**YLI HOLDINGS BERHAD**
Co. No. 367249-A

# Diversification & Expansion

Annual Report
2009

## OUR VISION

To be a pre-eminent group 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

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
*- Non-Independent Non-Executive Chairman*
Samsuri Bin Rahmat
*- Managing Director*
Ali Sabri Bin Ahmad
*- Executive Director*

*Independent Non-Executive Directors*
Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin
Ab Gani Bin Haron
Mohammad Khayat Bin Idris

## BOARD COMMITTEES

**Audit Committee**
Ab Gani Bin Haron
*- Chairman*
Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin
Mohammad Khayat Bin Idris

**Remuneration Committee**
Mohammad Khayat Bin Idris
*- Chairman*
Ab Gani Bin Haron
Samsuri Bin Rahmat

**Nomination Committee**
Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin
*- Chairman*
Ab Gani Bin Haron
Mohammad Khayat Bin Idris

## REGISTERED OFFICE

2579 Lorong Perusahaan 10,
Prai Industrial Estate,
13600 Prai,
Penang, Malaysia
Tel: 04 3991819
Fax: 04 3999819

## COMPANY SECRETARY

Molly Gunn Chit Geok
MAICSA 0673097

## AUDITORS

PricewaterhouseCoopers
Chartered Accountants
16th Floor, Bangunan KWSP
Jalan Sultan Ahmad Shah
PO Box 856
10810 Penang, Malaysia

## SHARE REGISTRAR

Plantation Agencies Sdn. Berhad
3rd Floor, Standard Chartered Bank Chambers
Lebuh Pantai, 10300 Penang
Tel: 04 2625333
Fax: 04 2622018

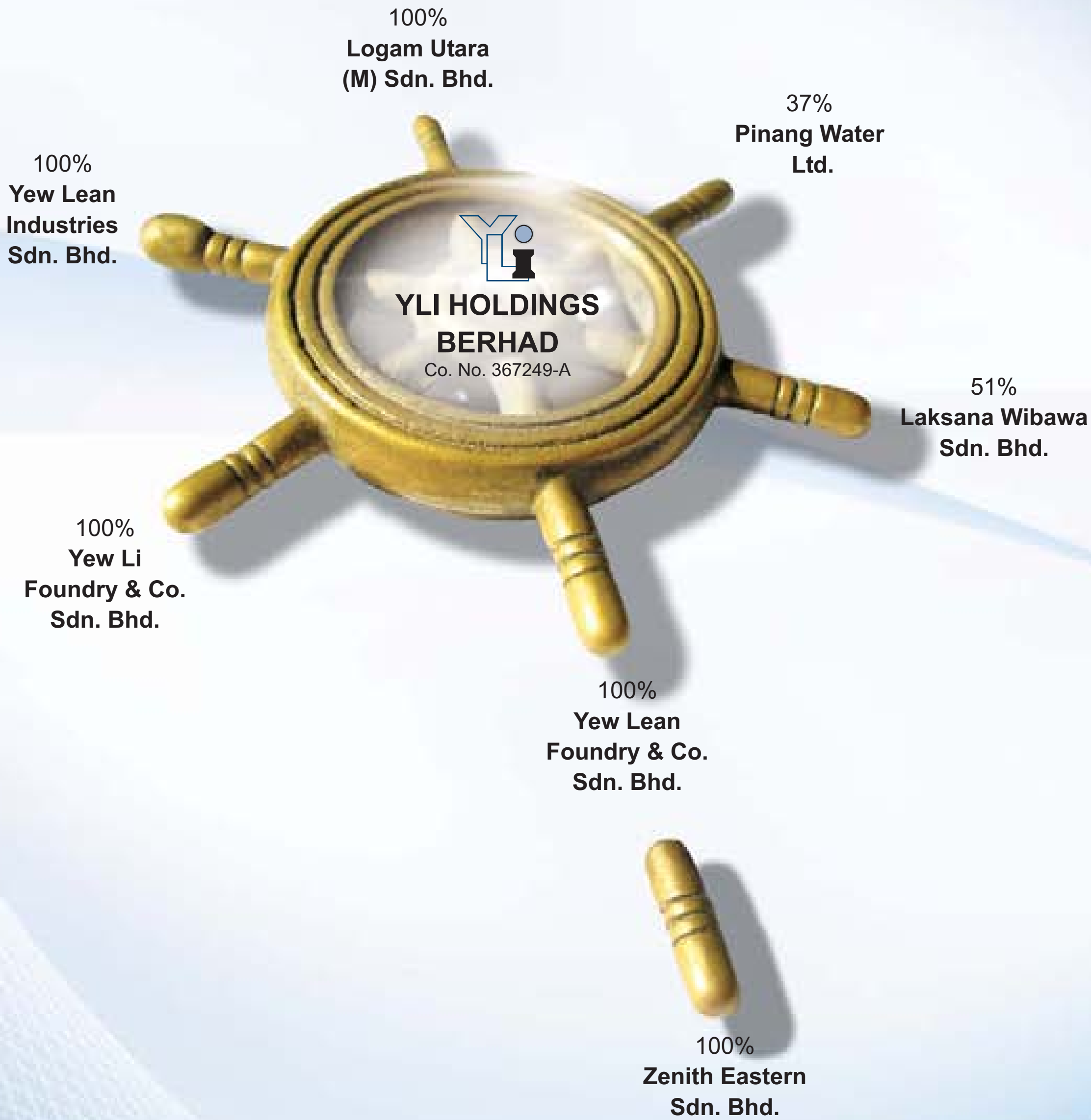
## PRINCIPAL BANKERS

AmInvestment Bank Berhad
Citibank Berhad
EON Bank Berhad
Malayan Banking 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



# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of YLI Holdings Berhad, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 March 2009. The Group had a tumultuous year as the operating environment remained tough amidst the worsening global economic downturn, unstable local political landscape as well as persistently high production costs.

## Financial Performance

Amidst the weakening Malaysian economy which has seen its real gross domestic growth dropping to an anemic 4.6% in 2008 from 6.3% in 2007, the Group has fared relatively well. Group revenue of RM125.6 million was recorded which represents an increase of 26.7% as compared to RM99.1 million recorded in the previous year. The higher revenue was mainly attributed to improving demand for our Ductile Iron ("DI") and Mild Steel ("MS") pipes in both local and export markets.

However, despite the improvement in revenue, the Group achieved a pre-tax profit of only RM8.0 million, which represents a decline of 36.5% over the previous year while the profit after tax declined by 51.2% to RM5.3 million. The declining profitability was mainly attributed to squeezed margins as a result of persistently higher raw material and energy costs. However, the Group's shareholders' funds continue to improve rising to RM196.7 million as at 31 March 2009 compared to RM194.2 million in the previous year.

## Operation highlights and Corporate Developments

The prospects for the Group's businesses will invariably depend on the impact of the prevailing economic and political conditions and also upon Government and private spending on water and sewerage projects. Whilst the current operating environment remains challenging, the Group still subscribes to the belief that new opportunities would eventually arise as the Government intensifies its efforts to reduce Non-Revenue Water to 20% by year 2015.

# CHAIRMAN'S STATEMENT (CONTINUED)

In response to the difficult business environment, the Group would continue to invest in its product quality and technology to enhance the appeal of its products, while taking steps to improve on operating efficiencies.

In line with its strategy to focus on its core business and to enhance shareholders' value in the long run via proper capital management, the Group undertook the following excercise:

1. On 26 June 2008, the Group announced its proposed acquisition of 51% equity interest in Laksana Wibawa Sdn. Bhd. ("LW"), comprising 18,840,412 ordinary shares of RM1.00 each ("Sale Shares") for a total purchase consideration of RM47,943,050.60, to be satisfied entirely via cash, which shall be financed entirely from internally generated funds. Conditions Precedent under the Sale and Purchase Agreement ("SPA") between the Group and the Vendors of LW shares include the approval of the Ministry of International Trade and Industry for the acquisition by the Group of the Sale Shares and the LW's lender's approval. LW is principally involved in the manufacturing and trading of Mild Steel and Ductile Iron pipes and fittings.

   On 3 July 2008, the Group announced a supplemental agreement ("SA") to the SPA which was entered into between the Vendors of the Sale Shares whereby the number of Sale Shares from the individual Vendors was varied.

   All Conditions Precedent under the SPA had since been fulfilled and with the payment of balance purchase consideration by the Group and the delivery of share certificates of the Sale Shares together with valid and registrable instruments of transfer by the Vendors, the acquisition of LW was completed on 29 August 2008.

2. On 28 July and 29 July 2008, the Group announced that it had bought back 50,000 ordinary shares and 71,000 ordinary shares of RM1.00 each respectively as part of its capital management strategy to enhance shareholders' value in the long run. Total consideration paid amounted to RM45,076.93 (inclusive of transaction costs which amounted to RM326.93) and RM63,329.09 (inclusive of transaction costs which amounted to RM459.09) respectively.

## Dividend

The Group believes in a prudent capital management policy which has enabled it to maintain its healthy financial position over the years. While the Board recognizes the importance of regular dividend return to the shareholders, the importance of sustainable future business growth cannot be ignored in order to maximize shareholders' return in the long run.

In view of the challenging operating environment that would likely persist in the near future, the Board is recommending a first and final dividend of 2.5% per share less tax of 25% for the financial year ended 31 March 2009 subject to the approval of shareholders at the forthcoming Annual General Meeting.

## Corporate Governance

The Statement on Corporate Governance is set out on page 13 to page 17. The Board will also ensure the requirements of Bursa Malaysia's listing requirements are strictly applied and adhered to by the Company.

# CHAIRMAN'S STATEMENT (CONTINUED)

## Industry Outlook

The Government has allocated more than RM12 billion for projects involving water supply and sewerage under the Ninth Malaysia Plan. Based on the Malaysia Water Industry Guide 2006, a publication by the Malaysia Water Association, this amount does not include potential investments from the private sector. It is envisaged the private sector would work in tandem with the Government to improve water quality and efficiency of existing water supply and sewerage systems in Malaysia.

Despite the above, the execution of local waterworks projects had been lackluster given the global economic slowdown and domestic political uncertainty. However, the Board is of the view that the current phenomenon would only be temporary and the Group would stand to benefit as the leading pipes manufacturer once the economic and political environments stabilize.

## Corporate Social Responsibility

As we strive to increase shareholders' return through our core business of pipe manufacturing, we also acknowledge our responsibility to our employees, business associates and the communities within which we conduct business as well as the environment we operate in.

In recognition of employees being the most important asset to drive the business, the Group has always endeavored to safeguard the welfare of all its employees. The Group has a Safety Committee which ensures that working conditions are in compliance with the Occupational Safety and Health Act 1994 (OSHA) requirements. Employees were also provided with necessary training on an ongoing basis to enable them to cope with the ever-changing business requirements. The Group believes in a highly disciplined workforce and grievances among employees were resolved professionally in full accordance with the prevailing laws governing industrial relations.

The Group adheres strictly to all environmental laws and regulations. Production processes are constantly monitored and upgraded to ensure compliance with changing environmental laws and regulations. The Group has continuously sought alternative ways to further enhance environmental protection through more efficient use of energy and minimizing the production of industrial waste.

## Board Changes and Appreciation

On behalf of the Board, I would like to record my heartfelt appreciation and gratitude to Dato' Ir Syed Muhammad Shahabudin who has retired from the Board after the 13th Annual General Meeting of the Company on 28 August 2008. The Group has certainly benefited from his invaluable past contributions.

At the same time, I would like to welcome Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin who was appointed to the Board of YLI Holdings Berhad on 24 February 2009. I am very certain he would make invaluable contributions to the Group in the years to come.

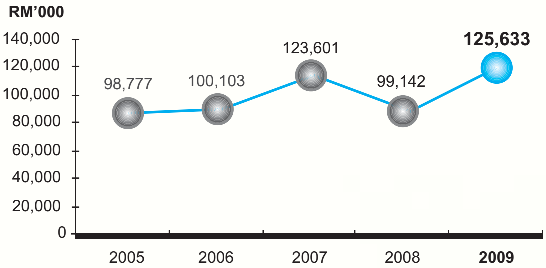
I would also like to thank all our employees for their perseverance, commitment and substantial contribution to the Group for the past year. My sincere gratitude also goes to the management team, valued clients and business associates for their support. Last but not least, my heartfelt thanks to all our shareholders for their continuing confidence and support.

**Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir**
Chairman

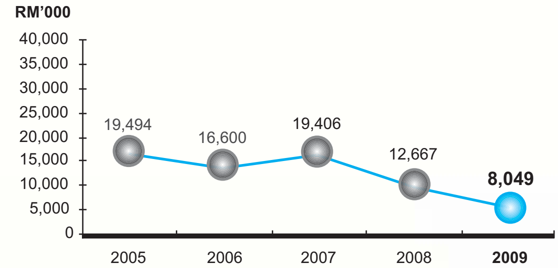


# FINANCIAL HIGHLIGHTS

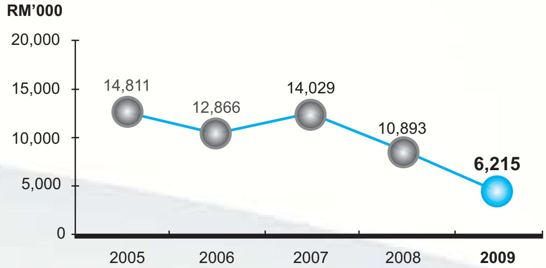
### Revenue



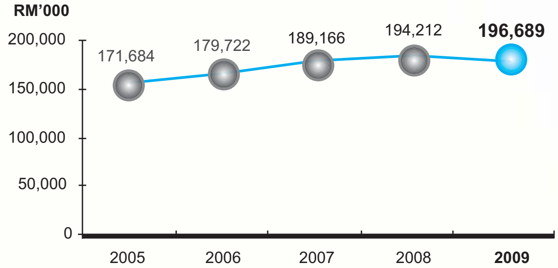

### Profit Before Taxation




### Profit After Taxation Attributable to Shareholders (Before Minority Interest)




### Shareholders' Funds




# FINANCIAL CALENDAR

| | | |
|---|---|---|
| **FINANCIAL YEAR END** | | 31 March 2009 |
| **ANNUAL GENERAL MEETING** | | 20 August 2009 |
| **ANNOUNCEMENT OF RESULTS** | First Quarter | 28 August 2008 |
| | Second Quarter | 27 November 2008 |
| | Third Quarter | 26 February 2009 |
| | Fourth Quarter | 28 May 2009 |
| **ANNUAL REPORT** | Date of Issuance | 29 July 2009 |
| **DIVIDEND** | **First & Final** | |
| | Recommendation | 28 May 2009 |
| | Payment date (if approved) | 11 November 2009 |

# FINANCIAL TRACK RECORD

| | Financial Year Ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2009 RM'000 | 2008 RM'000 | 2007 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Revenue | 125,633 | 99,142 | 123,601 | 100,103 | 98,777 |
| Profit Before Taxation | 8,049 | 12,667 | 19,406 | 16,600* | 19,494 |
| Profit After Taxation Attributable to Shareholders | 6,215 | 10,893 | 14,029 | 12,866 | 14,811 |
| Shareholders' Funds | 196,689 | 194,212 | 189,166 | 179,722 | 171,684 |
| Total Assets Employed | 300,044 | 210,913 | 205,272 | 197,053 | 187,854 |
| Profit After Taxation as a Percentage of Shareholders' Funds | 3.2 | 5.6 | 7.4 | 7.2 | 8.6 |
| Basic Earnings Per Share (sen) | 6.31 | 11.05 | 14.23 | 13.05 | 15.06 |
| Diluted Earnings Per Share (sen) | N/A | N/A | N/A | N/A | N/A |
| Net Tangible Assets Per Share (RM) | 2.00 | 1.97 | 1.92 | 1.82 | 1.74 |
| No. of Shares in Issue | 98,439 | 98,560 | 98,560 | 98,560 | 98,560 |

** Figure has been adjusted in compliance with FRS 101 "Presentation of Financial Statement"*

# OUR PERFORMANCE

| | | | 2009 RM'000 | 2008 RM'000 | % Change |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | Revenue | | 125,633 | 99,142 | 26.72 |
| | Profit Before Taxation | | 8,049 | 12,667 | (36.46) |
| | Profit After Taxation Attributable to Shareholders | | 6,215 | 10,893 | (42.95) |
| **BALANCE SHEET** | Shareholders' Funds | | 196,689 | 194,212 | 1.28 |
| | Total Assets Employed | | 300,044 | 210,913 | 42.26 |
| **RATIOS** | Current Ratio | times | 1.93 | 17.19 | (88.77) |
| | Interest Coverage | times | 5.14 | 59,748.80 | (99.99) |
| | Return On Equity | % | 3.16 | 5.61 | (43.67) |
| | Return On Total Assets | % | 2.07 | 5.16 | (59.88) |
| | Financial Leverage Ratio | times | 0.28 | 0.00 | N/A |
| | Basic Earnings Per Share | sen | 6.31 | 11.05 | (42.90) |
| | Net Tangible Assets Per Share | RM | 1.62 | 1.97 | (17.77) |
| | 31st March Closing Price | RM | 0.53 | 1.41 | (62.41) |

# BOARD OF DIRECTORS

*Seated from left to right :*

**Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir**
*Non-Independent Non-Executive Chairman*

**Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin**
*Independent Non-Executive Director*

**Samsuri Bin Rahmat**
*Managing Director*

*Standing from left to right :*

**Mohammad Khayat Bin Idris**
*Independent Non-Executive Director*

**Ab Gani Bin Haron**
*Independent Non-Executive Director*

**Ali Sabri Bin Ahmad**
*Executive Director*

# PROFILE OF DIRECTORS

**TAN SRI SYED MOHD YUSOF BIN TUN SYED NASIR**
*Malaysian, aged 61*
*Non-Independent Non-Executive Chairman*

Tan Sri Syed Yusof is the Chairman and major shareholder of YLI Holdings Berhad. He was appointed to the Board of the Company on 15 August 2007.

