed first and final dividend of 7.0 sen (2004: final dividend of 7.0 sen) less tax at 28%	<b>4,967,424</b>	4,937,033
Dividend on additional 551,000 ordinary shares due to exercise of employee share options	<b>0</b>	27,770
	<b><u>4,967,424</u></b>	<u>4,964,803</u>

The proposed first and final dividend of 7.0 sen less tax 28% amounting to RM4,967,424 will be accrued as a liability after approval by the shareholders at the Annual General Meeting of the Company.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 13 Property, plant and equipment

The details of property, plant and equipment are as follows:

Group only 2005	Land and buildings	Plant, machinery, tools and equipment	Motor vehicles	Furniture and fittings	Office equipment and air conditioners	Total
	RM	RM	RM	RM	RM	RM
Cost/valuation	At cost / valuation	At cost	At cost	At cost	At cost	At cost / valuation
At 1 April	36,833,753	62,038,367	4,463,648	313,959	1,055,266	104,704,993
Additions	5,936,426	6,938,193	204,070	6,945	62,774	13,148,408
Disposals	0	0	(53,789)	0	0	(53,789)
Write offs	0	(944,214)	0	0	0	(944,214)
At 31 March	42,770,179	68,032,346	4,613,929	320,904	1,118,040	116,855,398
<b>Accumulated depreciation</b>						
At 1 April	4,180,901	22,951,349	2,265,982	85,295	441,679	29,925,206
Charge for the financial year	729,283	5,133,973	478,904	13,005	93,191	6,448,356
Disposals	0	0	(46,570)	0	0	(46,570)
Write offs	0	(486,791)	0	0	0	(486,791)
At 31 March	4,910,184	27,598,531	2,698,316	98,300	534,870	35,840,201
<b>Net book value</b>						
31 March 2005	37,859,995	40,433,815	1,915,613	222,604	583,170	81,015,197
31 March 2004	32,652,852	39,087,018	2,197,666	228,664	613,587	74,779,787

The Group's land and buildings comprise of:

2005	At 1 April RM	Additions RM	At 31 March RM
<b>Cost or valuation</b>			
Freehold land, at valuation	1,841,166	0	1,841,166
Long term leasehold land, at valuation	2,550,000	0	2,550,000
Building, at valuation	141,155	0	141,155
Short term leasehold land and building, at valuation	6,324,260	0	6,324,260
Freehold land and building, at cost	3,011,473	2,417,606	5,429,079
Long term leasehold building, at cost	1,973,160	0	1,973,160
Long term leasehold flats, at cost	188,200	0	188,200
Short term leasehold land and buildings, at cost	18,857,216	3,389,210	22,246,426
Renovation, at cost	334,656	30,388	365,044
Factory building, at cost	1,612,467	99,222	1,711,689
<b>Total</b>	36,833,753	5,936,426	42,770,179

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 13 Property, plant and equipment (continued)

2005	At 1 April RM	Depreciation charge for the financial year RM	At 31 March RM
<b>Accumulated depreciation</b>			
Long term leasehold land, at valuation	391,686	45,921	437,607
Building, at valuation	27,614	2,271	29,885
Short term leasehold land and building, at valuation	1,176,059	97,735	1,273,794
Freehold land and building, at cost	151,525	30,240	181,765
Long term leasehold building, at cost	272,239	34,018	306,257
Long term leasehold flats, at cost	28,086	3,202	31,288
Short term leasehold land and buildings, at cost	1,931,608	460,739	2,392,347
Renovation, at cost	123,786	24,126	147,912
Factory building, at cost	78,298	31,031	109,329
<b>Total</b>	<b>4,180,901</b>	<b>729,283</b>	<b>4,910,184</b>
		<b>2005</b>	2004
		RM	RM
<b>Net book value</b>			
Freehold land, at valuation		1,841,166	1,841,166
Long term leasehold land, at valuation		2,112,393	2,158,314
Building, at valuation		111,270	113,541
Short term leasehold land and building, at valuation		5,050,466	5,148,201
Freehold land and building, at cost		5,247,314	2,859,948
Long term leasehold building, at cost		1,666,903	1,700,921
Long term leasehold flats, at cost		156,912	160,114
Short term leasehold land and buildings, at cost		19,854,079	16,925,608
Renovation, at cost		217,132	210,870
Factory building, at cost		1,602,360	1,534,169
		<b>37,859,995</b>	<b>32,652,852</b>

The Group's freehold, long term and short term leasehold land and buildings were last revalued in 1994 and 1996 by Henry Butcher, Lim & Long (North) Sdn. Bhd., an independent qualified valuer using the open market value basis.

Subsequent additions are stated at cost.

