

CONTENTS



Corporate Information	2	
Corporate Structure	4	
Chairman's Statement	5	
Group Financial Highlights	10	
Financial Track Record	11	
Highlights of the Year	12	
Profile of Directors	14	
Corporate Governance Statement	17	
Audit Committee Report	24	
Financial Report	30	
Analysis of Shareholdings	71	
Properties of The Group	74	
Notice of Annual General Meeting	76	
Closure of Books	77	
Statement Accompanying Notice of Annual General Meeting	78	
Proxy Form	79	

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Executive Chairman
Group Managing Director
Group Executive Director

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dato' Ir. Syed Muhammad Shahabudin
Dato' Haji Yahaya bin Ahmad
Tan Hock Hin
Ng Chong Wee

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Foong Kai Choong



COMPANY SECRETARY

Molly Gunn Chit Geok
MAICSA 0673097

AUDIT COMMITTEE

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

REGISTERED OFFICE

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

NOMINATION COMMITTEE

Dato' Ir. Syed Muhammad Shahabudin *Chairman*
Dato' Haji Yahaya bin Ahmad
Foong Kai Choong

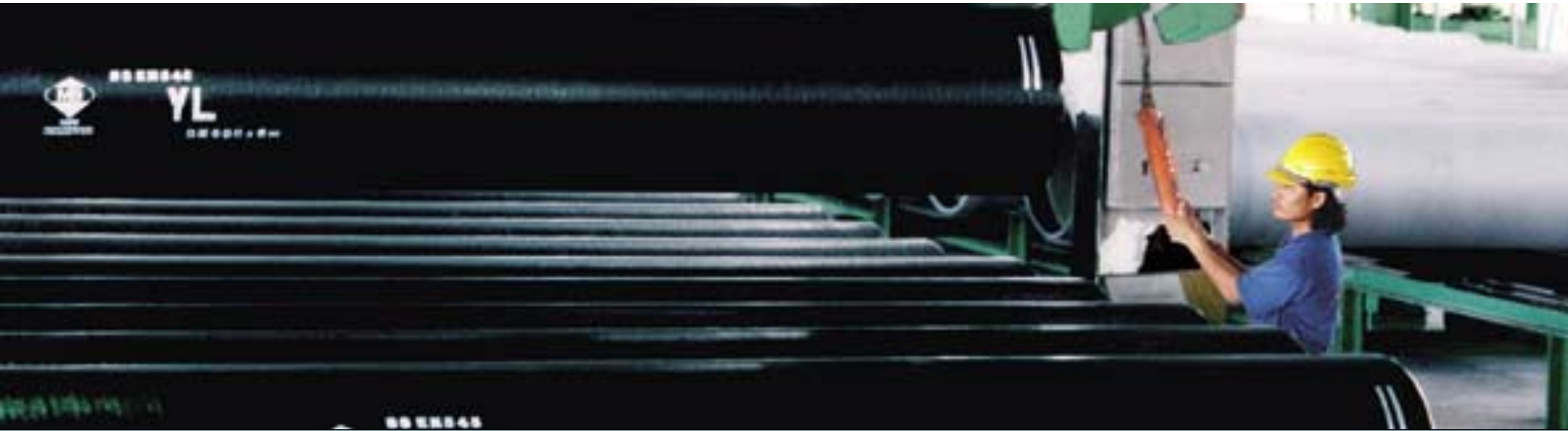
REMUNERATION COMMITTEE

Foong Kai Choong *Chairman*
Dato' Ir. Syed Muhammad Shahabudin
Dato' Haji Yahaya bin Ahmad
Loh Yok Yeong

OPTIONS COMMITTEE

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

CORPORATE INFORMATION



AUDITORS

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

PRINCIPAL BANKERS

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

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

The Main Board
of Bursa Malaysia
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 (YLI), I wish to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 March 2004.

Financial Performance

The Group's results for financial year ended 2004 were achieved under challenging conditions. For the first time after 6 years of uninterrupted growth, the Group like others in the sector faced the impact of increased raw materials costs and uncertainties arising from water supply and privatization issues. In combination, these factors had adversely affected the overall performance of the Group.