Tan Sri Syed Yusof graduated with a Bachelor of Economics degree majoring in Accountancy from the University of Tasmania, Australia in early '70s. He started his career with Petronas in 1976 where he served in various positions and his last position held in Petronas was as Head of Northern Region before he left Petronas to venture into business in 1983. Tan Sri Syed Yusof is a multi-talented entrepreneur and he has more than 20 years of experience in integrated marketing, financial and management operations for several major corporations involved in investment holding, marketing, hotel industry, automobile industry, restaurant operation and entertainment, property development and construction. He was formerly the Chairman of Southern Bank Berhad and Killinghall (Malaysia) Bhd and a former Director of Southern Finance Berhad and AM Trustee Berhad. Currently, he sits on the Board of several private limited companies.

He is not related to any director and/or other major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all five Board Meetings for the financial year ended 31 March 2009.

**ENCIK SAMSURI RAHMAT**
*Malaysian, aged 53*
*Managing Director*
*Non-Independent Executive Director*

Encik Samsuri Rahmat was appointed as the Managing Director on 9 June 2008. He was formerly the Chief Operating Officer of the Company. He is a member of the Remuneration Committee of YLI Holdings Berhad. He graduated with a Bachelor of Science (Honors) degree in Environmental Studies from University Putra Malaysia in 1980. He also holds a Master of Arts degree in Economics from Western Michigan University, the United States of America.

He has held various key positions in the Ministry of Science, Technology and Environment, Ministry of International Trade and Industry, Ministry of National and Rural Development, Socio-Economic Research Unit and Economic Planning Unit (both under the Prime Minister's Department) for sixteen years before joining the private sector in 1996. Prior to joining the Company, he was the Executive Vice Chairman and also Executive Director of TRIplc Berhad.

As the 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 subsidiaries of the YLI Group. He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since his appointment on 9 June 2008, he has attended all four Board Meetings for the financial year ended 31 March 2009.

# PROFILE OF DIRECTORS (CONTINUED)

**ENCIK ALI SABRI AHMAD**
*Malaysian, aged 52*
*Non-Independent Executive Director*

Encik Ali Sabri Ahmad was appointed as Executive Director on 9 June 2008. He graduated with a Diploma in Civil Engineering from Institut Teknologi Mara in 1980. He also holds a Bachelor of Science degree in Civil Engineering from the University of Glasgow, Scotland in 1986.

He has over twenty years of working experience in major construction projects ranging from civil infrastructure, building works, hospital, road works, elevated viaduct, hotel, residential and commercial developments. He has held various key positions in organizations involved in major construction and project management in Malaysia as well as abroad. Prior to joining the Company, he was the Construction Manager in Kumpulan Ikhtisas Projek (M) Sdn. Bhd. He also sits on the Board of various subsidiaries of the YLI Group.

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since his appointment on 9 June 2008, he has attended all four Board Meetings for the financial year ended 31 March 2009.

**DATUK PROF IR (DR) HJ AHMAD ZAIDEE BIN LAIDIN**
*Malaysian, aged 66*
*Independent Non-Executive Director*

Datuk Prof Ir (Dr) Hj Ahmad Zaidee Bin Laidin was appointed to the Board on 24 February 2009. He is the Chairman of the Nomination Committee and a member of Audit Committee of YLI Holdings Berhad.

He holds a Master in Science in Technological Economies (Management & Industrial Science), University of Stirling and is a registered Professional Engineer with the Board of Engineers Malaysia as well as a Chartered Electrical Engineer (U.K.).

Internationally, he is a member of the Institution of Electrical Engineers, and the Institute of Management Services, U.K. He is a Fellow of the Institution of Engineers, Malaysia, as well as Academy of Sciences Malaysia and is currently serving in the councils of both bodies.

He was awarded the Degree of Doctor of the University by University of Stirling, the Honorary Degree of Doctor of Technology by Oxford Brookes University, and the Honorary Doctor of Letters by the Manchester Metropolitan University as well as Honorary Professor of Napier University, United Kingdom.

He is the Past President of the Federation of Engineering Institutions of Southeast Asia and the Pacific (FEISEAP) and a Past President of Institution of Engineers, Malaysia (IEM) as well as the Honorary Fellow of the ASEAN Federation of Engineering Organizations.

He is currently a Board member of Syarikat Mengurus Air Banjir & Terowong Sdn Bhd (SMART), Chairman of MMC Oil & Gas Engineering Sdn. Bhd. and Chairman of ERINCO Sdn. Bhd.

Academically, he is a visiting Professor in Electrical Engineering to Universiti Malaysia Pahang, a Vice President of the Academy of Sciences Malaysia and a Board Member of Open University Malaysia and Meteor Learning Sdn. Bhd. He is also Chairman and Director of Malay Education and Development Research Institute, an NGO. He also serves on the Board of UNITEN.

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since his appointment on 24 February 2009, he has attended the Board Meeting held on 26 February 2009 for the financial year ended 31 March 2009.

# PROFILE OF DIRECTORS (CONTINUED)

**ENCIK AB GANI HARON**
*Malaysian, aged 57*
*Independent Non-Executive Director*

Encik Ab Gani Bin Haron was appointed to the Board on 9 June 2008. He is the Chairman of the Audit Committee and a member of Nomination Committee and Remuneration Committee of YLI Holdings Berhad.

He graduated with a Bachelor of Economics (Honors) degree from Universiti Malaya in 1976 and obtained his Diploma Perakaunan from Universiti Malaya in 1977. He is also a qualified member of Malaysian Institute of Accountants.

He has over thirty years of working experience in civil service. He started his career as an accountant in the Accountant General's office. He had since held various key positions in the Accountant General's office. He was the Deputy Accountant General (Operations) in the Accountant General's office until November 2007. He is the Chairman of Amanahraya Capital Sdn. Bhd. and sits on the Board of Amanahraya Investment Bank Ltd., Amanahraya Trustees Berhad, Amanah Raya (Labuan) Limited and Export-Import Bank of Malaysia Berhad.

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since his appointment on 9 June 2008, he has attended all four Board Meetings for the financial year ended 31 March 2009.

**ENCIK MOHAMMAD KHAYAT IDRIS**
*Malaysian, aged 56*
*Independent Non-Executive Director*

Encik Mohammad Khayat Idris was appointed to the Board on 9 June 2008. He is the Chairman of the Remuneration Committee and a member of Audit Committee and Nomination Committee of YLI Holdings Berhad.

He graduated with a Bachelor of Engineering (Honors) degree from Universiti Teknologi Malaysia in 1977. He also holds a Master of Science degree in electrical power engineering from University of Strathclyde, United Kingdom.

He has over twenty five years of illustrious working experience in the academic profession. He joined Institut Teknologi Mara as a lecturer in Electrical Engineering Power in 1977 and had since held key positions within the organization. Prior to his appointment as a Director of YLI, he was the Deputy Director of Development in UiTM.

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since his appointment on 9 June 2008, he has attended all four Board Meetings for the financial year ended 31 March 2009.

# STATEMENT ON CORPORATE GOVERNANCE

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 2009.

## 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, corporate planning, restructuring and construction. The Board has delegated specific responsibilities to three main committees namely the Audit, Remuneration and Nomination 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 two Executive Directors and four Non-Executive Directors, of whom three are independent. The Independent Non-Executive Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Together they play an important part in the process of deliberating and examining business strategies proposed by the Management, taking into account the long term interest of the Company, its shareholders, employees, customers and other stakeholders.

There is a clear division of responsibility between the Chairman and the 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 Board considers that the current size of the Board is adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the 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 expenditure, risk management policies, appointment of Directors are discussed and decided by the Board.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## THE BOARD OF DIRECTORS (continued)

### The Board (continued)

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

During the financial year ended 31 March 2009, five (5) Board Meetings were held. The attendance record of each Director is as follows:-

| | Board of Directors' Meeting | | May'08 | June'08 | Aug'08 | Nov'08 | Feb'09 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Directors** | **Position** | **Attendance** | | | | | **Total** | **%** |
| 1 | Tan Sri Syed Mohd Yusof bin Tun Syed Nasir | Non-Executive Chairman | • | • | • | • | • | 5/5 | 100 |
| 2 | Samsuri bin Rahmat *(Appointed w.e.f. 9 June 2008)* | Managing Director | N/A | • | • | • | • | 4/4 | 100 |
| 3 | Ali Sabri bin Ahmad *(Appointed w.e.f. 9 June 2008)* | Executive Director | N/A | • | • | • | • | 4/4 | 100 |
| 4 | Ab Gani bin Haron *(Appointed w.e.f. 9 June 2008)* | Director | N/A | • | • | • | • | 4/4 | 100 |
| 5 | Mohammad Khayat bin Idris *(Appointed w.e.f. 9 June 2008)* | Director | N/A | • | • | • | • | 4/4 | 100 |
| 6 | Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin *(Appointed w.e.f. 24 February 2009)* | Director | N/A | N/A | N/A | N/A | • | 1/1 | 100 |
| 7 | Dato' Ir Syed Muhammad Shahabudin *(Retired on 28 August 2008)* | Director | • | X | N/A | N/A | N/A | 1/2 | 50 |
| 8 | Loh Yok Yeong *(Resigned w.e.f. 9 June 2008)* | Group Managing Director | • | N/A | N/A | N/A | N/A | 1/1 | 100 |
| 9 | Lee Then Wah *(Resigned w.e.f. 9 June 2008)* | Group Executive Director | • | N/A | N/A | N/A | N/A | 1/1 | 100 |
| 10 | Foong Kai Choong *(Resigned w.e.f. 9 June 2008)* | Director | • | N/A | N/A | N/A | N/A | 1/1 | 100 |
| 11 | Ng Chong Wee *(Resigned w.e.f. 9 June 2008)* | Director | • | N/A | N/A | N/A | N/A | 1/1 | 100 |
| 12 | Tan Hock Hin *(Resigned w.e.f. 9 June 2008)* | Director | • | N/A | N/A | N/A | N/A | 1/1 | 100 |
| Total number of meetings held: | | | | | | | | 5 | |

**(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 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.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## THE BOARD OF DIRECTORS (continued)

### The Board (continued)

### (iv) Appointments to the Board

The present Nomination Committee comprises Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin (Independent Non-Executive Director) who is the Chairman, Encik Ab Gani bin Haron (Independent Non-Executive Director) and Encik Mohammad Khayat bin Idris (Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

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

### (v) Re-election of Directors

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

### (vi) Directors' Training

As required under the Listing Requirements of Bursa Malaysia Securities Berhad, all the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP"). The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties.

During the financial year ended 31 March 2009, the Directors have evaluated their own training needs on a continuous basis and attended the following:-

| Directors | Types of training | Duration |
|---|---|---|
| Tan Sri Syed Mohd Yusof bin Tun Syed Nasir | In-house programme on The Companies (Amendment) Bill 2007 – its impact, implications and aim | ½ day |
| | In-house seminar on Internal Controls Guidelines (Methodology for the evaluation of risks in Corporate Governance) | 1 day |
| Samsuri bin Rahmat<br>Ali Sabri bin Ahmad<br>AB Gani bin Haron<br>Mohammad Khayat bin Idris | In-house seminar on Internal Controls Guidelines (Methodology for the evaluation of risks in Corporate Governance) | 1 day |
| Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin | Joint Conference on Malaysia - France Engineering Education Prerequisite to formation of Engineers | 1 day |

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## DIRECTORS' REMUNERATION

### (i) Remuneration Committee

The present Remuneration Committee comprises Encik Mohammad Khayat bin Idris (Chairman) who is an Independent Non-Executive Director, Encik Samsuri bin Rahmat, (Managing Director) and Encik Ab Gani bin Haron (Independent Non-Executive Director).

### (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.

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

The aggregate remuneration of the Directors during the financial year ended 31 March 2009 is set out below:-

**A. Aggregate Remuneration**

| | Executive Directors RM | Non-Executive Directors RM |
|---|---|---|
| Fees | 79,434 | 22,241 |
| Salaries | 524,850 | - |
| Bonus | 17,868 | - |
| Benefits in kind | 75,072 | 63,010 |
| Other benefits | 78,346 | 474,731 |
| **Total** | **775,570** | **559,982** |

**B. Band (RM)**

| By Band: | Executive Directors | Non-Executive Directors | Total |
|---|---|---|---|
| 0 - 50,000 | 1 | 7 | 8 |
| 100,001 - 150,000 | 1 | - | 1 |
| 200,001 - 250,000 | 1 | - | 1 |
| 350,001 - 400,000 | 1 | - | 1 |
| 400,001 - 450,000 | - | 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 AND INVESTORS

The Company keeps shareholders informed by announcements and timely release of quarterly financial results through the Bursa Malaysia LINK, press releases and annual reports. The Company also endeavours to meet requests for meetings from institutional investors and analysts for a better understanding on the Group's strategy and financial performance, all within the legal and regulatory framework in respect of the release of information.

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

Encik Ab Gani Bin Haron, Senior Independent Non-Executive Director
Telephone number : 04-399 1819
Facsimile number : 04-399 9819
Email address : corporate@yli.com.my

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

**RELATIONS WITH SHAREHOLDERS AND INVESTORS** (continued)

Shareholders and members of the public are invited to access the Group's website at **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.

**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 24 of this Annual Report.

**(ii) Relationship with the External Auditors**

The Board has established and maintains a close and transparent professional 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

During the financial year:

**a) Utilisation of proceeds from corporate proposals**
No proceeds were raised by the Company from any corporate proposal.

**b) Share buybacks**
The Company has in the financial year ended 31 March 2009 bought back a total of 121,000 of its own shares for a total consideration of RM108,406.02 and has kept them as treasury shares. Details of the shares purchased are as follows:-

| Month | No of ordinary shares of RM1.00 each | Highest Purchase Price Per Share (RM) | Lowest Purchase Price Per Share (RM) | Average Purchase Price Per Share (RM) | Total Consideration (RM) |
|---|---|---|---|---|---|
| July 2008 | 121,000 | 0.8950 | 0.8850 | 0.8959 | 108,406.02* |

* Inclusive of transaction costs which amounted to RM786.02.

There were no resale of treasury shares or shares cancelled during the financial year.

**c) Options, warrants or convertible securities exercised**
The Company has not issued any options, warrants or convertible securities.

**d) American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) programmes sponsored**
The Company did not sponsor any American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) programmes.

**e) Sanctions and/or penalties imposed**
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.

**f) Variations in actual results from those previously announced or released**
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) Comparison of profit achieved with the profit guarantee**
There was no profit guarantee given to the Company.

**h) Material contracts**
There were no material contracts of the Company and its subsidiaries involving Directors’ and major shareholders’ interests.