(a) Analysis of freehold and leasehold land and buildings that are stated at valuation:

	2005 RM	2004 RM
Valuation in 1994 on the Open Market Value basis	8,306,581	8,306,581
Valuation in 1996 on the Open Market Value basis	2,550,000	2,550,000
	<b>10,856,581</b>	<b>10,856,581</b>
Net book value	<b>9,115,295</b>	<b>9,261,222</b>
Net book value - had the above been carried at historical cost	<b>1,549,573</b>	<b>1,580,853</b>

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 13 Property, plant and equipment (continued)

(b) The details of the property, plant and equipment of the Group acquired under hire-purchase agreements are as follows:

2004 only	Cost RM	Accumulated depreciation RM	Net book value RM
Motor vehicles	520,000	(289,598)	230,402

## 14 Subsidiary companies

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	<u>18,306,448</u>	<u>18,306,448</u>

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Held by the Company		Held by a subsidiary company		Principal activities
		2005 %	2004 %	2005 %	2004 %	
Yew Lean Foundry & Co. Sdn. Bhd.	Malaysia	100	100	0	0	Manufacturing and marketing of ductile iron pipes and fittings and other related products.
Yew Li Foundry & Co. Sdn. Bhd.*	Malaysia	100	100	0	0	Manufacturing and marketing of cast iron fittings, saddles and manhole covers and fabrication of pipes.
Logam Utara (M) Sdn. Bhd.*	Malaysia	100	100	0	0	Manufacturing and coating of LUSAN™ (Rilsan) on couplings, tapping sleeves, water tanks and marketing of specialised imported products for water works.
Zhangzhou YLI Electro-Metallurgy Co. Ltd.*	The People's Republic of China	100	100	0	0	Manufacture of raw materials for foundry use.
Zenith Eastern (M) Sdn. Bhd.*	Malaysia	0	0	100	100	Property investment holding.

\* Audited by a firm of auditors other than PricewaterhouseCoopers, Malaysia.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 15 Jointly controlled entity

	2005 RM	2004 RM
<b>Group</b>		
Share of net assets of the jointly controlled entity	<u>86,121</u>	<u>0</u>
<b>Company</b>		
Unquoted shares, at cost	<u>141</u>	<u>141</u>

Details of the jointly controlled entity are as follows:

Name of company	Country of incorporation	Held by the Company		Principal activities
		2005 %	2004 %	
Pinang Water Limited*	Labuan, Malaysia	37	37	Constructing water-infrastructure projects, water treatment, management and supply of treated water.

\* Audited by a firm of auditors other than PricewaterhouseCoopers, Malaysia.

The Group's share of the assets and liabilities of the jointly controlled entity is as follows:

	2005 RM	2004 RM
Non-current assets	7,441,414	141
Current assets	255,072	0
Current liabilities	(3,123,632)	0
Non-current liabilities	(4,486,733)	(141)
Net assets	<u>86,121</u>	<u>0</u>

The Group's share of capital commitments of the jointly controlled entity is as follows:

	2005 RM	2004 RM
In respect of purchase of property, plant and equipment	<u>451,215</u>	<u>5,272,500</u>

The Company has also given a corporate guarantee to a bank and to a third party on behalf of the jointly controlled entity as follows:

	2005 RM	2004 RM
In respect of purchase of property, plant and equipment	<u>4,569,500</u>	<u>3,163,500</u>

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 15 Jointly controlled entity (continued)

The Group's share of the other income and expenses of the jointly controlled entity is as follows:

	2005 RM	2004 RM
Other income	369,304	0
Expenses excluding taxation	<u>(263,130)</u>	<u>(141)</u>
Profit/(loss) from ordinary activities before taxation	106,174	(141)
Taxation	<u>(14,800)</u>	<u>0</u>
Profit/(loss) after taxation	<u>91,374</u>	<u>(141)</u>

## 16 Inventories

	Group	
	2005 RM	2004 RM
At cost:		
Raw materials	4,931,944	6,925,313
Work in progress	629,437	371,127
Finished goods	<u>16,486,445</u>	<u>15,314,716</u>
	<u>22,047,826</u>	<u>22,611,156</u>

## 17 Receivables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	35,962,136	27,736,008	0	0
Other receivables	412,585	562,648	52,156	0
Deposits	84,257	1,411,407	4,350	4,350
Prepayments	<u>730,310</u>	<u>35,310</u>	<u>0</u>	<u>0</u>
	<u>37,189,288</u>	<u>29,745,373</u>	<u>56,506</u>	<u>4,350</u>

The currency exposure profile of trade and other receivables is as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Ringgit Malaysia	30,761,182	25,607,120	52,156	0
US Dollar	4,984,633	1,836,539	0	0
Chinese Renminbi	628,906	854,997	0	0
	<u>36,374,721</u>	<u>28,298,656</u>	<u>52,156</u>	<u>0</u>

The credit terms of trade receivables of the Group range from 30 to 120 days (2004: 30 to 120 days).

## Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

### 18 Amounts due from subsidiary companies

The fair value of amounts due from subsidiary companies approximated the book values at balance sheet date.

Amounts due from subsidiary companies are primarily interest free advances with no fixed repayment terms except for RM500,000 (2004: RM500,000) due from a subsidiary company where interest was charged at 7.50% (2004: 7.50%) per annum.