Group turnover for the period was down by RM11.5 million to RM102.3 million as compared to RM113.8 million in the preceding year. The Group's after-tax profit was RM21.2 million, a decrease of 21.4% from RM26.9 million previously. Earnings per share for the financial year was 21.8 sen compared to 28.3 sen in the preceding year based on weighted average number of ordinary shares in issue and after adjustment for the impact of Bonus Issue of 1-for-2. Notwithstanding the weaker operating performance, the Group has always been prudent in maintaining a



CHAIRMAN'S STATEMENT (CONTINUED)

healthy and sound financial position. Consequently, its net cash position at the end of the financial year stood at RM41.8 million. The cash will enable the Group to explore investment opportunities for growth in its core and related businesses to enhance shareholders' value. Meanwhile, our shareholders' funds expanded to RM160.3 million as at 31 March 2004.

Dividend



In an effort to reward our shareholders for their continuous support, the Board of Directors is recommending a first and final dividend of 7.0 sen per share less tax of 28%.

Bonus Issue



The Group successfully completed a Bonus Issue of 1-for-2 during the financial year. This is the second time the Group had implemented a Bonus Issue to reward the shareholders of YLI for their continuous support of the Group within a period of 3 years.

Operations Highlights

It was indeed a challenging year for the Group. The Group's efforts to maintain its incremental growth was temporarily hampered by the sudden increase in the price of raw materials namely steel scrap and the timing of implementation of water projects.

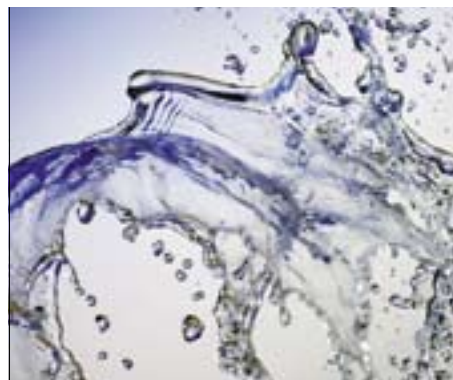
During the year under review, the Group completed its expansion programme that saw its overall production capacity being increased to 75,000MT. This has allowed us to reduce our production costs and achieve higher economies of scale. The Group also invested significant efforts to regain margin loss due to significant movements of raw material prices and has put in place several measures to reduce costs and enhance competitiveness of its products. The higher production capacity coupled with greater efficiency will further enhance the Group's long-term competitive edge especially when raw materials prices namely steel scrap start to stabilize. Its expanded product mix would also enable the Group to explore new areas of potential by tapping a broader customer base in the domestic market. The recent launch of a new



CHAIRMAN'S STATEMENT (CONTINUED)

range of pipes will further enhance the Group's competitive edge in the commercial sector and at the same time, offers its existing clientele an expanded choice of products that can cater to their various demand and budget.

The Group's wholly-owned subsidiary in China, Zhangzhou-YLI which concentrates on the production of carburizer, contributed positively in its third year of operations. The carburizer produced were exported to Europe and the Far East besides providing for the Group's own consumption.



Corporate Developments

I am very pleased to inform our shareholders that as mentioned in our last Annual Report, the Group had entered into a joint venture with PBA Holdings Berhad (PBAHB) and KWI Far East Sdn Bhd (KWI) for the business of constructing water-infrastructure projects, water treatment, management and the supply of treated water for both the public and private sectors. Pinang Water Ltd (PWL) is jointly owned by YLI-PBAHB-KWI on a 37:26:37 basis respectively.

The construction of PWL's first overseas project, a water treatment plant in Yichun City, Jiangxi Province, China is underway and scheduled to be operational in time for the 2004 Farmers' Games which will be staged in Yichun City. While this project is by no means a major one promising huge returns, it marks YLI's foray into the water treatment business in line with its efforts to become a vertically integrated player in the water sector. It also represents one of the key steps towards broadening our earnings base.



Corporate Governance

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

CHAIRMAN'S STATEMENT (CONTINUED)

Our Industry



According to the Malaysian Water Association, the recent creation of the Ministry of Energy, Water and Communications will enable more focused efforts and streamline the management of the country's water and sewerage services as both are inter-related. This will in turn lead to improvements in the quality of water through better management of water and sewerage.