**i) Recurrent Related Party Transactions of Revenue Nature (“RRPT”)**
The Company did not enter into any RRPT.

**Non-audit fees**

For the financial year, the amount of non-audit fees incurred for services rendered to the Company or its subsidiaries by its external auditors or a firm or company affiliated to the said auditors was RM24,903.

**Conviction for offences**

None of the Directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

# AUDIT COMMITTEE REPORT

**Chairman**

Ab Gani bin Haron*
*Independent Non-Executive Director*
*(Appointed w.e.f. 9 June 2008)*

**Members**

Encik Mohammad Khayat bin Idris
*Independent Non-Executive Director*
*(Appointed w.e.f. 9 June 2008)*

Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin
*Independent Non-Executive Director*
*(Appointed w.e.f. 24 February 2009)*

Dato' Ir Syed Muhammad Shahabudin
*Independent Non-Executive Director*
*(Appointed w.e.f. 9 June 2008 and Resigned w.e.f. 28 August 2008)*

**Member of MIA*

## Terms of Reference

### 1. 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, a majority of whom must be independent directors;
(b) all members of the Audit Committee shall be non-executive directors and should be financially literate; 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 I 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.
   (iii) fulfils such other requirements as prescribed or approved by the Exchange.

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.

# AUDIT COMMITTEE REPORT (CONTINUED)

## 2. 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.

### 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 The Committee should meet with the external auditors without any executive Board members present at least twice a year.

### 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. RIGHTS

3.1 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 auditors and person(s) carrying out the internal audit function or activity;
(e) be able to obtain independent professional or other advice; and
(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of Company, whenever deemed necessary.

# AUDIT COMMITTEE REPORT (CONTINUED)

## 4. 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 on management integrity.

(c) with the external auditor:
  (i) the audit plan;
  (ii) his audit report;
  (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, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work and that it reports directly to the Audit Committee;
(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)

### Details of attendance of members at Audit Committee Meetings

For the financial year ended 31 March 2009, seven (7) Audit Committee meetings were held.

The attendance of each member is as set out below:

| Committee Members | | #01 | #02 | #03 | #04 | #05 | #06 | #07 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Position** | **Attendance** | | | | | | | Total | % |
| Ab Gani bin Haron<br>(Appointed w.e.f. 9 June 2008) | Chairman | N/A | N/A | • | • | • | • | • | 5/5 | 100 |
| Mohammad Khayat bin Idris<br>(Appointed w.e.f. 9 June 2008) | Member | N/A | N/A | • | • | • | • | • | 5/5 | 100 |
| Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin<br>(Appointed w.e.f. 24 February 2009) | Member | N/A | N/A | N/A | N/A | N/A | N/A | • | 1/1 | 100 |
| Dato' Ir Syed Muhammad Shahabudin<br>(Appointed w.e.f. 9 June 2008<br>and resigned w.e.f. 28 August 2008) | Member | N/A | N/A | • | N/A | N/A | N/A | N/A | 0/1 | 0 |
| Ng Chong Wee<br>(Resigned w.e.f. 9 June 2008) | Chairman | • | • | N/A | N/A | N/A | N/A | N/A | 2/2 | 100 |
| Loh Yok Yeong<br>(Resigned w.e.f. 9 June2008) | Member | • | • | N/A | N/A | N/A | N/A | N/A | 2/2 | 100 |
| Tan Hock Hin<br>(Resigned w.e.f. 9 June 2008) | Member | • | • | N/A | N/A | N/A | N/A | N/A | 2/2 | 100 |

### Activities of the Audit Committee

Based on duties specified in the Terms of Reference, the activities performed by the Audit Committee during the period under review included the following:

a. Reviewed the Group's unaudited quarterly results and announcements and audited year end financial statements, prior to recommending to the Board of Director for approval.
b. Reviewed with the external auditors the audit plan, audit report and the audit approach.
c. Considered and recommended the reappointment and remuneration of the external auditors.
d. Reviewed and approved the internal auditors' annual audit plan, audit findings and reports and assessed their performance, adequacy of resources and approved their remuneration.
e. Reviewed and approved the risk management framework and assessed the adequacy of the internal control system.
f. Reviewed the Audit Committee report and Statement on Internal Control for inclusion in the Annual Report.
g. Reviewed the external auditors' management letter and management's response.
h. Held two meetings with external auditors without the presence of management.

### Activities of the Internal Audit Department

The Group's internal audit function has been outsourced since June 2008. The expenses incurred for internal audit amounted to RM22,383 for the year ended 31 March 2009.

The Group's internal audit activities are mainly carried out in accordance with the annual audit plan that has been tabled to the Audit Committee for its review and approval and selected ad-hoc audits on management's requests. The audit plan uses a risk based approach and 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. The Internal Auditors report directly to the Audit Committee and assist the Audit Committee to monitor and manage risks and provide the Audit Committee with independent views on the effectiveness of the system of internal control after their reviews. The internal audit findings and recommendations of the Internal Auditors are reviewed quarterly by the Audit Committee and their recommendations for improvements on control 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 pages 23 and 24.

# STATEMENT ABOUT THE STATE OF INTERNAL CONTROL

Pursuant to Paragraph 15.27(b) of Bursa Securities Listing Requirements, the Board of Directors of YLI Holdings Berhad is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ('Internal Control Guidance') issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

## RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management and a risk-based internal audit to establish and maintain a sound system of internal control. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

## RISK MANAGEMENT

The Board and management practice proactive significant risks identification in the processes and activities of the Group, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

## INTERNAL AUDIT

The Board acknowledges the importance of the internal audit function and has engaged the services of an independent professional accounting and consulting firm, Messrs UHY Diong to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan is in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

The Group's internal control system covered key operating companies within the Group on an ongoing and continuous monitoring basis but does not apply to its jointly controlled entity, Pinang Water Ltd. as the Group does not exercise day to day absolute control over this entity.

# STATEMENT ABOUT THE STATE OF INTERNAL CONTROL (CONTINUED)

### INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:

- An organization structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' report for the financial year ended 31 March 2009, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of Bursa Securities Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 19 June 2009.

# DIRECTORS' RESPONSIBILITIES STATEMENT

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.

## FINANCIAL STATEMENTS

# DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

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 2009.

## 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, steel 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<br>RM | Company<br>RM |
|---|---|---|
| Net profit for the financial year | 5,317,408 | 4,847,158 |
| Attributable to: | | |
| Equity holders of the Company | 6,214,915 | 4,847,158 |
| Minority interest | (897,507) | 0 |
| | 5,317,408 | 4,847,158 |

## Dividend

Dividend proposed, declared or paid since 31 March 2008 is as follows:

| | RM |
|---|---|
| In respect of the financial year ended 31 March 2008 as reported in the Directors' report of that financial year: | |
| - a first and final dividend of 7.0 sen, less tax at 25%, paid on 17 November 2008 | **5,168,048** |

The Directors now recommend the payment of a first and final dividend of 2.5 sen (2008: 7.0 sen) less tax at 25% (2008: 25%) amounting to RM1,845,731 (2008: RM5,174,400) in respect of the financial year ended 31 March 2009 subject to the approval of members at the forthcoming Annual General Meeting of the Company.

## Share capital

The Company did not issue any new shares during the financial year.

## Treasury shares

During the financial year, the Company repurchased 121,000 of its issued share capital from the open market on Bursa Malaysia Securities Berhad ("Bursa Malaysia") for RM107,620. The average price paid for the shares repurchased was approximately RM0.89 per share.

Details of the treasury shares are set out in Note 29 to the financial statements.

## Reserves and provisions

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

# DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## Directors

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

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
Samsuri Bin Rahmat
Ali Sabri Bin Ahmad
Mohammad Khayat Bin Idris
Ab Gani Bin Haron
Datuk Prof Ir Dr Hj Ahmad Zaidee bin Laidin (appointed on 24 February 2009)
Dato' Ir. Syed Muhammad Shahabudin (resigned on 28 August 2008)

## 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 1 April 2008 | Bought | Sold | **As at 31 March 2009** |
| **YLI Holdings Berhad** | | | | |
| Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir | | | | |
| Direct | 29,568,000 | 0 | 0 | **29,568,000** |

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 10 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.

## 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

(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

# DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

**Other statutory information** (continued)

(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.

**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 19 June 2009.

**Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir**
Director

**Samsuri Bin Rahmat**
Director

# INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF YLI HOLDINGS BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of YLI Holdings Berhad, which comprise the balance sheets as at 31 March 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 31 to 75.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2009 and of their financial performance and cash flows for the financial year then ended.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YLI HOLDINGS BERHAD (CONTINUED)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 18 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PricewaterhouseCoopers**
[No. AF:1146]
Chartered Accountants

**Yee Wai Yin**
[2081/08/10 (J)]
Chartered Accountant

Penang

19 June 2009

# INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

| | Note | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|---|
| Revenue | 5 | **125,633,486** | 99,142,006 | **7,622,434** | 12,088,680 |
| Cost of sales | | **(106,291,790)** | (79,837,014) | **0** | 0 |
| Gross profit | | **19,341,696** | 19,304,992 | **7,622,434** | 12,088,680 |
| Other operating income | | **740,203** | 1,406,323 | **0** | 48,545 |
| Selling and distribution costs | | **(3,431,550)** | (2,665,845) | **0** | 0 |
| Administrative expenses | | **(6,181,154)** | (5,936,615) | **(1,120,401)** | (620,265) |
| Other operating expenses | | **(577,834)** | (33,496) | **0** | 0 |
| Finance costs | 7 | **(1,944,225)** | (212) | **0** | 0 |
| Share of results of a jointly controlled entity | 19 | **101,731** | 591,386 | **0** | 0 |
| Profit before taxation | 8 | **8,048,867** | 12,666,533 | **6,502,033** | 11,516,960 |
| Income tax expense | 11 | **(2,731,459)** | (1,773,115) | **(1,654,875)** | (1,905,462) |
| Net profit for the financial year | | **5,317,408** | 10,893,418 | **4,847,158** | 9,611,498 |
| | | | | | |
| Net profit for the financial year | | | | | |
| - continuing operations | | **5,317,408** | 10,685,777 | | |
| - discontinued operations | 39 | **0** | 207,641 | | |
| | | **5,317,408** | 10,893,418 | | |
| | | | | | |
| Attributable to: | | | | | |
| Equity holders of the Company | | **6,214,915** | 10,893,418 | | |
| Minority interest | | **(897,507)** | 0 | | |
| | | **5,317,408** | 10,893,418 | | |
| **Earnings per share (sen)** | | | | | |
| - basic | 12 | **6.31** | 11.05 | | |
| - diluted | 12 | **NA*** | NA* | | |
| | | | | | |
| **Dividend per share (sen)** | | | | | |
| - proposed first and final dividend | 13 | **2.5** | 7.0 | **2.5** | 7.0 |

* NA – Not applicable

# BALANCE SHEETS

AS AT 31 MARCH 2009

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **RM** | RM | **RM** | RM |
| **Non current assets** | | | | | |
| Investment properties | 14 | **0** | 0 | **0** | 0 |
| Property, plant and equipment | 15 | **100,825,307** | 54,285,436 | **0** | 0 |
| Goodwill on consolidation | 16 | **37,217,928** | 0 | **0** | 0 |
| Prepaid land leases | 17 | **18,282,947** | 12,454,933 | **0** | 0 |
| Subsidiary companies | 18 | **0** | 0 | **64,492,615** | 16,406,000 |
| Jointly controlled entity | 19 | **2,424,738** | 784,811 | **141** | 141 |
| | | **158,750,920** | 67,525,180 | **64,492,756** | 16,406,141 |
| **Current assets** | | | | | |
| Inventories | 20 | **60,068,671** | 31,113,381 | **0** | 0 |
| Receivables | 21 | **47,601,876** | 39,415,714 | **58,000** | 29,737 |
| Amounts due from subsidiary companies | 22 | **0** | 0 | **39,437,409** | 52,081,232 |
| Amount due from a jointly controlled entity | 23 | **8,129,882** | 8,103,161 | **8,064,928** | 8,064,928 |
| Tax recoverable | | **189,342** | 546,679 | **158,714** | 90,906 |
| Short term investment | 24 | **0** | 3,000,000 | **0** | 3,000,000 |
| Deposits, cash and bank balances | 25 | **25,303,568** | 61,208,603 | **75,450** | 33,055,262 |
| | | **141,293,339** | 143,387,538 | **47,794,501** | 96,322,065 |
| **Less: Current liabilities** | | | | | |
| Payables | 26 | **30,251,643** | 8,339,533 | **130,758** | 143,197 |
| Provision for taxation | | **196,035** | 780 | **0** | 0 |
| Borrowings | 27 | **42,765,518** | 0 | **0** | 0 |
| | | **73,213,196** | 8,340,313 | **130,758** | 143,197 |
| **Net current assets** | | **68,080,143** | 135,047,225 | **47,663,743** | 96,178,868 |
| **Less: Non current liability** | | | | | |
| Deferred taxation | 28 | **8,583,815** | 8,360,354 | **0** | 0 |
| Borrowings | 27 | **12,012,795** | 0 | **0** | 0 |
| | | **206,234,453** | 194,212,051 | **112,156,499** | 112,585,009 |
| **Capital and reserves** | | | | | |
| Share capital | 29 | **98,560,000** | 98,560,000 | **98,560,000** | 98,560,000 |
| Treasury shares | 29 | **(107,620)** | 0 | **(107,620)** | 0 |
| Share premium | 30 | **7,208,014** | 7,208,014 | **7,208,014** | 7,208,014 |
| Revaluation and other reserves | 31 | **2,570,609** | 1,032,412 | **0** | 0 |
| Retained earnings | 32 | **88,458,492** | 87,411,625 | **6,496,105** | 6,816,995 |
| Shareholders' equity | | **196,689,495** | 194,212,051 | **112,156,499** | 112,585,009 |
| Minority interest | | **9,544,958** | 0 | **0** | 0 |
| Total equity | | **206,234,453** | 194,212,051 | **112,156,499** | 112,585,009 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

| | Note | Issued and fully paid ordinary shares of RM1 each | | Non-distributable | | Distributable | |
|---|---|---|---|---|---|---|---|
| | | Number of shares | Nominal value RM | Share premium RM | Revaluation and other reserves RM | Retained earnings RM | Total RM |
| At 1 April 2007 | | 98,560,000 | 98,560,000 | 7,208,014 | 1,843,661 | 81,554,623 | 189,166,298 |
| Effect of change in income tax rate on revaluation surplus | 28, 31 | 0 | 0 | 0 | 43,005 | 0 | 43,005 |
| Realisation of deferred tax upon disposal of revalued assets | 28,31 | 0 | 0 | 0 | 16,629 | 0 | 16,629 |
| Exchange fluctuation differences arising during the financial year | 31 | 0 | 0 | 0 | (856,680) | 0 | (856,680) |
| Realisation of exchange fluctuation reserve upon disposal of subsidiary companies | 31 | 0 | 0 | 0 | (14,203) | 0 | (14,203) |
| Net loss recognised in equity | | 0 | 0 | 0 | (811,249) | 0 | (811,249) |
| Net profit for the financial year | | 0 | 0 | 0 | 0 | 10,893,418 | 10,893,418 |
| Total recognised income for the financial year | | 0 | 0 | 0 | (811,249) | 10,893,418 | 10,082,169 |
| Dividend for the financial year ended - 31 March 2007 | | 0 | 0 | 0 | 0 | (5,036,416) | (5,036,416) |
| At 31 March 2008 | | 98,560,000 | 98,560,000 | 7,208,014 | 1,032,412 | 87,411,625 | 194,212,051 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

| | | Attributable to equity holder of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued and fully paid ordinary shares of RM1 each | | | Non-distributable | | Distributable | | | |
| | Note | Number of shares | Nominal value RM | Share premium RM | Treasury shares RM | Revaluation and other reserves RM | Retained earnings RM | Total RM | Minority Interest RM | Total Equity RM |
| At 1 April 2008 | | 98,560,000 | 98,560,000 | 7,208,014 | 0 | 1,032,412 | 87,411,625 | 194,212,051 | 0 | 194,212,051 |
| Minority interest arising from acquisition of a subsidiary company | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,442,465 | 10,442,465 |
| Exchange fluctuation differences arising during the financial year | 31 | 0 | 0 | 0 | 0 | 1,538,197 | 0 | 1,538,197 | 0 | 1,538,197 |
| Net profit recognised in equity | | 0 | 0 | 0 | 0 | 1,538,197 | 0 | 1,538,197 | 10,442,465 | 11,980,662 |
| Net profit for the financial year | | 0 | 0 | 0 | 0 | 0 | 6,214,915 | 6,214,915 | (897,507) | 5,317,408 |
| Total recognised income for the financial year | | 0 | 0 | 0 | 0 | 1,538,197 | 6,214,915 | 7,753,112 | 9,544,958 | 17,298,070 |
| Shares repurchased | 29 | 0 | 0 | 0 | (107,620) | 0 | 0 | (107,620) | 0 | (107,620) |
| Dividend for the financial year ended - 31 March 2008 | | 0 | 0 | 0 | 0 | 0 | (5,168,048) | (5,168,048) | 0 | (5,168,048) |
| At 31 March 2009 | | 98,560,000 | 98,560,000 | 7,208,014 | (107,620) | 2,570,609 | 88,458,492 | 196,689,495 | 9,544,958 | 206,234,453 |

# COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

| | Note | Issued and fully paid ordinary shares of RM1 each | | Non-distributable | | Distributable | |
|---|---|---|---|---|---|---|---|
| | | **Number of shares** | **Nominal value RM** | **Treasury shares RM** | **Share premium RM** | **Retained earnings RM** | **Total RM** |
| At 1 April 2007 | | 98,560,000 | 98,560,000 | 0 | 7,208,014 | 2,241,913 | 108,009,927 |
| Net profit for the financial year | | 0 | 0 | 0 | 0 | 9,611,498 | 9,611,498 |
| Dividend for the financial year ended 31 March 2007 | | 0 | 0 | 0 | 0 | (5,036,416) | (5,036,416) |
| At 31 March 2008 | | 98,560,000 | 98,560,000 | 0 | 7,208,014 | 6,816,995 | 112,585,009 |
| At 1 April 2008 | | **98,560,000** | **98,560,000** | **0** | **7,208,014** | **6,816,995** | **112,585,009** |
| Net profit for the financial year | | **0** | **0** | **0** | **0** | **4,847,158** | **4,847,158** |
| Shares repurchased | | **0** | **0** | **(107,620)** | **0** | **0** | **(107,620)** |
| Dividend for the financial year ended 31 March 2008 | | **0** | **0** | **0** | **0** | **(5,168,048)** | **(5,168,048)** |
| At 31 March 2009 | | **98,560,000** | **98,560,000** | **(107,620)** | **7,208,014** | **6,496,105** | **112,156,499** |

# CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

| | Note | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|---|
| **Operating cash flows** | | | | | |
| Cash receipts from customers | | **138,022,847** | 96,615,823 | **0** | 0 |
| Cash paid to suppliers and employees | | **(155,082,374)** | (77,010,925) | **(1,158,102)** | (582,515) |
| Cash flows (used in)/generated from operations | 33 | **(17,059,527)** | 19,604,898 | **(1,158,102)** | (582,515) |
| Dividends received from a subsidiary company | | **0** | 0 | **5,168,048** | 5,036,416 |
| Taxation paid | | **(2,495,439)** | (4,826,695) | **0** | (117,000) |
| Taxation refund | | **121,580** | 1,009,558 | **0** | 40,207 |
| Interest paid | | **(84,779)** | (212) | **0** | 0 |
| Interest received | | **887,620** | 888,343 | **373,503** | 430,036 |
| | | **(1,571,018)** | (2,929,006) | **5,541,551** | 5,389,659 |
| **Net operating cash flow** | | **(18,630,545)** | 16,675,892 | **4,383,449** | 4,807,144 |
| **Investing cash flows** | | | | | |
| Income from short term investment | | **0** | 812,698 | **0** | 491,284 |
| Proceeds from disposal of investment properties | | **0** | 951,149 | **0** | 0 |
| Proceeds from disposal of property, plant and equipment | | **2,052,114** | 379,102 | **0** | 0 |
| Downpayment received from disposal of property, plant and equipment | | **0** | 168,067 | **0** | 0 |
| Purchase of property, plant and equipment (see note below) | | **(3,660,320)** | (2,518,192) | **0** | 0 |
| Proceeds from disposal of | | | | | |
| - subsidiary companies | | **0** | 2,951,279 | **0** | 6,038,541 |
| - marketable securities | | **0** | 663,836 | **0** | 663,836 |
| - short term investment | | **3,355,200** | 0 | **3,355,200** | 0 |
| Proceed from disposal of prepaid land lease | | **0** | 73,537 | **0** | 0 |
| Acquisition of a subsidiary company | 38 | **(40,350,349)** | 0 | **(48,086,616)** | 0 |
| Acquired deposits charged for credit facilities | 38 | **(2,136,834)** | 0 | **0** | 0 |
| **Net investing cash flow** | | **(40,740,189)** | 3,481,476 | **(44,731,416)** | 7,193,661 |

# CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| **Financing cash flows** | | | | | |
| Advances to subsidiary companies | | **0** | 0 | **(4,050,000)** | (1,250,000) |
| Advances to a jointly controlled entity | | **(26,721)** | (5,597) | **0** | 0 |
| Receipts from short-term borrowings | | **27,855,817** | 0 | **0** | 0 |
| Repayment of hire purchase liabilities | | **(117,746)** | 0 | **0** | 0 |
| Repayment of term loans | | **(2,566,900)** | 0 | **0** | 0 |
| Interest paid | | **(1,067,446)** | 0 | **0** | 0 |
| Repayment of advances by subsidiary companies | | **0** | 0 | **16,693,823** | 5,998,944 |
| Deposits charged for credit facilities | | **(536,439)** | 0 | **0** | 0 |
| Dividend paid to shareholders | | **(5,168,048)** | (5,036,416) | **(5,168,048)** | (5,036,416) |
| Shares repurchased | | **(107,620)** | 0 | **(107,620)** | 0 |
| **Net financing cash flow** | | **18,264,897** | (5,042,013) | **7,368,155** | (287,472) |
| **Net change in cash and cash equivalents during the financial year** | | **(41,105,837)** | 15,115,355 | **(32,979,812)** | 11,713,333 |
| **Cash and cash equivalents at the beginning of the financial year** | | **61,208,603** | 46,093,248 | **33,055,262** | 21,341,929 |
| **Cash and cash equivalents at the end of the financial year** | 25 | **20,102,766** | 61,208,603 | **75,450** | 33,055,262 |

**Note on purchase of property, plant and equipment:**

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM14,924,685 (2008: RM2,661,298). The cash outflow in respect of property, plant and equipment acquired during the financial year is analysed as follows:

i) RM488,530 (2008: RM143,106) – included in other payables
ii) RM189,375 (2008: nil) – included in finance leases
iii) RM10,586,460 (2008: nil) – capitalisation from prepayments
iv) RM3,660,320 (2008: nil) – cash payments made during the financial year

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

## 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, steel 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 has 298 (2008: 295) 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:

2579, Lorong Perusahaan 10
Prai Industrial Estate
13600 Prai
Penang

## 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 exchange, interest rate, credit, liquidity and cash flow risks. 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 currency exchange exposure in non functional currencies of operating entities are kept to an acceptable level mainly through hedging of material foreign currency transaction exposures with derivative financial instruments such as forward foreign exchange contracts.

### (b) Interest rate risk

The Group's revenue and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk exposure arises from the Group's borrowings and deposits (note 27) and is managed through the use of fixed and floating rate instrument. The Group considers interest rate risk exposure for its deposits as minimal as it is short term in nature and are not held for speculative purposes.

### (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 payments 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 2009 (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 the historical cost convention unless otherwise indicated in the summary of significant accounting policies below and comply with Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with FRS requires Directors to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### (a) Standards, amendments to published standards and interpretation that are applicable to the Group and Company and are effective:

The new and revised standards, accounting standards and amendments to published standards and interpretations to existing standards effective for the Group and Company's financial year ended 31 March 2009 and applicable to the Group and Company are as follows:

- The following revised standards have no significant changes as compared to the original standards:

  - FRS 107 Cash Flow Statements
  - FRS 118 Revenue
  - FRS 134 Interim Financial Reporting
  - FRS 137 Provisions, Contingent Liabilities and Contingent Assets

- FRS 112 Income Taxes. This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances.

- FRS 121 Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a foreign operations. This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of income statement regardless of the currency in which these items are denominated in.

  The adoptions of the above FRSs do not have any significant financial impact on the financial statements of the Group and Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 3 Basis of preparation (continued)

### (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

The new standards that are applicable to the Group and Company, but which the Group and Company have not early adopted, are as follows:

| FRS and Interpretations | Effective for financial periods beginning on or after |
|---|---|
| (i) FRS 8: Operating Segments | 1 July 2009 |
| (ii) FRS 7: Financial Instruments: Disclosures | 1 January 2010 |
| (iii) FRS 123: Borrowing costs | 1 January 2010 |
| (iv) FRS 139: Financial Instruments: Recognition and Measurement | 1 January 2010 |
| (v) IC Interpretation 9: Reassessment of Embedded Derivates | 1 January 2010 |
| (vi) IC Interpretation 10: Interim Financial Reporting Impairment | 1 January 2010 |
| (vii) IC Interpretation 11: Group and Treasury Share Transactions | 1 January 2010 |

The above standards and interpretation will be effective for annual period beginning on or after 1 April 2009. The Group and Company will apply these standards from financial periods beginning on 1 April 2009.

The Group and Company have applied the transitional provision, exempting it from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

The above new FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and Company.

### (c) Standards and interpretations to existing standards that are not yet effective and not relevant to the Group and Company

| FRS and Interpretations | Effective for financial periods beginning on or after |
|---|---|
| (i) IC 13: Customer Loyalty Programmes | 1 January 2009 |
| (iii) FRS 4: Insurance Contracts | I January 2010 |
| (iii) IC 9: Reassessment of Embedded Derivatives | 1 January 2010 |
| (iv) IC 14: FRS119 - The Limit on a Defined Benefit Asset, Minimum Equity Requirements and Their Interaction | 1 January 2010 |

## 4 Summary of significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise indicated.

### (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 2009.

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.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 4 Summary of significant accounting policies (continued)

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

The Group has taken advantage of the exemption provided by FRS 3 Business Combinations to apply this standard prospectively. Accordingly, business combinations entered into prior to 1 January 2006 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.

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.

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 gain or loss on disposal of a subsidiary is the difference between net disposal proceed and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

### (b) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently stated at valuation in 1994 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. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The freehold land and buildings have not been revalued since 1994. In respect of assets carried at previously revalued amounts, 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 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.

## 4 Summary of significant accounting policies (continued)

### (b) Property, plant and equipment (continued)

Freehold land is not depreciated as it has an infinite life. Depreciation on other property, plant and equipment is calculated so as to write off the cost or valuation to their residual values 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:

| | % |
|---|---|
| Flats | 2.0 |
| Buildings | 2.0 |
| Plant, machinery, tools and equipment | 5.0 – 33.3 |
| Motor vehicles | 20.0 |
| Furniture and fittings | 5.0 – 20.0 |
| Office equipment and air conditioners | 10.0 – 33.3 |
| Renovation | 10.0 |

Depreciation on capital work in progress commences when the asset is ready for its intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the net disposal proceed with the carrying amounts and difference is charged or credited to the income statement. On disposal of the revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

### (c) Goodwill on consolidation

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries occurring on or after 1 January 1995 are included in the balance sheet as intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Goodwill on acquisitions of jointly controlled entities and associates occurring on or after 1 January 1995 is included in investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall balance.

### (d) Investment properties

Investment properties of the Group consisting of freehold land and buildings are held for long term rental yields and are not occupied by the Group. Freehold land is stated at valuation less impairment losses. Freehold land is not depreciated as it has an infinite life. Buildings on freehold land are stated at cost less accumulated depreciation and impairment losses. Buildings on freehold land are depreciated on the reducing balance method at a rate of 2% per annum.

On disposal of investment property or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceed and the carrying amount is charged or credited to the income statement in the period of the retirement or disposal. Any amount in revaluation reserve relating to that investment property is transferred to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 4 Summary of significant accounting policies (continued)

### (d) Investment properties (continued)

The freehold land has not been revalued since 1994. The Directors had 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 land on the basis of their previous revaluation.

### (e) Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (ie. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

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.

### (f) 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 (e) to the financial statement on impairment of assets.

### (g) 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).

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 4 Summary of significant accounting policies (continued)

### (g) Jointly controlled entities (continued)

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.

### (h) Operating leases/prepaid land leases

#### (i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the estimated useful lives of the assets in accordance with policy stated in note 4(b).

#### (ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the period of the respective leases that range from 45 to 99 years, which expire from 2041 to 2096.

The prepaid land leases were last revalued in 1994 using the open market value basis. The Directors have adopted the transitional provisions in FRS 117 Leases as allowed for by the Malaysian Accounting Standards Board to retain the unamortised amount as the surrogate carrying amount of prepaid land leases.

### (i) 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, plus the cost of bringing the inventories to their present location and condition. 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) but exclude borrowing costs.

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

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 4 Summary of significant accounting policies (continued)

### (j) 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.

### (k) Income tax

Current income tax expense is determined according to the income tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

Deferred taxation is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for income tax purposes and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred tax liability arising from initial recognition of goodwill is not accounted for. Deferred tax is determined using income tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences, carry forward unused tax losses and unutilised reinvestment allowances to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unutilised reinvestment allowances 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.

### (l) Short term investments

Marketable securities/unit trusts

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

### (m) Share capital

#### (i) Classification

Ordinary shares are classified as equity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 4 Summary of significant accounting policies (continued)

### (m) Share capital (continued)

#### (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.

#### (iii) Purchase of own shares

Where the Company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental external costs, net of tax, is deducted from capital and reserves attributable to equity holders of the Company as treasury shares and presented as a deduction from equity until they are cancelled, reissued or disposed of.

No gain or loss is recognized in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

Where such shares are cancelled, the issued share capital is reduced by the nominal value of the cancelled shares. The amount by which the Company's issued share capital is diminished on cancellation of shares is transferred to a capital redemption reserve account.

### (n) Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the 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.

#### (iii) Group companies

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

4 **Summary of significant accounting policies** (continued)

(n) **Foreign currencies** (continued)

**(iii) Group companies** (continued)

(c) all resulting exchange differences are taken to the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are taken to the income statement as part of the gain or loss on disposal.

(o) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, in the ordinary course of the Group's activities. Revenue is shown net of sales tax, trade discounts and allowances after eliminating sales within the Group. Revenue is recognised when it is probable that the future economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably as follows:

**(i) Sale of goods**

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

**(ii) Dividend income**

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

**(iii) Interest income**

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

**(iv) Rental income**

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

(p) **Borrowings and borrowings cost**

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest expense and other related costs incurred on borrowings are charged to the income statement in the financial year in which the interest expense and other related costs are incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 4 Summary of significant accounting policies (continued)

### (q) 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.

### (r) 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

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.

Subsidiary companies incorporated in Malaysia contribute to the Employees Provident Fund of Malaysia, the national defined contribution. The Group's contributions to the defined contribution plan 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.

### (s) 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 of 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.

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

The fair value of quoted shares and unit trusts is based on quoted market prices at the balance sheet date.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 4 Summary of significant accounting policies (continued)

### (s) Financial instruments (continued)

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

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

### (t) Critical accounting estimates and assumptions

Estimates and judgements are continuously evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Directors are of the opinion that material misstatement is unlikely as there are no subjective areas (other than those disclosed in note 16) to the financial statements which require the Group to use critical judgements / estimates or assumptions at balance sheet date.