The currency exposure profile for amounts due from subsidiary companies are as follows:

	Company	
	2005	2004
	RM	RM
Ringgit Malaysia	<b>60,620,232</b>	61,520,232
US Dollar	<b>2,506,145</b>	2,355,413
	<b><u>63,126,377</u></b>	<u>63,875,645</u>

### 19 Amount due from a jointly controlled entity

The amount due from a jointly controlled entity is denominated in Ringgit Malaysia and interest free with no fixed term of repayment.

### 20 Marketable securities

	Group and Company	
	2005	2004
	RM	RM
Market value of shares in corporations – quoted in Malaysia	<b>442,914</b>	497,720

### 21 Deposits, cash and bank balances / Cash and cash equivalents

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Deposits with:				
Licensed banks	<b>28,112,805</b>	25,702,755	<b>12,801,209</b>	15,252,296
Licensed finance companies	<b>12,001,937</b>	13,596,318	<b>9,501,937</b>	5,987,548
	<b>40,114,742</b>	39,299,073	<b>22,303,146</b>	21,239,844
Cash and bank balances	<b>2,945,141</b>	3,503,673	<b>78,864</b>	393,909
	<b><u>43,059,883</u></b>	<u>42,802,746</u>	<b><u>22,382,010</u></b>	<u>21,633,753</u>

The effective interest rate of the Group's and of the Company's deposits with licensed banks and finance companies at balance sheet date range from 2.55% to 3.70% (2004: 2.55% to 3.76%) and 2.55% to 3.70% (2004: 2.60% to 3.76%) per annum respectively.

The Group's and the Company's fixed deposits with licensed banks and finance companies have an average maturity of 126 days and 173 days (2004: 60 days and 30 days) respectively at the end of the financial year.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 21 Deposits, cash and bank balances / Cash and cash equivalents (continued)

The foreign currency profile of deposits, cash and bank balances is as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Ringgit Malaysia	<b>41,687,193</b>	41,399,401	<b>22,382,010</b>	21,633,753
US Dollar	<b>1,372,690</b>	1,333,619	<b>0</b>	0
Chinese Renminbi	<b>0</b>	69,726	<b>0</b>	0
	<b><u>43,059,883</u></b>	<u>42,802,746</u>	<b><u>22,382,010</u></b>	<u>21,633,753</u>

## 22 Payables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	<b>2,031,360</b>	906,498	<b>0</b>	0
Other payables	<b>3,366,657</b>	2,812,754	<b>9,370</b>	113,013
Other accruals	<b>2,301,175</b>	1,635,055	<b>142,000</b>	128,116
	<b><u>7,699,192</u></b>	<u>5,354,307</u>	<b><u>151,370</u></b>	<u>241,129</u>

The currency exposure profile of payables is as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Ringgit Malaysia	<b>6,063,729</b>	4,660,975	<b>151,370</b>	240,988
US Dollar	<b>946,663</b>	55,861	<b>0</b>	141
Chinese Renminbi	<b>688,800</b>	637,471	<b>0</b>	0
	<b><u>7,699,192</u></b>	<u>5,354,307</u>	<b><u>151,370</u></b>	<u>241,129</u>

The credit terms of trade payables granted to the Group range from 30 to 90 days (2004: 60 to 90 days).

## 23 Revolving credit (unsecured)

The revolving credit is denominated in US Dollar and has an effective interest rate of 4.87% (2004: 3.28%) per annum.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 24 Hire-purchase liabilities

	<b>Group</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
<b>Minimum hire-purchase payments:</b>		
- not later than 1 year	<b>0</b>	27,047
Future finance charges on hire-purchase liabilities	<b>0</b>	(3,458)
Present value of hire-purchase liabilities	<b>0</b>	23,589
	<b>0</b>	23,589

The fair values of the hire-purchase liabilities approximated the carrying values at balance sheet date.

The average effective interest rate applicable to the hire-purchase liabilities is Nil% (2004: 9.31%) per annum.

## 25 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
Deferred tax liabilities		
- subject to income tax	<b>8,067,450</b>	6,797,900
- subject to capital gains tax	<b>79,845</b>	79,845
	<b>8,147,295</b>	6,877,745

The movements in deferred taxation during the financial year are as follows:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
At 1 April	<b>6,877,745</b>	5,454,950
Property, plant and equipment:		
- current financial year (note 10)	<b>1,207,066</b>	1,093,696
- under accrual in prior financial year (note 10)	<b>62,484</b>	329,099
- charged to income statement	<b>1,269,550</b>	1,422,795
At 31 March	<b>8,147,295</b>	6,877,745

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 25 Deferred taxation (continued)

	Group	
	2005 RM	2004 RM
<b>Subject to income tax:</b>		
Deferred tax assets (before offsetting):		
Accruals	(52,285)	(66,607)
Offsetting	52,285	66,607
Deferred tax assets (after offsetting)	<u>0</u>	<u>0</u>
Deferred tax liabilities (before offsetting):		
Property, plant and equipment	8,119,735	6,864,607
Offsetting	(52,285)	(66,707)
Deferred tax liabilities (after offsetting)	<u>8,067,450</u>	<u>6,797,900</u>
<b>Subject to capital gains tax:</b>		
Deferred tax liabilities:		
Property, plant and equipment	<u>79,845</u>	<u>79,845</u>