As the Government has recognized the importance of water and put it on the main priority list, replacement of old pipelines will be one of the water works being implemented among others under the Eighth Malaysia Plan. The Federal Government has allocated more than RMI billion for the implementation of water supply projects for all states under the 2004 Federal Budget.*

** Source: Water Malaysia, The Malaysian Water Association Quarterly (March/April 2004)*



Prospects

The future performance of the Group will depend on many company-specific and industry-specific factors some of which may be beyond our control as in the case of steel scrap prices. Continual development and investments in the country's infrastructure by the private and the public sectors will be the main drivers to our future growth.

Given the Government's continuous emphasis on efforts to reduce the percentage of non-revenue water (NRW), the outlook for the pipe industry remains positive over the long term. With the Group's expertise, brand equity, firm commitment, sound financial position coupled with its quest for improvements, the Group is well-positioned to tap opportunities in the water industry.

CHAIRMAN'S STATEMENT (CONTINUED)

While the Group will continue to explore opportunities in synergistic businesses to achieve a more sustainable and balanced growth profile, further developments in Ductile Iron pipes will remain as the main driver for growth.

Barring unforeseen circumstances, the Group expects the performance for the year to be satisfactory.



Appreciation

I would like to thank all our employees for their hard work, commitment and substantial contribution during the past challenging year. Same goes to my fellow directors, the management team, valued clients, business and financial partners for their continuous support. To the valued shareholders, I would like to thank them for their confidence in the Group.

I would also like to take this opportunity to convey my deepest gratitude to the late Mr Chan Kok Soo who was a wonderful friend to me and a mentor to many who have known him. He had been a key member on our Board since the initial listing of the Group in 1997. The Board and I were extremely saddened by his untimely demise on 27 April 2004. The Group had benefited tremendously from his sound in-depth knowledge of an industry that he was deeply involved in for 40 odd years. On behalf of the Board of Directors, I wish to record our appreciation to the late Mr Chan Kok Soo for his past invaluable contributions.

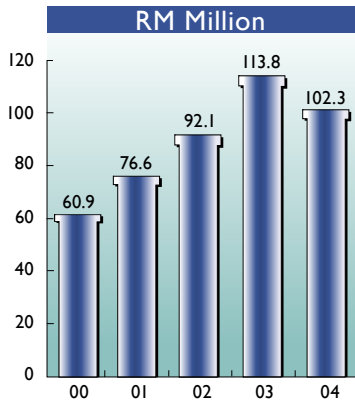
I also wish to welcome on Board, Mr Tan Hock Hin, a Chartered Accountant who joined the Board on 1 April 2004. Mr Tan had also been appointed as the Senior Independent Non-Executive Director by members of the Board on 27 May 2004. We look forward to his valuable contribution.