## 5 Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Sales of goods | **124,117,267** | 97,980,940 | **0** | 0 |
| Sales of material | **784,515** | 0 | **0** | 0 |
| Interest income from licensed banks | **376,504** | 456,773 | **376,504** | 456,773 |
| Dividend income from a subsidiary company | **0** | 0 | **6,890,730** | 6,899,200 |
| Income from short term investment | **0** | 491,284 | **0** | 491,284 |
| Gain on disposal of | | | | |
| - subsidiary companies | **0** | 60,777 | **0** | 4,089,191 |
| - marketable securities | **0** | 152,232 | **0** | 152,232 |
| - short term investment | **355,200** | 0 | **355,200** | 0 |
| | **125,633,486** | 99,142,006 | **7,622,434** | 12,088,680 |

## 6 Significant related 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 | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Amounts due from subsidiary companies (note 22) (non-trade): | | |
| - Yew Lean Foundry & Co. Sdn. Bhd. | **39,122,409** | 51,766,232 |
| - Yew Li Foundry & Co. Sdn. Bhd. | **315,000** | 315,000 |
| | **39,437,409** | 52,081,232 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 6 Significant related party balances and transactions (continued)

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

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Gross dividend income from a subsidiary company: | | |
| - Yew Lean Foundry & Co Sdn. Bhd. | **6,890,730** | 6,899,200 |
| Advances to subsidiary companies: | | |
| - Yew Lean Foundry & Co. Sdn. Bhd. | **4,050,000** | 1,250,000 |
| Repayment of advances from subsidiary companies: | | |
| - Yew Lean Foundry & Co. Sdn. Bhd. | **21,420,000** | 200,000 |
| - Yew Li Foundry & Co. Sdn. Bhd. | **0** | 1,691,000 |
| - Expenses paid on behalf by Yew Lean Foundry & Co. Sdn. Bhd. | **441,871** | 0 |

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

(iii) Key management personnel compensation

The key management remuneration includes fees, salary, bonuses and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group and the Company did not incur any costs, the value of the benefits. The key management remuneration is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Salaries and other short term employee benefits | **771,312** | 772,118 | **34,093** | 34,000 |
| Defined contribution retirement plan | **76,047** | 73,842 | **0** | 0 |
| | **847,359** | 845,960 | **34,093** | 34,000 |

## 7 Finance costs

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Interest expense on: | | |
| - bank overdraft | **(23,190)** | (212) |
| - term loans | **(584,219)** | 0 |
| - other short term borrowings | **(1,336,816)** | 0 |
| | **(1,944,225)** | (212) |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 8 Profit before taxation

(i) Expenses by nature

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Changes in inventories of finished goods and work in progress | **12,336,497** | (206,057) | **0** | 0 |
| Purchases of raw materials | **(88,110,484)** | (50,812,238) | **0** | 0 |
| Purchases of finished goods | **(2,113,500)** | 0 | **0** | 0 |
| Auditors' remuneration: | | | | |
| - statutory audit | **(84,800)** | (78,671) | **(35,000)** | (35,000) |
| - other services | **(3,800)** | (4,200) | **(3,800)** | (3,800) |
| Depreciation of property, plant and equipment (note 15) | **(6,140,645)** | (4,800,978) | **0** | 0 |
| Amortisation of prepaid land leases (note 17) | **(371,986)** | (331,169) | **0** | 0 |
| Rental - land and building | **(122,800)** | (37,060) | **0** | 0 |
| - others | **(151,338)** | (210,155) | **0** | 0 |
| Property, plant and equipment written off | **(11,166)** | (2,868) | **0** | 0 |
| Loss on disposal of property, plant and equipment | **(840)** | 0 | **0** | 0 |
| Foreign exchange loss | | | | |
| - realised | **0** | (218,264) | **0** | 0 |
| - unrealised | **(18,625)** | (5,877) | **0** | 0 |
| Employee benefits cost (note 9) | **(10,406,212)** | (9,231,410) | **0** | 0 |
| Directors' fee (note 10) | **(101,675)** | (110,375) | **(56,334)** | (70,375) |
| Non-Executive Directors' other benefits (note 10) | **(474,731)** | (308,548) | **(474,731)** | (308,548) |
| Bad debts written off | **0** | (5,580) | **0** | (5,580) |
| Utilities | **(7,387,968)** | (8,570,923) | **0** | 0 |
| Repairs and maintenance | **(1,954,046)** | (1,746,409) | **0** | 0 |
| Transportation | **(5,069,849)** | (3,989,512) | **0** | 0 |
| Insurance | **(391,524)** | (336,934) | **0** | (19,461) |
| Product consumables | **(1,761,096)** | (2,266,187) | **0** | 0 |
| Professional fees | **(200,978)** | (427,117) | **(168,370)** | (3,800) |
| Legal fees | **(137,937)** | (14,149) | **(120,000)** | (13,000) |
| Other expenses | **(3,802,825)** | (4,758,289) | **(262,166)** | (160,701) |
| Total cost of sales, selling and distribution costs, administrative expenses and other operating expenses | **(116,482,328)** | (88,472,970) | **(1,120,401)** | (620,265) |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 8 Profit before taxation (continued)

(ii) The following amounts have been credited in arriving at profit before taxation:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| Interest income from licensed banks and finance companies | **890,620** | 915,080 | **376,504** | 456,773 |
| Rental income | **0** | 262,000 | **0** | 0 |
| Gain on disposal of property, plant and equipment | **0** | 18,726 | **0** | 0 |
| Foreign exchange gain | | | | |
| - realised | **191,968** | 48,544 | **0** | 48,544 |
| - unrealised | **0** | 151,388 | **0** | 0 |
| Income from short term investment | **0** | 812,698 | **0** | 491,284 |
| Gain on disposal of | | | | |
| - subsidiary companies (note 39) | **0** | 60,777 | **0** | 4,089,191 |
| - marketable securities | **0** | 152,232 | **0** | 152,232 |
| - short term investment | **355,200** | 0 | **355,200** | 0 |

## 9 Employee benefits cost

Employee benefits cost (excluding Directors' fees) are analysed as follows:

| | Group | |
|---|---|---|
| | **2009 RM** | 2008 RM |
| Wages, salaries and bonuses | **8,229,662** | 7,058,870 |
| Defined contribution plan | **828,314** | 701,355 |
| Other employee benefits | **1,348,236** | 1,471,185 |
| | **10,406,212** | 9,231,410 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 10 Directors' remuneration

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

Non-Executive Directors

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
Mohammad Khayat Bin Idris
Ab Gani bin Haron
Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin (appointed on 24 February 2009)
Dato' Ir. Syed Muhammad Shahabudin (resigned on 28 August 2008)

Executive Directors

Samsuri Bin Rahmat
Ali Sabri Bin Ahmad

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Non-Executive Directors | | | | |
| - fees | **22,241** | 30,000 | **22,241** | 30,000 |
| - other benefits | **474,731** | 308,548 | **474,731** | 308,548 |
| - estimated money value of benefits-in-kind | **63,010** | 8,050 | **63,010** | 0 |
| | **559,982** | 346,598 | **559,982** | 338,548 |
| Executive Directors: | | | | |
| - fees | **79,434** | 80,375 | **34,093** | 40,375 |
| - salaries and bonuses | **542,718** | 769,677 | **0** | 0 |
| - defined contribution plan | **76,046** | 94,542 | **0** | 0 |
| - other employee benefits | **2,300** | 29,800 | **0** | 0 |
| - estimated money value of benefits-in-kind | **75,072** | 41,665 | **0** | 0 |
| | **775,570** | 1,016,059 | **34,093** | 40,375 |
| | **1,335,552** | 1,362,657 | **594,075** | 378,923 |

## 11 Income tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Malaysian taxation: | | | | |
| - current taxation | **(2,827,295)** | (2,931,074) | **(1,670,829)** | (1,858,207) |
| - deferred taxation (note 28) | **212,766** | 242,188 | **0** | 0 |
| | **(2,614,529)** | (2,688,886) | **(1,670,829)** | (1,858,207) |
| (Under)/over accrual in prior financial year: | | | | |
| - current taxation | **(99,156)** | 917,335 | **15,954** | (47,255) |
| - deferred taxation (note 28) | **(17,774)** | (1,564) | **0** | 0 |
| | **(2,731,459)** | (1,773,115) | **(1,654,875)** | (1,905,462) |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 11 Income tax expense (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** **RM** | 2008 RM | **2009** **RM** | 2008 RM |
| Profit before taxation | **8,048,867** | 12,666,533 | **6,502,033** | 11,516,960 |
| Tax calculated at the Malaysian income tax rate of 25% (2008: 26%) | **(2,012,217)** | (3,293,299) | **(1,625,508)** | (2,994,410) |
| Tax effects of: | | | | |
| Share of results of jointly controlled entity | **25,433** | 153,760 | **0** | 0 |
| Difference in foreign income tax rate | **0** | 7,102 | **0** | 0 |
| Change in income tax rate | **0** | 270,609 | **0** | 0 |
| Expenses not deductible for income tax purposes | **(494,125)** | (414,087) | **(153,344)** | (146,367) |
| Expenses allowable for double deductions for income tax purposes | **11,599** | 11,279 | **0** | 0 |
| Income not subject to tax | **163,116** | 420,404 | **108,023** | 1,282,570 |
| Utilisation of reinvestment allowances | **124,743** | 114,311 | **0** | 0 |
| Difference in income tax rate for the first RM500,000 of taxable income of Malaysian subsidiaries | **0** | 51,361 | **0** | 0 |
| Current financial year's tax loss not recognised | **(433,491)** | (12,273) | **0** | 0 |
| Utilisation of previously unabsorbed business losses | **413** | 0 | **0** | 0 |
| Temporary differences not recognised | **0** | 1,947 | **0** | 0 |
| (Under)/over accrual in prior financial year: | | | | |
| - current taxation | **(99,156)** | 917,335 | **15,954** | (47,255) |
| - deferred taxation | **(17,774)** | (1,564) | **0** | 0 |
| | **(2,731,459)** | (1,773,115) | **(1,654,875)** | (1,905,462) |

As gazetted in the Finance Act 2003, the income tax rate for the first chargeable income of RM500,000 in respect of small and medium scale companies with a paid-up share capital of RM2,500,000 and below is reduced to 20%. As gazetted in the Finance Act 2007, the income tax rate for chargeable income in excess of RM500,000 for the year of assessment 2008 is 26% and for the year of assessment 2009 onwards, the income tax rate is 25%. As gazetted in the Finance Act 2009, certain subsidiary companies will no longer enjoy the preferential tax rate for small and medium scale companies effective from year of assessment 2009 as the Company has a paid-up capital exceeding RM2,500,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 12 Earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit after taxation attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares outstanding during the financial year.

| | **2009** | 2008 |
|---|---|---|
| Net profit after taxation attributable to equity holders of the Company (RM) | **6,214,915** | 10,893,418 |
| Weighted average number of ordinary shares outstanding during the financial year | **98,478,205** | 98,560,000 |
| Basic earnings per share (sen) | **6.31** | 11.05 |

The diluted earnings per share is adjusted for the effects of all dilutive potential ordinary shares. There is no dilutive potential ordinary share as at end of the financial year (2008: nil).

## 13 Dividend per share

Dividend declared or proposed in respect of ordinary shares for the financial year is as follows:

| | **Group and Company** | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Proposed first and final dividend of 2.5 sen (2008: 7.0 sen) less income tax at 25% (2008: 25%) | **1,845,731** | 5,174,400 |

The proposed first and final dividend of 2.5 sen (2008: 7.0 sen) less income tax at 25% (2008: 25%) amounting to RM1,845,731 (2008: RM5,174,400) in respect of the financial year ended 31 March 2009 will be accrued as a liability after approval by the shareholders at the Annual General Meeting of the Company.

## 14 Investment properties

| | **Group** | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Net book value** | | |
| As at 1 April | **0** | 951,149 |
| Disposal | **0** | (951,149) |
| As at 31 March | **0** | 0 |

The freehold land at 31 March 2008 was last revalued on November 3, 1994 by Henry Butcher, Lim & Long (North) Sdn. Bhd., an independent qualified valuer using the open market value basis.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 15 Property, plant and equipment

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

| Group only 2009 | Land and buildings RM | Plant, machinery, tools and equipment RM | Motor vehicles RM | Furniture and fittings RM | Office equipment and air conditioners RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **At cost / valuation** | At cost/ valuation | At cost | At cost | At cost | At cost | | At cost/ valuation |
| At 1 April | 24,665,021 | 68,490,816 | 5,000,174 | 311,391 | 1,248,275 | 0 | 99,715,677 |
| Additions | 294,739 | 10,321,554 | 181,963 | 233,700 | 128,416 | 3,764,313 | 14,924,685 |
| Disposals | (1,889,716) | (728,254) | (1,222,991) | 0 | 0 | 0 | (3,840,961) |
| Acquisition of a subsidiary company | 21,700,970 | 42,843,612 | 1,219,505 | 151,376 | 513,984 | 0 | 66,429,447 |
| Write off | 0 | 0 | 0 | 0 | (23,649) | 0 | (23,649) |
| At 31 March | 44,771,014 | 120,927,728 | 5,178,651 | 696,467 | 1,867,026 | 3,764,313 | 177,205,199 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April | 3,666,561 | 37,887,379 | 2,986,749 | 127,638 | 761,914 | 0 | 45,430,241 |
| Charge for the financial year | 697,793 | 4,784,146 | 499,997 | 29,544 | 129,165 | 0 | 6,140,645 |
| Disposals | (228,791) | (582,265) | (976,951) | 0 | 0 | 0 | (1,788,007) |
| Acquisition of a subsidiary company | 5,703,609 | 19,763,796 | 587,263 | 108,864 | 445,964 | 0 | 26,609,496 |
| Write off | 0 | 0 | 0 | 0 | (12,483) | 0 | (12,483) |
| At 31 March | 9,839,172 | 61,853,056 | 3,097,058 | 266,046 | 1,324,560 | 0 | 76,379,892 |
| **Net book value** | | | | | | | |
| 31 March 2009 | 34,931,842 | 59,074,672 | 2,081,593 | 430,421 | 542,466 | 3,764,313 | 100,825,307 |

| Group only 2008 | Land and buildings RM | Plant, machinery, tools and equipment RM | Motor vehicles RM | Furniture and fittings RM | Office equipment and air conditioners RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|---|---|
| **At cost / valuation** | | | | | | | |
| At 1 April | 26,257,808 | 70,253,298 | 4,792,032 | 322,956 | 1,253,561 | 728,099 | 103,607,754 |
| Additions | 314,378 | 915,952 | 1,335,275 | 8,105 | 87,588 | 0 | 2,661,298 |
| Disposals | (148,706) | (61,555) | (778,899) | 0 | (2,800) | 0 | (991,960) |
| Disposal of subsidiary companies | (1,758,459) | (2,616,879) | (348,234) | (19,670) | (84,975) | (728,099) | (5,556,316) |
| Write off | 0 | 0 | 0 | 0 | (5,099) | 0 | (5,099) |
| At 31 March | 24,665,021 | 68,490,816 | 5,000,174 | 311,391 | 1,248,275 | 0 | 99,715,677 |
| **Accumulated Depreciation** | | | | | | | |
| At 1 April | 3,485,121 | 35,187,259 | 3,248,019 | 122,181 | 703,711 | 0 | 42,746,291 |
| Charge for the financial year | 361,661 | 3,836,074 | 503,356 | 10,643 | 89,244 | 0 | 4,800,978 |
| Disposals | (9,051) | (58,171) | (562,767) | 0 | (1,595) | 0 | (631,584) |
| Disposal of subsidiary companies | (171,170) | (1,077,783) | (201,859) | (5,186) | (27,215) | 0 | (1,483,213) |
| Write off | 0 | 0 | 0 | 0 | (2,231) | 0 | (2,231) |
| At 31 March | 3,666,561 | 37,887,379 | 2,986,749 | 127,638 | 761,914 | 0 | 45,430,241 |
| **Net book value** | | | | | | | |
| 31 March 2008 | 20,998,460 | 30,603,437 | 2,013,425 | 183,753 | 486,361 | 0 | 54,285,436 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 15 Property, plant and equipment (continued)