## 26 Share capital

	Company	
	2005 RM	2004 RM
<b>Authorised:</b>		
Ordinary shares of RM1 each:		
At 1 April	500,000,000	100,000,000
Created during the financial year	0	400,000,000
At 31 March	<u>500,000,000</u>	<u>500,000,000</u>
<b>Movements on issued share capital are as follows:</b>		
Ordinary shares of RM1 each:		
At 1 April	97,957,000	62,742,000
Issued during the financial year:		
- exercise of share options	603,000	2,948,000
- bonus issue	0	32,267,000
At 31 March	<u>98,560,000</u>	<u>97,957,000</u>

During the financial year, the Company increased its issued and fully paid up share capital from RM97,957,000 to RM98,560,000 by way of the issuance of 603,000 ordinary shares of RM 1 each for cash at the respective share option prices by virtue of the exercise of share options granted under the Company's Employees' Share Option Scheme ("ESOS").

The ESOS which is valid for a period of 5 years from 30 November 1999 had expired on 29 November 2004.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 26 Share capital (continued)

The movements of the ESOS during the financial year are as follows:

Date of expiry	Balance at 1 April 2004	Exercised	Lapsed	Balance at 29 November 2004
29 November 2004	604,000	(603,000)	(1,000)	0

The lapsed amount is attributed to an employee's resignation.

## 27 Share premium

	Group and Company	
	2005 RM	2004 RM
At 1 April	6,292,194	1,597,060
Premium arising from share options exercised in respect of 603,000 (2004: 2,948,000) ordinary shares	915,820	4,695,134
At 31 March	<u>7,208,014</u>	<u>6,292,194</u>

## 28 Revaluation and other reserves

	Group	
	2005 RM	2004 RM
Revaluation/capital reserve	1,326,976	1,326,976
Exchange fluctuation reserve	(5,516)	(184)
	<u>1,321,460</u>	<u>1,326,792</u>

The movements in each category of reserves are as follows:

	Group	
	2005 RM	2004 RM
<b>Revaluation/capital reserve</b>		
At 1 April/31 March	<u>1,326,976</u>	<u>1,326,976</u>
<b>Exchange fluctuation reserve</b>		
At 1 April	(184)	(5)
Arising in the financial year	(5,332)	(179)
At 31 March	<u>(5,516)</u>	<u>(184)</u>

## 29 Retained earnings

The Company has, subject to confirmation by the Inland Revenue Board, sufficient tax credits and tax exempt income to frank the payment of net dividends out of all its retained earnings as at 31 March 2005 without incurring additional taxation.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 30 Cash flows from operations

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Net profit after taxation	<b>14,811,093</b>	21,153,265	<b>5,243,769</b>	6,619,886
Adjustments for:				
Share of results of jointly controlled entity	<b>(106,174)</b>	0	<b>0</b>	0
Taxation	<b>4,683,292</b>	6,506,752	<b>2,154,393</b>	2,639,785
Gain on disposal of marketable securities	<b>0</b>	(23,872)	<b>0</b>	(23,872)
Gain on disposal of unit trusts	<b>0</b>	(21,806)	<b>0</b>	0
Depreciation of property, plant and equipment	<b>6,448,356</b>	6,428,299	<b>0</b>	0
Gain on disposal of property, plant and equipment	<b>(3,281)</b>	(59,231)	<b>0</b>	0
Property, plant and equipment written off	<b>457,423</b>	236,348	<b>0</b>	0
Allowance for diminution in value of marketable securities	<b>68,690</b>	0	<b>68,690</b>	0
Interest expense	<b>24,830</b>	133,998	<b>0</b>	0
Interest income	<b>(1,324,748)</b>	(1,246,064)	<b>(826,591)</b>	(863,789)
Dividend income from marketable securities	<b>(26,300)</b>	(15,000)	<b>(26,300)</b>	(15,000)
	<b>10,222,088</b>	11,939,424	<b>1,370,192</b>	1,737,124
Changes in working capital during the financial year:				
Inventories	<b>563,330</b>	(11,099,011)	<b>0</b>	0
Receivables	<b>(7,443,915)</b>	(9,645,280)	<b>(52,156)</b>	0
Payables	<b>1,255,459</b>	(420,118)	<b>(103,643)</b>	(12,391)
Intercompany balances	<b>0</b>	0	<b>(8,526)</b>	502,089
	<b>(5,625,126)</b>	(21,164,409)	<b>(164,325)</b>	489,698
Cash flows from operations	<b>19,408,055</b>	11,928,280	<b>6,449,636</b>	8,846,708

### Company

The Company has given guarantees to banks on behalf of certain subsidiary companies for facilities approximating RM56,368,500 (2004:RM56,868,000) of which RM4,571,691 (2004: RM5,737,080) was utilised as at 31 March 2005.

The Group's interest in the contingent liability of the jointly controlled entity is disclosed in note 15 to the financial statements.