LOH TOA THAU @ LOH ENG KIM
Executive Chairman

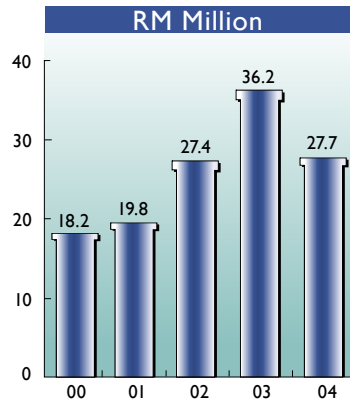


GROUP FINANCIAL HIGHLIGHTS

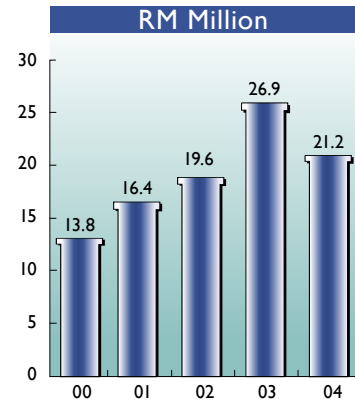
Turnover



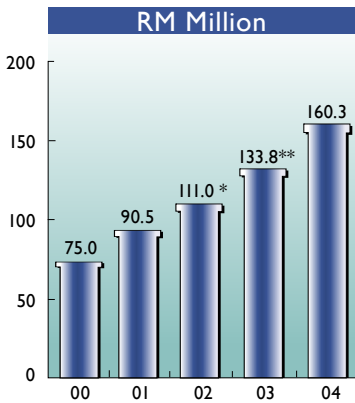
Profit Before Taxation



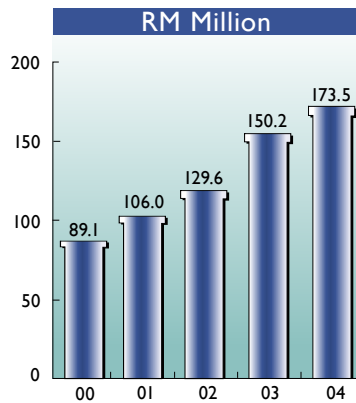
Profit After Taxation
Attributable To Shareholders



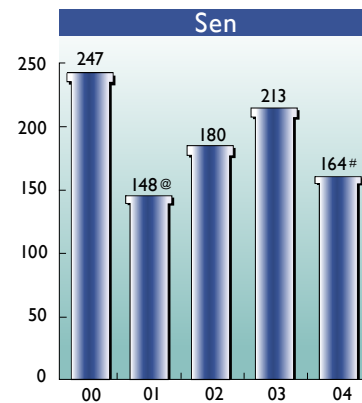
Shareholders' Funds



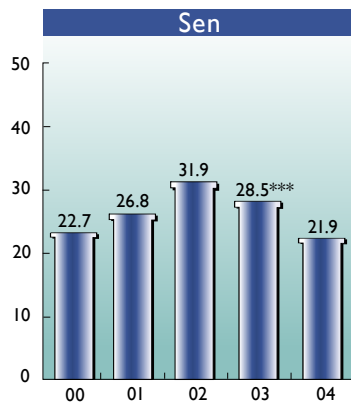
Total Assets Employed



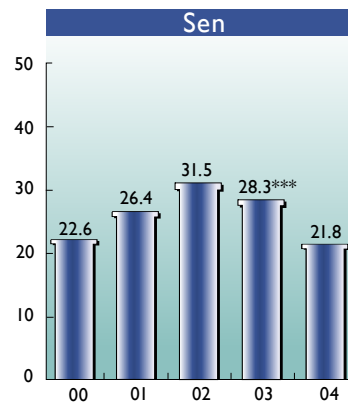
Net Tangible Assets Per Share



Basic Earnings Per Share



Diluted Earnings Per Share



@ Calculated based on number of shares in issue of 61,250,000
 * Figure has been adjusted in compliance with MASB 19 "Events After The Balance Sheet Date"
 ** Figure has been adjusted in compliance with MASB 25 "Income Taxes"
 *** Figure has been adjusted for the impact of Bonus Issue of 1-for-2
 # Calculated based on number of shares in issue of 97,957,000

FINANCIAL TRACK RECORD

	Financial Year Ended 31 March				
	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
Turnover	102,271	113,755	92,125	76,600	60,892
Profit Before Taxation	27,660	36,168	27,357	19,786	18,176
Profit After Taxation Attributable to Shareholders	21,153	26,903	19,574	16,383	13,761
Shareholders' Funds	160,324	133,846**	110,954*	90,522	75,041
Total Assets Employed	173,537	150,205	129,604	105,963	89,108
Profit After Taxation as a Percentage of Shareholders' Funds	13.2	20.1	17.6	18.1	18.4
Basic Earnings Per Share (sen)	21.90	28.47***	31.90	26.77	22.69
Diluted Earnings Per Share (sen)	21.84	28.28***	31.53	26.40	22.60
Net Tangible Assets Per Share (RM)	1.64#	2.13	1.80	1.48@	2.47
No. of Shares in Issue	97,957	62,742	61,786	61,250	30,346