The Group's land and buildings comprise of :

| 2009 | At 1 April RM | Additions RM | Disposals RM | Acquisition of a subsidiary company RM | At 31 March RM |
|---|---|---|---|---|---|
| **Cost / valuation** | | | | | |
| Freehold land, at valuation | **1,023,608** | **0** | **(1,023,608)** | **0** | **0** |
| Building on freehold land, at valuation | **141,155** | **0** | **(141,155)** | **0** | **0** |
| Building on short term leasehold land, at valuation | **4,066,634** | **0** | **0** | **0** | **4,066,634** |
| Freehold land and buildings, at cost | **5,051,890** | **31,640** | **(548,121)** | **0** | **4,535,409** |
| Long term leasehold flats, at cost | **188,200** | **0** | **0** | **0** | **188,200** |
| Buildings on short term leasehold land, at cost | **13,828,490** | **263,099** | **0** | **19,392,823** | **33,484,412** |
| Renovation, at cost | **365,044** | **0** | **(176,832)** | **2,308,147** | **2,496,359** |
| **Total** | **24,665,021** | **294,739** | **(1,889,716)** | **21,700,970** | **44,771,014** |

| 2009 | At 1 April RM | Depreciation charge for the financial year RM | Disposals RM | Acquisition of a subsidiary company RM | At 31 March RM |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Building on freehold land, at valuation | **36,428** | **0** | **(36,428)** | **0** | **0** |
| Building on short term leasehold land, at valuation | **913,036** | **46,022** | **0** | **0** | **959,058** |
| Freehold land and buildings, at cost | **234,025** | **12,749** | **(89,854)** | **0** | **156,920** |
| Long term leasehold flats, at cost | **41,119** | **2,942** | **0** | **0** | **44,061** |
| Buildings on short term leasehold land, at cost | **2,235,198** | **493,043** | **0** | **3,636,569** | **6,364,810** |
| Renovation, at cost | **206,755** | **143,037** | **(102,509)** | **2,067,040** | **2,314,323** |
| **Total** | **3,666,561** | **697,793** | **(228,791)** | **5,703,609** | **9,839,172** |

| 2008 | At 1 April RM | Additions RM | Disposals RM | Disposal of subsidiary companies RM | At 31 March RM |
|---|---|---|---|---|---|
| **Cost / valuation** | | | | | |
| Freehold land, at valuation | 1,023,608 | 0 | 0 | 0 | 1,023,608 |
| Building on freehold land, at valuation | 141,155 | 0 | 0 | 0 | 141,155 |
| Building on short term leasehold land, at valuation | 4,066,634 | 0 | 0 | 0 | 4,066,634 |
| Freehold land and buildings, at cost | 5,200,596 | 0 | (148,706) | 0 | 5,051,890 |
| Long term leasehold flats, at cost | 188,200 | 0 | 0 | 0 | 188,200 |
| Buildings on short term leasehold land, at cost | 13,514,112 | 314,378 | 0 | 0 | 13,828,490 |
| Renovation, at cost | 365,044 | 0 | 0 | 0 | 365,044 |
| Factory building, at cost | 1,758,459 | 0 | 0 | (1,758,459) | 0 |
| **Total** | 26,257,808 | 314,378 | (148,706) | (1,758,459) | 24,665,021 |

| 2008 | At 1 April RM | Depreciation charge for the financial year RM | Disposals RM | Disposal of subsidiary companies RM | At 31 March RM |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Building on freehold land, at valuation | 34,291 | 2,137 | 0 | 0 | 36,428 |
| Building on short term leasehold land, at valuation | 866,075 | 46,961 | 0 | 0 | 913,036 |
| Freehold land and buildings, at cost | 221,354 | 21,722 | (9,051) | 0 | 234,025 |
| Long term leasehold flats, at cost | 38,117 | 3,002 | 0 | 0 | 41,119 |
| Buildings on short term leasehold land, at cost | 1,964,947 | 270,251 | 0 | 0 | 2,235,198 |
| Renovation, at cost | 189,167 | 17,588 | 0 | 0 | 206,755 |
| Factory building, at cost | 171,170 | 0 | 0 | (171,170) | 0 |
| **Total** | 3,485,121 | 361,661 | (9,051) | (171,170) | 3,666,561 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 15 Property, plant and equipment (continued)

The Group's land and buildings comprise of (continued) :

| | 2009 RM | 2008 RM |
|---|---|---|
| **Net book value** | | |
| Freehold land, at valuation | **0** | 1,023,608 |
| Building on freehold land, at valuation | **0** | 104,727 |
| Building on short term leasehold land, at valuation | **3,107,576** | 3,153,598 |
| Freehold land and building, at cost | **4,378,489** | 4,817,865 |
| Long term leasehold flats, at cost | **144,139** | 147,081 |
| Buildings on short term leasehold land, at cost | **27,119,602** | 11,593,292 |
| Renovation, at cost | **182,036** | 158,289 |
| | **34,931,842** | 20,998,460 |

The Group's freehold land and building and building on short term leasehold land 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.

(i) Valuation

Analysis of freehold land and building and building on short term leasehold land that are stated at valuation:

| | Group | |
|---|---|---|
| | 2009 RM | 2008 RM |
| Valuation in 1994 on the Open Market Value basis | **4,066,634** | 5,231,397 |
| Net book value | **3,107,576** | 4,281,933 |
| Net book value – had the above been carried at historical cost | **477,340** | 566,539 |

(ii) Assets acquired under finance lease arrangements

Included in motor vehicles of the Group is the net book value of RM664,184 (2008: nil) acquired under finance lease arrangements.

(iii) Net book value of asset pledged as security for borrowings of a subsidiary (note 27)

Factory building with a net book value of RM13,780,905 (2008: nil) is pledged as security for borrowings of a subsidiary company.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 16 Goodwill on consolidation

Goodwill on consolidation arose from acquisition of a subsidiary company (note 38) during current financial year. There is no impairment of goodwill recognised in the income statement of the Group for the current financial year.

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Net book value: | | |
| At 1 April | **0** | 0 |
| Created during the financial year | **37,217,928** | 0 |
| At 31 March | **37,217,928** | 0 |

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and incorporating a terminal value after the fifth year. The growth rate during the financial budget period does not exceed the long term average growth rate for the components business in which the CGU operates.

Key assumptions used for value-in-use calculations:

| | 2009 | 2008 |
|---|---|---|
| | % | % |
| Gross margin[1] | 16 | NA |
| Growth rate[2] | 5 | NA |
| Discount rate[3] | 6.75 | NA |

1 Budgeted gross margin
2 5% growth rate is used during the financial budget period and zero growth in the terminal value computation
3 Pre-tax discount rate applied to the cash flow projections

These assumptions have been used for analysis of the CGU. Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rate used is based on expected growth rates for sales. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

There is no impairment loss (2008: NA) for the financial year recognised because the value in use exceeded the carrying amount (including the goodwill allocated) of each CGU at balance sheet date.

If the management's estimated gross margin had been lower by 10%, the carrying amount will not exceed the recoverable amount.

If the management's estimated pre-tax discount rate applied to the discounted cash flows had been raised by 1%, the carrying amount will not exceed the recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 17 Prepaid land leases

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| As at 1 April | **12,454,933** | 13,234,162 |
| Amortisation for the financial year | **(371,986)** | (331,169) |
| Acquisition of a subsidiary company | **6,200,000** | 0 |
| Disposal | **0** | (73,537) |
| Disposal of subsidiary companies | **0** | (374,523) |
| As at 31 March | **18,282,947** | 12,454,933 |
| Cost/valuation | **22,236,211** | 15,592,132 |
| Accumulated amortisation | **(3,953,264)** | (3,137,199) |
| Total prepaid land leases | **18,282,947** | 12,454,933 |

Included in prepaid land leases of the Group is the net book value of RM6,128,736 (2008: nil) pledged as security for borrowings of a subsidiary company (note 27).

## 18 Subsidiary companies

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Unquoted shares, at cost | **64,492,615** | 16,406,000 |

Details of the subsidiary companies are as follows:

| Name of company | Country of incorporation | Held by the Company **2009** % | Held by the Company 2008 % | Held by subsidiary companies **2009** % | Held by subsidiary companies 2008 % | Principal activities |
|---|---|---|---|---|---|---|
| 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. |
| Zenith Eastern (M) Sdn. Bhd.* | Malaysia | **0** | 0 | **100** | 100 | Property investment holding. |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 18 Subsidiary companies (continued)

| Name of company | Country of incorporation | Held by the Company 2009 % | Held by the Company 2008 % | Held by subsidiary companies 2009 % | Held by subsidiary companies 2008 % | Principal activities |
|---|---|---|---|---|---|---|
| Yew Lean Industries Sdn. Bhd.* | Malaysia | **100** | 100 | **0** | 0 | Marketing and distribution of pipes and fittings to waterworks and others. |
| Laksana Wibawa Sdn. Bhd.* | Malaysia | **51** | 0 | **0** | 0 | Manufacturing and trading of steel pipes and related products. |

* Audited by firms other than PricewaterhouseCoopers, Malaysia.

## 19 Jointly controlled entity

| | **2009 RM** | 2008 RM |
|---|---|---|
| **Group** | | |
| Share of net assets of the jointly controlled entity | **2,424,738** | 784,811 |
| **Company** | | |
| Unquoted shares, at cost | **141** | 141 |

Details of the jointly controlled entity are as follows:

| Name of company | Country of incorporation | Held by the Company 2009 % | Held by the Company 2008 % | Principal activities |
|---|---|---|---|---|
| Pinang Water Limited* | Labuan, Malaysia | **37** | 37 | Investment holding, provision of consulting services in water management, trading of water treatment equipment, water treatment, management and supply of treated water. |

* Audited by firms other than PricewaterhouseCoopers, Malaysia.

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

| | **2009 RM** | 2008 RM |
|---|---|---|
| Non current assets | **10,956,269** | 9,653,587 |
| Current assets | **697,192** | 398,279 |
| Current liabilities | **(8,554,120)** | (8,528,211) |
| Non current liabilities | **(674,603)** | (738,844) |
| Net assets | **2,424,738** | 784,811 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 19 Jointly controlled entity (continued)

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

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| In respect of purchase of property, plant and equipment | 1,349,390 | 1,182,150 |

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

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| Revenue | 817,070 | 724,570 |
| Cost of sales | (635,024) | (532,554) |
| Gross profit | 182,046 | 192,016 |
| Other income | 130,734 | 632,948 |
| Expenses excluding taxation | (211,049) | (233,578) |
| Profit before taxation | 101,731 | 591,386 |
| Income tax expense | 0 | 0 |
| Profit after taxation | 101,731 | 591,386 |

## 20 Inventories

| | Group | |
|---|---|---|
| | 2009<br>RM | 2008<br>RM |
| Raw materials | 12,279,240 | 3,749,446 |
| Work in progress | 7,580,866 | 732,297 |
| Finished goods | 40,208,565 | 26,631,638 |
| | 60,068,671 | 31,113,381 |

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RM85,183,630 (2008: RM53,161,362).

## 21 Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2009<br>RM | 2008<br>RM | 2009<br>RM | 2008<br>RM |
| Trade receivables | 46,315,240 | 38,975,969 | 0 | 0 |
| Other receivables | 629,768 | 59,604 | 55,000 | 26,737 |
| Deposits | 595,643 | 170,331 | 3,000 | 3,000 |
| Prepayments | 61,225 | 209,810 | 0 | 0 |
| | 47,601,876 | 39,415,714 | 58,000 | 29,737 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 21 Receivables (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Ringgit Malaysia | **42,535,314** | 34,864,046 | **55,000** | 26,737 |
| US Dollar | **981,393** | 335,637 | **0** | 0 |
| Brunei Dollar | **321,989** | 0 | **0** | 0 |
| Euro | **488,123** | 0 | **0** | 0 |
| Singapore Dollar | **2,618,189** | 3,835,890 | **0** | 0 |
| | **46,945,008** | 39,035,573 | **55,000** | 26,737 |

The carrying values of trade receivables and other receivables approximate their fair values at balance sheet date as these amounts are expected to be recovered within the next 12 months.

The credit term of the receivables range from 30 days to 120 days (2008: 30 days to 120 days).

As at 31 March 2009, approximately 48% (2008: 40%) of the trade receivables balance of the Group relate to four major customers. The Group's historical record in the collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no credit risk needs to be additionally allowed for beyond the allowance for doubtful debts (if any) already made by the Group.

## 22 Amounts due from subsidiary companies

Amounts due from subsidiary companies are primarily interest free advances with no fixed repayment terms and denominated in Ringgit Malaysia.

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

## 23 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.

## 24 Short term investment

| | Group and Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Lower of cost and market value** | | |
| At 31 March – Unit trusts | **0** | 3,000,000 |
| **Market value** | | |
| At 31 March – Unit trusts | **0** | 3,295,800 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| Deposits with licensed banks | | **20,928,849** | 56,060,000 | **0** | 32,850,000 |
| Cash and bank balances | | **4,374,719** | 5,148,603 | **75,450** | 205,262 |
| | | **25,303,568** | 61,208,603 | **75,450** | 33,055,262 |
| Bank overdraft | 27 | **(2,527,529)** | 0 | **0** | 0 |
| Deposits charged for credit facilities | | **(2,673,273)** | 0 | **0** | 0 |
| | | **20,102,766** | 61,208,603 | **75,450** | 33,055,262 |

Effective interest rates of the deposits with licensed banks at the end of the financial year are as follows:

| | **2009 % per annum** | 2008 % per annum |
|---|---|---|
| Group | **2.00 - 2.05** | 3.35 - 3.45 |
| Company | **NA** | 3.45 |

Weighted average maturity days of the fixed deposits with licensed banks at the end of the financial year is as follows:

| | **2009 Days** | 2008 Days |
|---|---|---|
| Group | **12** | 22 |
| Company | **NA** | 28 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| Singapore Dollar | **76,235** | 0 | **0** | 0 |
| Ringgit Malaysia | **24,955,291** | 61,176,125 | **75,450** | 33,055,262 |
| US Dollar | **272,042** | 32,478 | **0** | 0 |
| | **25,303,568** | 61,208,603 | **75,450** | 33,055,262 |

## 26 Payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| Trade payables | **6,865,665** | 1,921,995 | **0** | 0 |
| Other payables | **20,899,012** | 2,421,438 | **30,423** | 23,096 |
| Other accruals | **2,486,966** | 3,996,100 | **100,335** | 120,101 |
| | **30,251,643** | 8,339,533 | **130,758** | 143,197 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 26 Payables (continued)

The currency exposure profile of payables is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Ringgit Malaysia | **28,471,999** | 7,586,053 | **130,758** | 143,197 |
| US Dollar | **1,734,804** | 731,132 | **0** | 0 |
| Singapore Dollar | **44,840** | 0 | **0** | 0 |
| Hong Kong Dollar | **0** | 22,348 | **0** | 0 |
| | **30,251,643** | 8,339,533 | **130,758** | 143,197 |

The carrying values of payables approximate their fair values at balance sheet date as these amounts are payable within the next 12 months.

## 27 Borrowings

| | | Group | |
|---|---|---|---|
| | **Note** | **2009** | 2008 |
| | | **RM** | RM |
| **Current** | | | |
| Bank overdraft (secured) | 25 | **2,527,529** | 0 |
| Term loans (secured) | | **4,767,100** | 0 |
| Finance lease liabilities (secured) | | **141,868** | 0 |
| Bankers acceptance (secured) | | **2,877,000** | 0 |
| Trust receipts (secured) | | **31,052,021** | 0 |
| Revolving credit (unsecured) | | **1,400,000** | 0 |
| | | **42,765,518** | 0 |
| **Non current** | | | |
| Term loans (secured) | | **11,418,576** | 0 |
| Finance lease liabilities (secured) | | **594,219** | 0 |
| | | **12,012,795** | 0 |

The Group's borrowings are denominated in Ringgit Malaysia.

The above credit facilities are secured against:-

i) a subsidiary Company's leasehold land and factory building;
ii) debentures incorporating fixed and floating charges on all the present and future assets of a subsidiary Company;

The minimum finance lease payments at the balance sheet date are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **RM** | RM |
| Not later than 1 year | **177,876** | 0 |
| Later than 1 year and not later than 5 years | **569,719** | 0 |
| Later than 5 years | **110,275** | 0 |
| | **857,870** | 0 |
| Future finance charges | **(121,783)** | 0 |
| Present value of finance lease liabilities | **736,087** | 0 |

The fair values of finance lease liability as at 31 March 2009 is approximately RM756,000 (2008: NA).