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 32 Capital commitments

Capital expenditure not provided for in the financial statements is as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Contracted but not provided for	<b>4,630,900</b>	3,177,523	<b>0</b>	0
Analysed as follows:				
- Property, plant and equipment	<b>4,630,900</b>	3,177,523	<b>0</b>	0

The Group's interest in the capital commitments of the jointly controlled entity is disclosed in note 15 to the financial statements.

## 33 Segmental reporting

### Primary reporting format - Business segments

The Group operates within one industry, thus business segment information is not presented.

### Secondary reporting format - Geographical segments

	2005			2004		
	Malaysia RM	The People's Republic of China RM	Total RM	Malaysia RM	The People's Republic of China RM	Total RM
<b>Revenue</b>						
Total revenue	<b>97,718,727</b>	<b>10,252,182</b>	<b>107,970,909</b>	108,845,608	4,237,501	113,083,109
Intersegment revenue	<b>(7,423,187)</b>	<b>(1,770,819)</b>	<b>(9,194,006)</b>	(9,458,696)	(1,353,750)	(10,812,446)
External revenue	<b>90,295,540</b>	<b>8,481,363</b>	<b>98,776,903</b>	99,386,912	2,883,751	102,270,663
<b>Segment results</b>	<b>18,121,464</b>	<b>1,291,577</b>	<b>19,413,041</b>	27,484,367	309,789	27,794,156
<b>Other information</b>						
Segment assets	<b>140,991,784</b>	<b>6,185,607</b>	<b>147,177,391</b>	126,750,903	5,982,518	132,733,421
Unallocated assets	<b>40,591,057</b>	<b>0</b>	<b>40,591,057</b>	40,803,536	0	40,803,536
			<b>187,768,448</b>			173,536,957
Jointly controlled entity			<b>86,121</b>			0
Total assets			<b>187,854,569</b>			173,536,957

# Notes to the Financial Statements

for the financial year ended 31 March 2005 (continued)

## 33 Segmental reporting (continued)

### Secondary reporting format - Geographical segments (continued)

	2005			2004		
	Malaysia RM	The People's Republic of China RM	Total RM	Malaysia RM	The People's Republic of China RM	Total RM
<b>Other information</b>						
Segment liabilities	<b>7,010,392</b>	<b>688,800</b>	<b>7,699,192</b>	4,661,116	693,191	5,354,307
Unallocated liabilities	<b>8,278,939</b>	<b>192,526</b>	<b>8,471,465</b>	6,901,334	957,182	7,858,516
Total liabilities			<b><u>16,170,657</u></b>			<b><u>13,212,823</u></b>
Capital expenditure	<b>13,011,520</b>	<b>136,888</b>	<b>13,148,408</b>	8,825,752	37,688	8,863,440
Depreciation and amortisation	<b>6,184,321</b>	<b>264,035</b>	<b>6,448,356</b>	6,136,404	291,895	6,428,299

Segment assets comprise primarily of property, plant and equipment, inventories, receivables and operating cash but exclude fixed deposits and taxation recoverable. Segment liabilities comprise operating liabilities but exclude items such as taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment (note 13).

Inter segment revenue in Malaysia mainly consist of dividend income from a subsidiary company while inter segment revenue in The People's Republic of China comprise sales of raw materials for foundry use to a Malaysian subsidiary company on terms agreed between the companies.

## 34 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 May 2005.

## Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, Loh Toa Thau @ Loh Eng Kim and Lee Then Wah, two of the Directors of YLI Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 29 to 60 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 May 2005.

**Loh Toa Thau @ Loh Eng Kim**

*Director*

**Lee Then Wah**

*Director*

## Statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Loh Bee Hoon, being the officer primarily responsible for the financial management of YLI Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 60 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**Loh Bee Hoon**

Subscribed and solemnly declared by the abovenamed Loh Bee Hoon at Penang on 26 May 2005.

Before me

**Chai Choon Kiat, PJM**  
**No. P.073**

Commissioner for Oaths

# Analysis of Shareholdings

as at 30 June 2005

Class of Shares	: Ordinary Shares of RM1.00 each
Voting Right	: One vote per ordinary share
Authorised Share Capital	: RM500,000,000
Issued and Paid-up Capital	: RM98,560,000
Number of Holders	: 2,058

## DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 30 JUNE 2005

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
22	less than 100 shares	653	0.00
311	100 to 1,000 shares	265,800	0.27
1,407	1,001 to 10,000 shares	5,128,391	5.20
245	10,001 to 100,000 shares	7,358,850	7.47
71	100,001 to less than 5% of issued shares	40,504,150	41.10
2	5% and above of issued shares	45,302,156	45.96
2,058		98,560,000	100.00