@ Calculated based on number of shares in issue of 61,250,000

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

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

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

Calculated based on number of shares in issue of 97,957,000

OUR PERFORMANCE

		2004 RM'000	2003 RM'000	% Change	
INCOME STATEMENT	Turnover	102,271	113,755	-10.10	
	Profit Before Taxation	27,660	36,168	-23.52	
	Profit After Taxation	21,153	26,903	-21.37	
BALANCE SHEET	Total Assets Employed	173,537	150,205	15.53	
	Shareholders' Funds	160,324	133,846*	19.78	
RATIOS	Current ratio	times	15.59	7.12	118.96
	Interest coverage	times	207.42	234.34	-11.49
	Return on equity	%	14.38	21.98	-34.58
	Return on total assets	%	13.07	19.23	-32.03
	Financial leverage ratio	times	0.01	0.01	0
	Basic earnings per share	sen	21.90	28.47**	-23.08
	Net tangible assets per share	RM	1.64	2.13	-23.00
31st March closing price	RM	4.34	4.00	8.50	

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

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

HIGHLIGHTS OF THE YEAR

July 2003

Yuan He Water Treatment Plant Project, Yichun City, Jiangxi Province, China



Proposed water intake area for the Yuan He Water Treatment Plant adjacent to the Yuan River



Signing of Build Operate & Transfer (BOT) Agreement and Sale of Water Agreement between Pinang Water Ltd (PWL), associate company of YLI and the Peoples' Government of Yichun City



February 2004



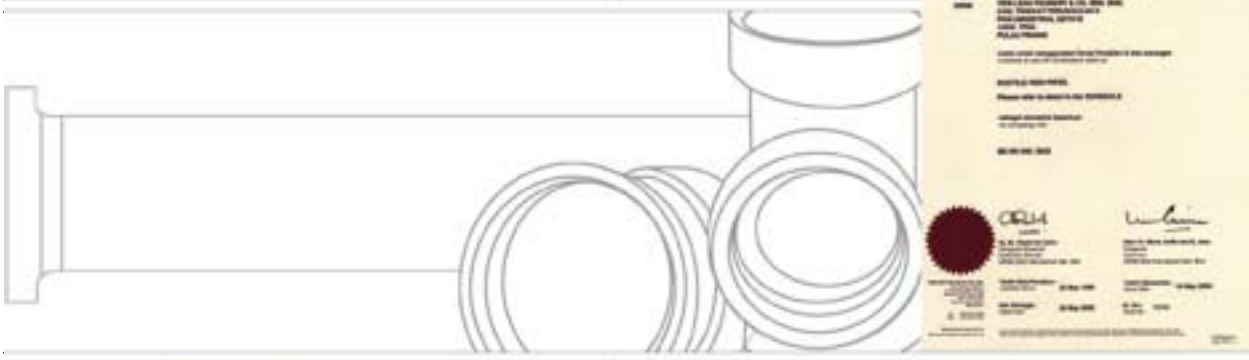
MWA Biennial Conference & Exhibition

30th March - 2nd April 2004

ASIAWATER2004
ASIA'S NO.1 WATER & WASTEWATER INDUSTRY EVENT
30 MARCH - 2 APRIL 2004 • MIECC • THE MINES • KUALA LUMPUR



HIGHLIGHTS OF THE YEAR

<p>April 2004</p>	<p>Certification by SIRIM for BS EN 545:2002</p>
	
<p>June 2004</p>	<p>New Product Expanded Markets</p>
	<p>Launching of a new range of Ductile Iron (DI) pipes</p> <p>On track to capture market share in the commercial and private sectors while still maintaining its leading position as Malaysia's premier Ductile Iron pipe manufacturer for water reticulation projects</p>

FINANCIAL CALENDAR	
FINANCIAL YEAR END	31 March 2004
ANNUAL GENERAL MEETING	9 September 2004
ANNOUNCEMENT OF RESULTS	First Quarter 31 July 2003 Second Quarter 20 November 2003 Third Quarter 26 February 2004 Fourth Quarter 27 May 2004
ANNUAL REPORT	Date of issuance 17 August 2004
DIVIDEND	First & Final Recommendation 27 May 2004 Payment date (if approved) 7 December 2004

PROFILE OF DIRECTORS

**Mr Loh Toa Thau @
Loh Eng Kim**
Malaysian aged 67,
Executive Chairman,
Non-Independent
Executive Director

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

Mr Loh Yok Yeong
Malaysian aged 40,
Group Managing
Director,
Non-Independent
Executive Director

was appointed as the Group Managing Director on 21 May 1997. He is a member of the Audit Committee and Remuneration Committee of YLI Holdings Berhad. Since 1986, he has held key positions in Sales, Production and Business Development within the Group. He graduated with a Bachelor of Science degree with a double major in Production and Operations Management and Marketing from the Ohio State University, United States. He has over 18 years of experience in the pipes and water industry.