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 27 Borrowings (continued)

The effective interest rates of the above borrowings as at balance sheet date are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **% per annum** | % per annum |
| Term loans | **4.90 – 8.00** | NA |
| Finance lease liability | **4.34 – 8.85** | NA |
| Short term borrowings | **3.82 – 9.00** | NA |

The maturity and exposure to interest rate risk of the borrowings are as follows:

| | **Not later than 1 year RM** | **Later than 1 year and not later than 2 years RM** | **Later than 2 years and not later than 5 years RM** | **Later than 5 years RM** | **Total RM** |
|---|---|---|---|---|---|
| **At 31 March 2009** | | | | | |
| **Floating rate:** | | | | | |
| **- revolving credit** | **1,400,000** | **0** | **0** | **0** | **1,400,000** |
| **- bank overdraft** | **2,527,529** | **0** | **0** | **0** | **2,527,529** |
| **- term loans** | **4,767,100** | **11,418,576** | **0** | **0** | **16,185,676** |
| **Fixed rate:** | | | | | |
| **- finance lease liabilities** | **141,868** | **149,430** | **344,442** | **100,347** | **736,087** |
| **- bankers acceptance** | **2,877,000** | **0** | **0** | **0** | **2,877,000** |
| **- trust receipts** | **31,052,021** | **0** | **0** | **0** | **31,052,021** |
| | **42,765,518** | **11,568,006** | **344,442** | **100,347** | **54,778,313** |

## 28 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:

| | **Group** | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Deferred tax liabilities | | |
| - subject to income tax | **8,583,815** | 8,360,354 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 28 Deferred taxation (continued)

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

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| At 1 April | **8,360,354** | 8,660,612 |
| (Credited)/charged to income statement (note 11) | | |
| Property, plant and equipment: | | |
| - current financial year | **(161,368)** | (312,603) |
| - under accrual in prior financial year | **17,774** | 1,564 |
| Accruals | **(14,115)** | 20,629 |
| Unrealised foreign exchange (loss)/gain | **(37,283)** | 49,786 |
| | **(194,992)** | (240,624) |
| Effect of change in income tax rate on revaluation surplus | **0** | (43,005) |
| Realisation of deferred tax upon disposal of revalued assets | **0** | (16,629) |
| Credited to equity | **0** | (59,634) |
| Acquisition of a subsidiary company (note 38) | **418,453** | 0 |
| At 31 March | **8,583,815** | 8,360,354 |

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Subject to income tax:** | | |
| Deferred tax assets (before offsetting): | | |
| Accruals | **(43,641)** | (29,526) |
| Unrealised foreign exchange loss | **(4,656)** | 0 |
| | **(48,297)** | (29,526) |
| Offsetting | **48,297** | 29,526 |
| Deferred tax assets (after offsetting) | **0** | 0 |
| | | |
| Deferred tax liabilities (before offsetting): | | |
| Property, plant and equipment | **8,632,112** | 8,357,253 |
| Unrealised foreign exchange gain | **0** | 32,627 |
| | **8,632,112** | 8,389,880 |
| Offsetting | **(48,297)** | (29,526) |
| Deferred tax liabilities (after offsetting) | **8,583,815** | 8,360,354 |

## 29 Share capital

| | Group and Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Authorised:** | | |
| Ordinary shares of RM1 each: | | |
| At 1 April/31 March | **500,000,000** | 500,000,000 |
| | | |
| **Issued and fully paid:** | | |
| Ordinary shares of RM1 each: | | |
| At 1 April/31 March | **98,560,000** | 98,560,000 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 29 Share capital (continued)

### Treasury shares

| | Group and Company | | | |
|---|---|---|---|---|
| | **2009** | | 2008 | |
| | **Number of shares** | **RM** | Number of shares | RM |
| At 1 April | **0** | **0** | 0 | 0 |
| Shares repurchased during the financial year | **121,000** | **107,620** | 0 | 0 |
| At 31 March | **121,000** | **107,620** | 0 | 0 |

The shareholders of the Company, by an ordinary resolution passed in 13th Annual General Meeting held on 28 August 2008, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 121,000 units of its issued share capital from the open market on the Bursa Malaysia for RM107,620. The average price paid for the shares repurchased was approximately RM0.89 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act, 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. None of the treasury shares repurchased has been sold as at 31 March 2009.

At the balance sheet date, the number of outstanding shares in issue after setting treasury shares off against equity is 98,439,000 units.

## 30 Share premium

| | Group and Company | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| At 1 April/31 March | **7,208,014** | 7,208,014 |

## 31 Revaluation and other reserves

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Revaluation*/capital reserve | **1,588,667** | 1,588,667 |
| Exchange fluctuation reserve | **981,942** | (556,255) |
| | **2,570,609** | 1,032,412 |

* Revaluation reserve is stated net of deferred taxation.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 31 Revaluation and other reserves (continued)

The movements in each category of reserves are as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| **Revaluation/capital reserve** | | |
| At 1 April | **1,588,667** | 1,529,033 |
| Effect of change in income tax rate on revaluation surplus | **0** | 43,005 |
| Realisation of deferred tax upon disposal of revalued assets | **0** | 16,629 |
| At 31 March | **1,588,667** | 1,588,667 |
| **Exchange fluctuation reserve** | | |
| At 1 April | **(556,255)** | 314,628 |
| Exchange fluctuation differences arising during the financial year | **1,538,197** | (856,680) |
| Realisation of exchange fluctuation reserve upon disposal of subsidiaries companies | **0** | (14,203) |
| At 31 March | **981,942** | (556,255) |

## 32 Retained earnings

Under the single-tier tax system, which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 tax credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 tax credits are exhausted or up to 31 December 2013, whichever is earlier unless the companies opt to disregard the Section 108 tax credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at the balance sheet date, the Company did not opt to disregard the Section 108 tax credits and the Company may utilise the Section 108 tax credits balance which has been frozen as at 31 December 2007 to frank dividend payments during the 6-year transitional period. The Company has, subject to confirmation by the Inland Revenue Board, sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of net dividends out of all its retained earnings as at 31 March 2009.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 33 Cash flows generated from/(used in) operations

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Net profit for the financial year | **5,317,408** | 10,893,418 | **4,847,158** | 9,611,498 |
| Adjustments for: | | | | |
| Share of results of jointly controlled entity | **(101,731)** | (591,386) | **0** | 0 |
| Taxation | **2,731,459** | 1,773,115 | **1,654,875** | 1,905,462 |
| Depreciation of property, plant and equipment | **6,140,645** | 4,800,978 | **0** | 0 |
| Amortisation of prepaid land leases | **371,986** | 331,169 | **0** | 0 |
| Loss/(gain) on disposal of property, plant and equipment | **840** | (18,726) | **0** | 0 |
| Property, plant and equipment written off | **11,166** | 2,868 | **0** | 0 |
| Income from short term investment | **0** | (812,698) | **0** | (491,284) |
| Interest expense | **1,944,225** | 212 | **0** | 0 |
| Interest income from licensed banks | **(890,620)** | (915,080) | **(376,504)** | (456,773) |
| Dividend income from: | | | | |
| - a subsidiary company | **0** | 0 | **(6,890,730)** | (6,899,200) |
| Foreign exchange loss/(gain) | | | | |
| - unrealised | **18,625** | (145,511) | **0** | 0 |
| Gain on disposal of | | | | |
| - subsidiary companies | **0** | (60,777) | **0** | (4,089,191) |
| - marketable securities | **0** | (152,232) | **0** | (152,232) |
| - short term investment | **(355,200)** | 0 | **(355,200)** | 0 |
| | **9,871,395** | 4,211,932 | **(5,967,559)** | (10,183,218) |
| Changes in working capital during the financial year: | | | | |
| Inventories | **(15,263,351)** | 4,633,087 | **0** | 0 |
| Receivables | **12,539,778** | 363,278 | **(25,263)** | 64,194 |
| Payables | **(29,524,757)** | (496,817) | **(12,438)** | (26,444) |
| Intercompany balances | **0** | 0 | **0** | (48,545) |
| | **(32,248,330)** | 4,499,548 | **(37,701)** | (10,795) |
| Cash flows (used in)/generated from operations | **(17,059,527)** | 19,604,898 | **(1,158,102)** | (582,515) |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 34 Contingent liabilities (unsecured)

**Group**

The Group's interest in the contingent liability of the jointly controlled entity is disclosed in note 19 to the financial statements.

**Company**

The Company has given guarantees to banks on behalf of certain subsidiary companies and jointly controlled entity (Note 19) for facilities approximating RM35,309,000 (2008: RM39,410,000) of which RM6,786,564 (2008: RM2,474,282) was utilised as at 31 March 2009.

## 35 Capital commitments

Capital expenditures not provided for in the financial statements are as follows:

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Capital expenditure commitments in respect of property, plant and equipment: | | |
| - contracted but not provided for | **3,095,837** | 567,932 |
| - authorised but not contracted for | **13,326,700** | 0 |
| | **16,422,537** | 567,932 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 36 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**

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **Malaysia RM** | **The People's Republic of China RM** | **Total RM** | Malaysia RM | The People's Republic of China RM | Total RM |
| **Revenue** | | | | | | |
| Total revenue | **132,776,165** | **0** | **132,776,165** | 108,784,171 | 6,624,161 | 115,408,332 |
| Intersegment revenue | **(7,142,679)** | **0** | **(7,142,679)** | (14,893,606) | (1,372,720) | (16,266,326) |
| External revenue | **125,633,486** | **0** | **125,633,486** | 93,890,565 | 5,251,441 | 99,142,006 |
| **Segment results** | **9,891,361** | **0** | **9,891,361** | 11,831,276 | 244,083 | 12,075,359 |
| **Other information** | | | | | | |
| Segment assets | **276,501,330** | **0** | **276,501,330** | 153,521,228 | 0 | 153,521,228 |
| Unallocated assets | **21,118,191** | **0** | **21,118,191** | 56,606,679 | 0 | 56,606,679 |
| | **297,619,521** | | **297,619,521** | 210,127,907 | | 210,127,907 |
| Jointly controlled entity | **2,424,738** | | **2,424,738** | 784,811 | | 784,811 |
| Total assets | **300,044,259** | | **300,044,259** | 210,912,718 | | 210,912,718 |
| Segment liabilities | **30,251,643** | **0** | **30,251,643** | 8,339,533 | 0 | 8,339,533 |
| Unallocated liabilities | **63,558,163** | **0** | **63,558,163** | 8,361,134 | 0 | 8,361,134 |
| Total liabilities | **93,809,806** | | **93,809,806** | 16,700,667 | | 16,700,667 |
| Capital expenditure including goodwill acquired | **91,962,564** | **0** | **91,962,564** | 2,661,298 | 0 | 2,661,298 |
| Depreciation and amortisation | **6,512,631** | **0** | **6,512,631** | 5,132,147 | 0 | 5,132,147 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 36 Segmental reporting (continued)

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

Segment assets comprise primarily of property, plant and equipment, inventories, receivables and operating cash but exclude fixed deposits and tax recoverable. Segment liabilities comprise operating liabilities but exclude items such as provision for tax and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment (note 15).

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 for the previous financial year comprised sales of raw materials for foundry use to a Malaysian subsidiary company on terms agreed between the companies.

Segment results comprise segment revenues less segment expenses but exclude finance costs and the Group's share of results of a jointly controlled entity.

## 37 Financial instruments

Forward foreign currency exchange contracts are entered into by the Group to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

### Forward foreign exchange contracts

As at 31 March 2009, the expected settlement date on the forward exchange contracts range from 48 days to 168 days (2008: 10 to 60 days). The details of the foreign currency amount to be paid and contractual exchange rate of the Company's outstanding contracts as at balance sheet date are as follows:

| Hedged items | Currency to be received | Currency to be paid | RM equivalent | Weighted average contractual rate |
|---|---|---|---|---|
| Receivables: | | | | |
| SGD314,376 | Ringgit Malaysia | Singapore Dollar | RM755,975 | 1 SGD = RM2.40 |
| EURO101,000 | Ringgit Malaysia | Euro | RM495,405 | 1 EURO = RM4.91 |

The fair value of the outstanding forward contract of the Company as at the balance sheet date is a favourable net position of RM16,120 (2008: unfavourable net position of RM4,183).

## 38 Acquisition of a subsidiary company

During the current financial year, the Group acquired 51% equity interest in Laksana Wibawa Sdn. Bhd., comprising 18,840,412 ordinary shares of RM1.00 each for a total purchase consideration of RM48,086,616 which was satisfied entirely by cash. The acquisition was completed on 29 August 2008. Upon the completion of the acquisition, Laksana Wibawa Sdn. Bhd. became a 51%-owned subsidiary of the Company.

In accordance with FRS 3, the Company carried out a Purchase Price Allocation ("PPA") exercise upon completion of the acquisition of Laksana Wibawa Sdn. Bhd., which involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entity which included the engagement of external valuer TD Aziz Sdn. Bhd., International Property Consultants & Chartered Surveyors to perform a market valuation of the acquired entity's leasehold land.

The fair values of the net assets at the date of acquisition of Laksana Wibawa Sdn. Bhd. are recognised as costs in the Group's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 38 Acquisition of a subsidiary company (continued)

Details of net assets acquired are as follows:

| | Note | Acquiree's carrying value RM | Fair Value RM |
|---|---|---|---|
| **NON CURRENT ASETS** | | | |
| Leasehold land | | 4,526,187 | 6,200,000 |
| Factory building | | 13,981,648 | 13,981,648 |
| Plant & machinery | | 23,079,816 | 23,079,816 |
| Furniture & fittings | | 42,512 | 42,512 |
| Motor vehicles | | 632,242 | 632,242 |
| Office equipment | | 27,683 | 27,683 |
| Computer system | | 40,337 | 40,337 |
| Renovation | | 54,791 | 54,791 |
| Road | | 1,774,607 | 1,774,607 |
| Infrawork | | 186,315 | 186,315 |
| | | **44,346,138** | **46,019,951** |
| **CURRENT ASSETS** | | | |
| Receivables | | 36,091,727 | 36,091,727 |
| Inventories | | 13,691,939 | 13,691,939 |
| Deposits with licensed banks | | 6,953,704 | 6,953,704 |
| Cash and bank balances | | 782,563 | 782,563 |
| | | **57,519,933** | **57,519,933** |
| **NON CURRENT LIABILITIES** | | | |
| Term loans | | (14,352,176) | (14,352,176) |
| Finance lease liabilities | | (548,429) | (548,429) |
| Deferred taxation | 28 | 0 | (418,453) |
| | | **(14,900,605)** | **(15,319,058)** |
| **CURRENT LIABILITIES** | | | |
| Payables | | (54,920,040) | (54,920,040) |
| Short term borrowings | | (11,989,633) | (11,989,633) |
| | | **(66,909,673)** | **(66,909,673)** |
| Net assets | | 20,055,793 | 21,311,153 |
| Less: Minority Interest | | (9,827,340) | (10,442,465) |
| Identifiable net assets acquired | | **10,228,453** | 10,868,688 |
| Goodwill | 16 | | 37,217,928 |
| Purchase consideration | | | **48,086,616** |

Goodwill of RM37,217,928 is attributable to the existing contracts granted to Laksana Wibawa Sdn. Bhd. from the acquisition.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009 (CONTINUED)

## 38 Acquisition of a subsidiary company (continued)

Details of cash flows arising from the acquisition are as follows:

| | Group RM |
|---|---|
| Total purchase consideration | (48,086,616) |
| Less: Cash and cash equivalents of subsidiary company acquired* | 5,599,433 |
| Net cash outflow to the Group on acquisition | (42,487,183) |
| Short term deposits | 6,953,704 |
| Cash and bank balances | 782,563 |
| Acquired deposits charged for credit facilities* | (2,136,834) |
| Cash and cash equivalents of subsidiary acquired* | 5,599,433 |

*Included in cash and cash equivalent of subsidiary acquired is the deposits charged for credit facilities amounted to RM2,136,834.

The subsidiary company acquired during the financial year contributed loss after tax of RM1,831,646 to the Group for the period from 29 August 2008, date of completion of acquisition, to 31 March 2009.

Had the subsidiary company which was acquired during the financial year occurred on 1 April 2008, the combined revenue and net profit attributable to the Group would have been RM149,612,220 and RM7,693,696 respectively.

## 39 Discontinued operations

On 10 August 2007, the Company entered into two Share Sale Agreements for the disposal of its entire equity interests of 100,000 and 1,900,450 ordinary shares of HKD1.00 and RM1.00 each in the issued and fully paid capital of its subsidiary companies, YLI Corporation Limited (a company incorporated in Hong Kong) and Zhangzhou YLI Electro-Metallurgy Co., Ltd. (a company incorporated in China) respectively, to a third party, Euro Materials Limited, a company incorporated in British Virgin Islands, on a willing-buyer willing-seller basis for an aggregate cash consideration of RM6,038,541.