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 JUNE 2005

Name	Shareholdings	% of Total Issued Capital
1 FUJI FUSION SDN BHD	37,909,506	38.46
2 EMPLOYEES PROVIDENT FUND BOARD	7,392,650	7.50
3 LEMBAGA TABUNG HAJI	4,919,400	4.99
4 RHB NOMINEES (TEMPATAN) SDN BHD <i>RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja</i>	3,038,000	3.08
5 AMMB NOMINEES (TEMPATAN) SDN BHD <i>Amtrustee Berhad for Pacific Dividend Fund (5/27-2)</i>	2,641,700	2.68
6 AMMB NOMINEES (TEMPATAN) SDN BHD <i>Amtrustee Berhad for HLG Penny Stock Fund (5/4-3)</i>	2,596,500	2.63
7 AMMB NOMINEES (TEMPATAN) SDN BHD <i>Amtrustee Berhad for Pacific Pearl Fund (5/1-9)</i>	2,501,850	2.54
8 HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) Trustee Bhd for Hwang-DBS Select Small Caps Fund (4579)</i>	2,000,000	2.03
9 PERTUBUHAN KESELAMATAN SOSIAL	2,000,000	2.03
10 BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN. BHD. <i>Bumiputra-Commerce Trustee Berhad for Pacific Dana Aman (3717 Tro1)</i>	1,984,700	2.01
11 HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)</i>	1,638,700	1.66

## Analysis of Shareholdings

as at 30 June 2005 (continued)

Name	Shareholdings	% of Total Issued Capital
12 AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>Sekim Amanah Saham Nasional</i>	1,126,700	1.14
13 LEMBAGA TABUNG ANGKATAN TENTERA	1,000,000	1.01
14 AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>Public Smallcap Fund</i>	851,700	0.86
15 MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>Mayban Trustees Berhad for MAAKL Balanced Fund (910170)</i>	687,300	0.70
16 HONG LEONG ASSURANCE BERHAD <i>as Beneficial Owner (Life Par)</i>	637,350	0.65
17 ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN.BHD. <i>Petroliam Nasional Berhad</i>	632,500	0.64
18 AMMB NOMINEES (TEMPATAN) SDN BHD <i>Amtrustee Berhad for SBB Dana Al-ihsan (5-2-7)</i>	593,600	0.60
19 RHB NOMINEES (TEMPATAN) SDN BHD <i>RHB Asset Management Sdn Bhd for Kumpulan Wang Amanah Pencen</i>	567,700	0.58
20 FUJI FUSION SDN BHD	528,000	0.54
21 HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) Trustee Bhd for Hwang-DBS Dana Izdihar (4207)</i>	459,300	0.47
22 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>Amanah SSCM Nominees (Tempatan) Sdn Bhd for Kumpulan Wang Amanah Pencen (Jg442)</i>	410,800	0.42
23 AMMB NOMINEES (TEMPATAN) SDN BHD <i>Meridian Asset Management Sdn Bhd for Malaysian Assurance Alliance Bhd (1/154-6)</i>	402,000	0.41
24 AMMB NOMINEES (TEMPATAN) SDN BHD <i>Meridian Asset Management Sdn Bhd for Kumpulan Wang Amanah Pencen (1/184-8)</i>	381,600	0.39
25 LOH TOA THAU @ LOH ENG KIM	357,000	0.36
26 HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) Trustee Bhd for MAAKL Equity 80 Fund (4710)</i>	342,000	0.35
27 AMMB NOMINEES (TEMPATAN) SDN BHD <i>Malaysian Assurance Alliance Bhd for Annuity Par (1/185-6)</i>	320,000	0.32
28 ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN.BHD. <i>Petronas Retirement Benefit Scheme</i>	320,000	0.32
29 ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN.BHD. <i>Petroleum Research Fund</i>	312,600	0.32
30 CITICORP NOMINEES (ASING) SDN BHD <i>Citibank Singapore Global Window for Savers Malaysia Fund</i>	300,000	0.31
	<b>78,853,156</b>	<b>80.00</b>

## Analysis of Shareholdings

as at 30 June 2005 (continued)

### SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 30 June 2005 are as follows:-

Name of Shareholders	Direct	No of shares		
		%	Indirect	%
Fuji Fusion Sdn Bhd	38,437,506	39.00	-	-
Loh Eng Kim Co Sdn Bhd	15,000	0.01	@38,437,506	39.00
Dato' Loh Toa Thau @ Loh Eng Kim	418,500	0.42	#38,452,506	39.01
Loh Yok Yeong	196,000	0.20	#38,452,506	39.01
Loh Yeok Chuan	-	-	#38,452,506	39.01
Loh Yeok Cheong+	-	-	#38,452,506	39.01
HSBC Holdings plc*	5,050,900	5.12	-	-
Employees Provident Fund Board	10,430,650	10.58	-	-

@ Deemed interest by virtue of its substantial shareholding in Fuji Fusion Sdn Bhd