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

Mr Lee Then Wah,
Malaysian aged 64,
Group Executive
Director,
Non-Independent
Executive Director

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

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

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

PROFILE OF DIRECTORS (CONTINUED)

**Dato' Ir. Syed
Muhammad Shahabudin**
Malaysian aged 68,
Independent
Non-Executive
Director

was appointed to the Board on 10 December 1998. He was appointed to the Audit Committee on 20 November 2003 and subsequently on 27 May 2004, appointed as the Chairman of the Audit Committee. He is also the Chairman of Nomination Committee as well as member of Remuneration Committee.

He is a Chartered Engineer and Environmental Manager by profession and has obtained his Diploma in Civil Engineering, United Kingdom. He has been a consulting engineer for the waterworks sector for over 40 years. He has devoted the earlier part of his career in the public sector serving the Public Works Department, Malaysia; nearly all the time in the water section. His last appointment was as Chief Executive Engineer, Penang Water Authority. The latter part of his career was spent in the private sector; in the consulting engineering industry specialising mainly in water engineering.

In January 1975, he became a partner in the consulting engineering firm of Binnie dan Rakan. The firm was restructured in 1980 as Syed Muhammad, Hooi dan Binnie Sdn Bhd and he became the Chairman and Managing Director. When the firm was restructured in 1995 as SMHB Sdn Bhd, he assumed the duty as Executive Chairman. As a consulting engineer, he has been involved in several project feasibility studies in water supply, water supply distribution and upgrading studies, multi purpose water resources and river basin, drainage and irrigation, and sewerage.

He is currently President of the Malaysian Water Association (MWA). He is not related to any director and/or major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all four Board Meetings held in the financial year.

**Dato' Haji Yahaya
bin Ahmad,**
Malaysian aged 75,
Independent
Non-Executive
Director

was appointed to the Board on 15 October 1998. He is a member of the Audit, Remuneration and Nomination Committees. He received his Sijil Tinggi Pelajaran and had attended courses for Company Directors.

Prior to his retirement, he was serving in the public sector for 35 years as a teacher and headmaster. He was formerly a state assemblyman serving the Penang State Government for 10 years and has been actively involved in politics and social activities. He has served as a Board member of Pihak Berkuasa Air Pulau Pinang for 5 years and was a member of Majlis Perbandaran Pulau Pinang. He also sits on the board of several private companies in Malaysia.

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

PROFILE OF DIRECTORS (CONTINUED)

Mr Foong Kai Choong
 Malaysian aged 42,
 Non-Independent
 Non-Executive
 Director

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

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

Mr Tan Hock Hin
 Malaysian aged 57,
 Independent
 Non-Executive
 Director

was appointed to the Board on 1 April 2004. He is a member of the Audit Committee. He was also nominated and appointed by the Board of the Directors as the Senior Independent Non-Executive Director on 27 May 2004.

He started his career with Coopers & Lybrand where he qualified as a Chartered Certified Accountant (ACCA) United Kingdom in 1971. He worked as a Qualified Assistant and held various positions in Coopers & Lybrand until he became a Director of the firm in 1978. He was admitted as a Partner of Coopers & Lybrand in 1982 and retired as a Senior Partner of Coopers & Lybrand (now known as PricewaterhouseCoopers) in 2002. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom, a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants.

He had served as a member of the Working Committee of the Accounting & Auditing Standards Committee (AASC) of the Malaysian Institute of Certified Public Accountants from 1993 to 1997. He was also a working member of a few of the Standards Committee of the Malaysian Accounting & Standards Board (MASB).

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

Mr Ng Chong Wee
 Malaysian aged 35,
 Independent
 Non-Executive
 Director

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

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