The gain from disposal of these subsidiary companies in respect of the Group and of the Company amounted to RM60,777 and RM4,089,191 respectively. In addition, the Group realised exchange fluctuation reserve from the disposal amounting to RM14,203.

## 40 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 19 June 2009.

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir and Samsuri Bin Rahmat, two of the Directors of YLI Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 31 to 75 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 2009 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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 June 2009.

**Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir**
Director

**Samsuri Bin Rahmat**
Director

# STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Samsuri Bin Rahmat, being the Director primarily responsible for the financial management of YLI Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 75 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.

**Samsuri Bin Rahmat**

Subscribed and solemnly declared by the abovenamed Samsuri Bin Rahmat at Penang on 19 June 2009.

Before me

Commissioner for Oaths

# PROPERTIES OF THE GROUP

| | DESCRIPTION | LAND AREA/ BUILT-UP AREA | NET BOOK VALUE @31.03.2009 RM'000 | APPROXIMATE AGE OF BUILDING YEARS | DATE OF REVALUATION/ ACQUISITION |
|---|---|---|---|---|---|
| **FACTORIES** | | | | | |
| 2432, Tingkat Perusahaan 6, Prai Industrial Estate 13600 Prai, Pulau Pinang | Land (Leasehold 60 years expiring 03.10.2042) | 3.30 acres | 1,492 | N/A | 1 November 1994 |
| | Main factory | 76,100 sq. ft. | 3,698 | 26 | |
| | Machine workshop | 3,200 sq. ft. | | 18 | |
| | Canteen | 2,050 sq. ft. | | 13 | |
| | Office building | 7,949 sq. ft. | | 13 | |
| 2462, Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai Pulau Pinang | Land ( Leasehold 60 years expiring 13.04.2044) | 3.01 acres | 4,565 | N/A | 10 September 1999 |
| | Factory Building | 60,702 sq. ft. | 4,592 | 9 | 14 July 2000 |
| 2579, Lorong Perusahaan 10, Prai Industrial Estate 13600 Prai Pulau Pinang | Land ( Leasehold 60 years expiring 23.01.2045) | 3.02 acres | 2,405 | N/A | 19 July 1999 |
| | Single Storey factory cum workshop | 40,050 sq. ft. | 2,510 | 18 | 19 July 1999 |
| | Double-storey office building | 4,450 sq. ft. | | | |
| 2604, Lorong Perusahaan Baru 2, Kawasan Perusahaan Prai, 13600 Prai, Pulau Pinang | Land(Leasehold approximately 46 years expiring 11/12/2050) | 3.54510 acres | 1,734 | N/A | 6 May 2004 |
| | Factory Building | 24,208 sq.ft. | 1,315 | 19 | |
| Lot No.668 and 669, Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang | Land(Freehold) | 18,919 sq.metres | 2,234 | N/A | 17 March 2005 |
| Lot 1498, Seksyen 20, Town of Serendah, District of Ulu Selangor, Selangor Darul Ehsan. | Land ( Leasehold 99 years expiring 10.09.2096) | 44,578 sq.metres | 6,159 | N/A | 30 March 2009 |
| | Factory Building | 12,689 sq.metres | 15,637 | 8 | 29 August 2008 |
| | Office Building | 460 sq.metres | | | |
| **OFFICE CUM WORKSHOP** | | | | | |
| 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 | | 426 | 12 | |

** Approximate figures*

# PROPERTIES OF THE GROUP (CONTINUED)

| | DESCRIPTION | LAND AREA/ BUILT-UP AREA | NET BOOK VALUE @31.03.2009 RM'000 | APPROXIMATE AGE OF BUILDING YEARS | DATE OF REVALUATION/ ACQUISITION |
|---|---|---|---|---|---|
| **WAREHOUSE** | | | | | |
| No. 2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai Pulau Pinang | Land (Leasehold expiring 09.05.2051) | 3.25 acres | 2,781 | N/A | 22 June 1996 |
| | Single storey building used as a warehouse with a small section as office | 10,744 sq. ft | 1,673 | 13 | |
| **GENERAL PROPERTIES** | | | | | |
| 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 | 144 | 13 | 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. | 250 | 13 | 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 | | 108 | N/A | January 2003 |
| Moveable Site Hostel No.2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai | Double Storey Steel Container | 40' X 8' X 8' (8 units) | 132 | N/A | 16 September 2002 |

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2009

| | | |
|---|---|---|
| Class of Shares | : | Ordinary Shares of RM1.00 each |
| Voting Rights | : | One vote per ordinary share |
| Authorised Share Capital | : | RM500,000,000 |
| Issued and Paid-up Capital | : | RM98,439,000 #1 |
| Number of Holders | : | 3,016 #1 |

## DISTRIBUTION SCHEDULE OF SHAREHOLDINGS

| No. of Holders | Size of Holdings | Total Holdings #1 | % of Total Issued Capital #1 |
|---|---|---|---|
| 20 | less than 100 shares | 543 | 0.00 |
| 365 | 100 to 1,000 shares | 323,210 | 0.33 |
| 1,911 | 1,001 to 10,000 shares | 8,735,391 | 8.87 |
| 638 | 10,001 to 100,000 shares | 20,042,200 | 20.36 |
| 79 | 100,001 to 4,921,949 (less than 5% of issued shares #1) | 23,655,750 | 24.03 |
| 3 | 4,921,950 shares and above (5% and above of issued shares #1) | 45,681,906 | 46.41 |
| 3,016 | | 98,439,000 | 100.00 |

*Note:*
*#1 Excluding a total of 121,000 YLI Holdings Berhad ("YLI") shares bought-back by YLI and retained as treasury shares as at 30 June 2009*

## THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

| | Name | No of Shares Held | % of Total Issued Capital #1 |
|---|---|---|---|
| 1 | SYED MOHD YUSOF BIN TUN SYED NASIR | 29,568,000 | 30.04 |
| 2 | FUJI FUSION SDN BHD | 9,332,206 | 9.48 |
| 3 | LEMBAGA TABUNG HAJI | 6,781,700 | 6.89 |
| 4 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD PUBLIC ISLAMIC OPPORTUNITIES FUND | 2,746,200 | 2.79 |
| 5 | PERTUBUHAN KESELAMATAN SOSIAL | 1,943,000 | 1.97 |
| 6 | JALUR CAHAYA SDN BHD | 1,087,600 | 1.10 |
| 7 | LEMBAGA TABUNG ANGKATAN TENTERA | 857,000 | 0.87 |
| 8 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF) | 845,900 | 0.86 |
| 9 | TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMMAD ABDUS SALIM BIN S CASSIM | 800,000 | 0.81 |
| 10 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF) | 787,200 | 0.80 |

# ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2009 (CONTINUED)

| | Name | No of Shares Held | % of Total Issued Capital #1 |
|---|---|---|---|
| 11 | HONG LEONG ASSURANCE BERHAD<br>AS BENEFICIAL OWNER (LIFE PAR) | 637,350 | 0.65 |
| 12 | FUJI FUSION SDN BHD | 583,000 | 0.59 |
| 13 | SULTAN IDRIS SHAH | 571,000 | 0.58 |
| 14 | HLB NOMINEES (ASING) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>CHANG, TZUNG-YAUR @ EDDY CHANG | 488,000 | 0.50 |
| 15 | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR MAAKL AL-FAID (4389) | 400,000 | 0.41 |
| 16 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>AXA AFFIN GENERAL INSURANCE BERHAD | 400,000 | 0.41 |
| 17 | HSBC NOMINEES (ASING) SDN BHD<br>RBS COUTTS SG FOR CASSIM FARIS SALIM | 350,000 | 0.36 |
| 18 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>UNI.ASIA LIFE ASSURANCE BERHAD (LIFE FUND) | 332,600 | 0.34 |
| 19 | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR APEX DYNAMIC FUND (5303-401) | 283,400 | 0.29 |
| 20 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR GOH EU JIM (PB) | 274,000 | 0.28 |
| 21 | LAU JIT WENG | 263,000 | 0.27 |
| 22 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR NG BOON HOCK | 260,500 | 0.26 |
| 23 | TAN EWE WAH | 259,900 | 0.26 |
| 24 | KONG KENG HEE @ KONG KENG SEW | 250,000 | 0.25 |
| 25 | MICHAEL ONG LENG CHUN | 250,000 | 0.25 |
| 26 | NUSMAKMUR DEVELOPMENT SDN BHD | 247,900 | 0.25 |
| 27 | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR OSK-UOB SMALL CAP OPPORTUNITY UNIT TRUST (3548) | 240,400 | 0.24 |
| 28 | ROSLI BIN MAHMOOD | 231,700 | 0.24 |
| 29 | LEE CHEOH LAI | 231,400 | 0.24 |
| 30 | SOON CHIN CHYE | 220,000 | 0.22 |
| | | 61,522,956 | 62.50 |

# ANALYSIS OF SHAREHOLDINGS
AS AT 30 JUNE 2009 (CONTINUED)

## SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 30 June 2009 are as follows:-

| | No of shares | | | |
|---|---|---|---|---|
| **Name of Shareholders** | **Direct** | **%#1** | **Indirect** | **%#1** |
| Tan Sri Syed Mohd Yusof bin Tun Syed Nasir | 29,568,000 | 30.04 | - | - |
| Fuji Fusion Sdn Bhd | 9,915,206 | 10.07 | - | - |
| Loh Eng Kim Co Sdn Bhd | 15,000 | 0.02 | @9,915,206 | 10.07 |
| Dato' Loh Toa Thau @ Loh Eng Kim | 90,000 | 0.09 | #9,930,206 | 10.09 |
| Loh Yok Yeong | 196,000 | 0.20 | #9,930,206 | 10.09 |
| Loh Yeok Chuan | - | - | #9,930,206 | 10.09 |
| Loh Yeok Cheong+ | - | - | #9,930,206 | 10.09 |
| Lembaga Tabung Haji | 6,781,700 | 6.89 | - | - |

#1 Excluding a total of 121,000 YLI Holdings Berhad ("YLI") shares bought-back by YLI and retained as treasury shares as at 30 June 2009

@ 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

## DIRECTORS AND THEIR SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 30 June 2009 are as follows:-

| | No of shares | | | |
|---|---|---|---|---|
| **Name of Directors** | **Direct** | **%#1** | **Indirect** | **%#1** |
| Tan Sri Syed Mohd Yusof bin Tun Syed Nasir | 29,568,000 | 30.04 | - | - |
| Samsuri bin Rahmat | - | - | - | - |
| Ali Sabri bin Ahmad | - | - | - | - |
| Ab Gani bin Haron | - | - | - | - |
| Mohammad Khayat bin Idris | - | - | - | - |
| Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin | - | - | - | - |

#1 Excluding a total of 121,000 YLI Holdings Berhad ("YLI") shares bought-back by YLI and retained as treasury shares as at 30 June 2009

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of YLI Holdings Berhad will be held at the Merbah II, Lower Ground Floor, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 20 August 2009 at 10.00 a.m.

## AGENDA

1. To receive the Statutory Financial Statements for the financial year ended 31 March 2009 together with the Reports of the Directors and Auditors thereon. — Please refer to Note A

## AS ORDINARY BUSINESS

2. To sanction the declaration and payment of a first and final dividend of 2.5 sen per ordinary share less income tax at 25% for the financial year ended 31 March 2009. (Resolution 1)

3. To approve the Directors' fees for the financial year ended 31 March 2009. (Resolution 2)

4. To re-elect the following Director who retires in accordance with Article 86 of the Company's Articles of Association:-

   YBhg Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin (Resolution 3)

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration. (Resolution 4)

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modifications the following Resolutions:-

### Ordinary Resolutions

6. **Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965** (Resolution 5)

   "THAT, subject to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the approvals from the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Act, 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 does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."

# NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

**Ordinary Resolutions**

7. **Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital** (Resolution 6)

"THAT, subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby unconditionally and generally authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject further to the following:-

(i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital for the time being of the Company ("YLI Shares")

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the YLI Shares shall not exceed the retained earnings and share premium account of the Company amounting to RM6,496,105 and RM7,208,014 respectively as at 31 March 2009.

(iii) the authority conferred by this resolution shall commence upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of Bursa Securities or any other relevant authority; and

(iv) Upon completion of the purchase(s) of the YLI Shares by the Company, the Directors of the Company be hereby authorised to deal with the YLI Shares in the following manner:-

a. cancel the YLI Shares so purchased; or
b. retain the YLI Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
c. retain part of the YLI Shares so purchased as treasury shares and cancel the remainder;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient and to enter into any agreements, arrangements and guarantees with any party or parties to implement or to effect the purchase(s) of the YLI Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required by the relevant authorities."

8. To transact any other business of which due notice shall have been received.

# NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN** that subject to the approval of the shareholders, the first and final dividend will be paid on 11 November 2009 to depositors registered in the Register of Depositors at the close of business on 30 October 2009.

**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 30 October 2009 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: 29 July 2009

**Note A**

This Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.

**NOTES:**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend and vote on his behalf.

2. Where a member appoints two proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

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 an officer or attorney duly authorised.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 2579 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai, Pulau Pinang not less than 48 hours before the time set for the meeting.

6. 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.

# NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

## EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 5 – Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965**

   The proposed Ordinary Resolution 5, if passed, will from the date of the above meeting give the Directors of the Company authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

2. **Resolution 6 – Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital**

   The proposed Ordinary Resolution 6, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information, please refer to the Statement to Shareholders dated 29 July 2009.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

The profile and shareholding of the Director who is standing for re-election are set out on page 11 and 81 respectively of the annual report.

| # CDS account no. of authorised nominee |
|---|
| |

**YLI HOLDINGS BERHAD** Co. No. 367249-A
(Incorporated In Malaysia)

# PROXY FORM

I/We ______________________________ (name of shareholder as per NRIC, in capital letters)
NRIC No. ______________ (new) ______________ (old)/ID No./Company No. ______________ of
______________________________ (full address)
being a member(s) of the abovenamed Company, hereby appoint ______________________________
(name of proxy as per NRIC, in capital letters) NRIC No. ______________ (new) ______________ (old)
or failing him/her ______________________________ (name of proxy as per NRIC, in capital letters)
NRIC No. ______________ (new) ______________ (old) or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at the Merbah II, Lower Ground Floor, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 20 August 2009 at 10.00 a.m. and at any adjournment thereof.
My/our proxy is to vote as indicated below:-

| Resolutions | | For | Against |
|---|---|---|---|
| Resolution 1 | - Declaration and payment of a first and final dividend | | |
| Resolution 2 | - Approval of Directors' fees | | |
| Resolution 3 | Re-election of Director:<br>- YBhg Datuk Prof Ir (Dr) Hj Ahmad Zaidee bin Laidin | | |
| Resolution 4 | - Re-appointment of Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration | | |
| Resolution 5 | - Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965 | | |
| Resolution 6 | - Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital | | |

*(Please indicate with "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)*

Dated this ………… day of ………………… 2009

| Number of shares held | |
|---|---|

For appointment of two proxies, number of shares and percentage of shareholdings to be represented by the proxies:-

| | No. of shares | Percentage |
|---|---|---|
| Proxy 1 | __________ | ________% |
| Proxy 2 | __________ | ________% |

______________________________
Signature/Common Seal of Appointor

***NOTES:***

1. *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend and vote on his behalf. Where a member appoints two proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.*

2. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

3. *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 an officer or attorney duly authorised.*

4. *The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 2579 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai, Pulau Pinang not less than 48 hours before the time set for the meeting.*

5. *If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointor is acceptable.*

6. *Those proxy forms which are indicated with "v" in the spaces provided to show how the votes are to be cast will also be accepted.*

\# *Applicable to shares held through a nominee account.*

[ PLEASE FOLD ACROSS THE LINE AND CLOSE ]

[ STAMP ]

The Company Secretary
**YLI HOLDINGS BERHAD** (367249-A)
2579, Lorong Perusahaan 10,
Prai Industrial Estate,
13600 Prai, Pulau Pinang, Malaysia.

[ PLEASE FOLD ACROSS THE LINE AND CLOSE ]

**YLI HOLDINGS BERHAD**
Co. No. 367249-A

2579, Lorong Perusahaan 10,
Prai Industrial Estate,
13600 Prai, Pulau Pinang, Malaysia.
Tel : 604-399 1819 (Hunting Line)
Fax : 604-399 9819

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