# Deemed interest by virtue of their substantial shareholdings in Fuji Fusion Sdn Bhd and Loh Eng Kim Co Sdn Bhd

+ Held in trust by Yeoh Phaik See

\* Shares held as Trustees for Unit Trust – Non Discretionary

### DIRECTORS AND THEIR SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 30 June 2005 are as follows:-

Name of Directors	Direct	No of shares		
		%	Indirect	%
Dato' Loh Toa Thau @ Loh Eng Kim	418,500	0.42	#38,452,506	39.01
Loh Yok Yeong	196,000	0.20	#38,452,506	39.01
Lee Then Wah	180,000	0.18	-	-
Dato' Ir Syed Muhammad Shahabudin	-	-	-	-
Foong Kai Choong	-	-	-	-
Ng Chong Wee	-	-	-	-
Tan Hock Hin	-	-	-	-

# Deemed interest by virtue of their substantial interests in Fuji Fusion Sdn Bhd and Loh Eng Kim Co Sdn Bhd

## Properties of the Group

FACTORIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2005 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
2432, Tingkat Perusahaan 6, Prai Industrial Estate 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 03.10.2042)	3.30 acres	1,675	N/A	1 November 1994
	Main factory	76,100 sq. ft.	4,026	22	
	Machine workshop	3,200 sq. ft.		14	
	Canteen	2,050 sq. ft.		9	
	Office building	7,949 sq. ft.		9	
71-A Jalan Jelutong, 11600 Pulau Pinang	Land ( Freehold)	12,988 sq. ft.	1,169	N/A	25 October 1994
	Two-storey office block and one single storey workshop	*5,170 sq. ft.	700	33	
	Land (Freehold)	3,044 sq. ft.	83	N/A	5 August 1998
	Single storey office building		61	6	1 March 2000
Lot No. 499 9W, Georgetown North East District Pulau Pinang	Land (Leasehold expiring 23.3.2041) (front yard of Lebu Bakau factory)	1,679 sq. ft.	78	N/A	25 October 1994
39, East Jelutong 11600 Pulau Pinang	Land ( Freehold) (part of Lebu Bakau factory)	6,993 sq. ft.	424	N/A	25 October 1994
	Workshop	2,000 sq.ft.	158	2	3 October 2003
40, East Jelutong 11600 Pulau Pinang	Land ( Freehold) (part of Lebu Bakau factory)	4,085 sq. ft.	248	N/A	25 October 1994
	Workshop	2,800 sq.ft.	132	1	15 September 2004
2462 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai Pulau Pinang	Land ( Leasehold 60 years expiring 13.04.2044)	3.01 acres	5,086	N/A	10 September 1999
	Factory Building	60,702 sq. ft.	4,982	5	14 July 2000

## Properties of the Group (continued)

FACTORIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2005 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
2579, Lorong Perusahaan 10, Prai Industrial Estate 13600 Prai Pulau Pinang	Land ( Leasehold 60 years expiring 23.01.2045)	3.02 acres	2,672	N/A	19 July 1999
	Single Storey factory cum workshop	40,050 sq. ft.	2,271	14	19 July 1999
	Double-storey office building	4,450 sq. ft.			
Min Nam Coastal Free Trade Zone, Nanjing, Zhangzhou, Fujian, People's Republic of China	Factory	33,368 sq. ft.	1,538	4	24 October 2000
	Three-storey building cum workers hostel	9,095 sq. ft.			
	Store under construction		64	N/A	
2604 Lorong Perusahaan Baru 2, Kawasan Perusahaan Prai, 13600 Prai, Pulau Pinang	Land(Leasehold approximately 46 years expiring 11/12/2050)	3.54510 acres	1,902	N/A	6 May 2004
	Factory Building	24,208 sq.ft.	1,416	15	
Lot No.668 and 669,Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang	Land(Freehold)	18,919 sq.metres	2,165	N/A	17 March 2005

\* Approximate figures

OFFICE CUM WAREHOUSE	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2005 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
51, Jalan Layang-layang 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Land ( Freehold)	7,201 sq. ft.	750	N/A	26 May 1997
	1 1/2 storey semi-detached factory erected on it		429	8	

## Properties of the Group (continued)

WAREHOUSE	DESCRIPTION	LAND AREA/	NET BOOK VALUE @31.03.2005 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
No. 2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai Pulau Pinang	Land (Leasehold expiring 09.05.2051)	3.25 acres	2,965	N/A	22 June 1996
	Single storey building used as a warehouse with a small section as office	10,744 sq. ft.	1,667	9	

GENERAL PROPERTIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2005 RM '000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
No. 11, 12, 13, 14 Tingkat 3, Block C Taman Pelangi 13600 Prai Pulau Pinang	4 units of flats (leasehold expiring 07.11.2093) used as production workers accommodation)	700 sq. ft. each	157	9	8 November 1994
No. 7, Lorong Nagasari 22 Taman Nagasari 13600 Prai Pulau Pinang	Land ( Freehold) 1 1/2 storey terrace factory erected on it (used as production workers accommodation)	2,034 sq.ft.	257	9	10 November 1993
HS(M) 21310, PT No.18066 HS(M) 28813, PT No.64243 HS(M) 21312, PT No.18068 HS(M) 21313, PT No.18069	Land (Freehold)	1,200 sq.metres	610	N/A	May 2002
	Warehouse		116	N/A	Jan 2003
Moveable Site Hostel No.2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai	Double Storey Steel Container	40' X 8' X 8' (4 units)	58	N/A	16 September 2002

### Statement on Revaluation Policy on Landed Properties

The freehold and leasehold land and buildings have not been revalued since 1994 and 1996. The Directors have adopted the transitional provisions in International Accounting Standard No. 16 (Revised): Property, Plant and Equipment as allowed for by the Malaysian Accounting Standards Board to retain the carrying amounts of these freehold and leasehold land and buildings on the basis of their previous revaluation subject to the continuing application of current depreciation policy.

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Tenth Annual General Meeting of YLI Holdings Berhad will be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 25 August 2005 at 10.00 a.m.

### **BUSINESS**

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2005 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To sanction the declaration and payment of a final dividend for the financial year ended 31 March 2005. (Resolution 2)
3. To approve the Directors' fees for the financial year ended 31 March 2005. (Resolution 3)
4. To re-elect the following Directors who retire in accordance with Article 84 of the Company's Articles of Association:-  
Mr Lee Then Wah (Resolution 4)  
Mr Foong Kai Choong (Resolution 5)
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration. (Resolution 6)
6. **SPECIAL BUSINESS**  
To consider and, if thought fit, to pass with or without modifications the following Ordinary Resolution:-  
  
**Authority to allot shares** (Resolution 7)  
"THAT pursuant to Section 132D of the Companies Act 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being, subject always to the approval of the relevant regulatory bodies being obtained for such allotment and issue."
7. To transact any other business of which due notice shall have been received.

## Notice of Annual General Meeting (continued)

### CLOSURE OF BOOKS

**NOTICE IS ALSO HEREBY GIVEN** that subject to the approval of the shareholders, the final dividend will be paid on 18 November 2005 to depositors registered in the Register of Depositors at the close of business on 26 October 2005. The Register of Members of the Company will be closed from 27 October 2005 to 28 October 2005 (both dates inclusive) for the determination of dividend entitlements.

**FURTHER NOTICE IS HEREBY GIVEN** that a Depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 26 October 2005 in respect of ordinary transfers.
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum dividend entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

### **MOLLY GUNN CHIT GEOK (MAICSA 0673097)**

Company Secretary

Penang

Date: 2 August 2005

### NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
2. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 71-A Jalan Jelutong, 11600 Penang not less than 48 hours before the time set for the meeting.
3. Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act 1965.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### **Resolution 7 - Authority pursuant to Section 132D of the Companies Act 1965**

The Ordinary Resolution, if passed, will renew the powers given to the Directors at the last Annual General Meeting to issue new shares not exceeding 10 per cent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company.

# Statement Accompanying Notice of Annual General Meeting

pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

## 1. **Directors standing for re-election:-**

Pursuant to Article 84 of the Articles of Association

- Lee Then Wah
- Foong Kai Choong

## 2. **Details of attendance of Directors at Board Meetings**

The details are set out on page 13 of the annual report.

## 3. **The place, date and time of the Annual General Meeting:-**

Bayan Room, Hotel Equatorial,  
No 1, Jalan Bukit Jambul,  
11900 Bayan Lepas, Penang  
on Thursday, 25 August 2005 at 10.00 a.m.

## 4. **Further details of Directors who are standing for re-election**

The profile and shareholdings of the Directors who are standing for re-election are set out on pages 9 to 10 and 25 respectively of the annual report.

## Form of Proxy

Shareholding represented by Proxy

I/We \_\_\_\_\_  
(Full Name In Capital Letters)

of \_\_\_\_\_  
(Address)

being a member/members of YLI Holdings Berhad ("the Company"), hereby appoint \_\_\_\_\_  
(Full Name)

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the TENTH ANNUAL GENERAL MEETING of the Company to be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 25 August 2005 at 10.00 a.m. and at any adjournment thereof in the manner indicated:-

	FOR	AGAINST
Resolution 1 - Adoption of financial statements and reports of Directors and Auditors		
Resolution 2 - Declaration and payment of a final dividend		
Resolution 3 - Approval of Directors' fees		
Re-election of Directors:		
Resolution 4 - Mr Lee Then Wah		
Resolution 5 - Mr Foong Kai Choong		
Resolution 6 - Re-appointment of Messrs PricewaterhouseCoopers as Auditors and authorising the Directors to determine their remuneration		
Resolution 7 - Authority to allot shares		

Please indicate with "X" how you wish your vote to be cast. Unless voting instructions are indicated in the space above, the proxy will vote or abstain from voting as he/she thinks fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

CDS Account Number	<input type="text"/>
Number of shares held	<input type="text"/>

\_\_\_\_\_  
Signature/Common Seal of Appointer

### Notes:

- i) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
- ii) The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 71-A Jalan Jelutong, 11600 Penang not less than 48 hours before the time set for the meeting.
- iii) Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
- iv) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
- v) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act 1965.

Please fold across the line and close

STAMP

The Company Secretary

**YLI HOLDINGS BERHAD** (367249-A)

71-A, Jalan Jelutong, 11600 Penang, Malaysia.

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