



Leading Through Technology and Quality

ANNUAL REPORT 2006



**YLI HOLDINGS BERHAD**

Co. No. 367249-A

## 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

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

## Independent Non-Executive Directors

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

## Non-Independent Non-Executive Director

**Foong Kai Choong**

## Board Committees

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

## Registered Office

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

## Company Secretary

**Molly Gunn Chit Geok**  
MAICSA 0673097

## Auditors

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

## Share Registrar

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

## Principal Bankers

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

## Stock Exchange Listing

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

# Corporate Structure



**YLI HOLDINGS BERHAD**

Co. No. 367249-A



# Chairman's Statement



On behalf of the Board of Directors of YLI Holdings Berhad (YLI), I am pleased to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 March 2006.

## Financial Performance

For the financial year ended 2006, high steel scrap prices continued to plague the pipe sector and directly contributed to a more competitive environment for the Group's core product, Ductile Iron pipes. Despite a challenging operating environment, the Group's record of achieving profitability was maintained and the positive results are reflected in the financial statements. Group revenue increased by RM1.3 million to RM100.1 million on the back of improving sales from export and contribution from its raw material division. However, after-tax profit was RM12.9 million, a decline of a marginal 13.1%. Earnings per share for the financial year ended 31 March 2006 stood at 13.1 sen. Notwithstanding the challenging operating performance, the Group's balance sheet remained healthy with net cash position of RM41.1 million at the end of the financial year. Meanwhile, shareholders' funds stood at RM179.7 million as at 31 March 2006.

## Dividend

The Board is recommending a first and final dividend of 7% per share less tax of 28% for the financial year ended 31 March 2006. The Company is committed to a dividend policy that rewards shareholders with immediate cash returns at the same time enabling the Company to conserve adequate funds for expansion and investment purposes for long term capital growth.



## Operations Highlights

It was another challenging year for the Group. Significant movements of steel scrap prices and initial uncertainties over the development of the water industry continued to affect the performance of the pipe division. Nevertheless, the demand for Ductile Iron pipes is expected to improve with the implementation of the 9th Malaysian Plan (9MP), the passing of water bills and other on-going efforts within the water industry.

Meanwhile, the Group continues to implement strategies to promote its pipes in the water and sewerage industries domestically and abroad. The Group will continue to improvise product strategies as a key step towards enhancing the Group's adaptability to market changes. On the export front, we are pleased to report that our Group has successfully customized special coating for pipes to customers' requirements in some countries extending our coverage to include niche market pipe segment. This allows our pipes to command premium pricing and also forms part of our efforts to enhance customer service and to gain further foothold in the international market. Export sales are expected to be encouraging as the Group's brand name became more established and recognized for its quality and reliability.

# Chairman's Statement > continued

Meanwhile, the Group's wholly-owned subsidiary in China, Zhangzhou YLI Electro-Metallurgy Co Ltd which concentrates on the production of petroleum coke (Carburizer) continues to contribute positively. This division continued to perform well with steady demand for the material from European and Far Eastern markets.

The Group's associated company, Pinang Water Limited in which YLI holds 37% has successfully completed and commissioned its first project, Yuan He Water Treatment Plant in Yichun City, Jiangxi province, China. It is the Group's maiden investment into the water supply business with two of its key business partners, PBA Holdings Berhad and Ranhill KWI Sdn Bhd, a subsidiary of Ranhill Utilities Berhad. Due to the long term nature of the venture, it is not expected to be a significant earnings contributor in the immediate term. It is however one of the strategic steps taken for further diversification of the Group's revenue streams in the long run.

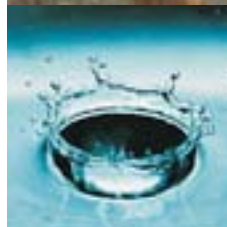


## Corporate Governance

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

## Our industry

Under the 9MP, the allocation for the water industry has increased by 111% to RM8.2 billion while allocation for sewerage doubled to RM3.1 billion respectively. All these good news are expected to bring in new opportunities and positive contribution for the Group in the coming year as the Group will stand to benefit from the improving outlook of the industry.



# Chairman's Statement > continued

## Looking ahead

With the improving outlook for the pipe industry bolstered by the Government's intensive efforts to improve the country's water supply system, the Group aims to uphold and maintain its leadership position in the Ductile Iron pipes industry in the country and the South East Asian region.

It is believed that with the spending earmarked for water and sewerage industry under the 9MP, the demand for the Group's DI pipes will improve. With its enhanced capacity already in place, the Group is in an excellent position to be the pre-eminent Group in providing products and services to the targeted sector.

Going forward, the Group endeavours to identify new investment opportunities by leveraging on its core competencies and expertise in businesses which are synergistic to its current operations to enhance shareholders' value.

## Appreciation

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



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

Executive Chairman



Pinang Water Ltd's, water treatment plant in Yichun

# Highlights of the Year



**January 2006**

Line stopping and line tapping machinery demonstration



**March 2006**



## Financial Calendar

### **FINANCIAL YEAR END**

31 March 2006

### **ANNUAL GENERAL MEETING**

23 August 2006

### **ANNOUNCEMENT OF RESULTS**

First Quarter	24 August 2005
Second Quarter	29 November 2005
Third Quarter	23 February 2006
Fourth Quarter	29 May 2006

### **ANNUAL REPORT**

Date of Issuance 1 August 2006

### **DIVIDEND**

#### **First & Final**

Recommendation	29 May 2006
Payment date (if approved)	16 November 2006

# Financial Track Record



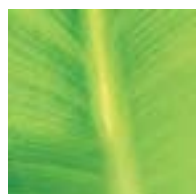
	Financial Year Ended 31 March				
	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000
Revenue	100,103	98,777	102,271	113,755	92,125
Profit Before Taxation	16,602	19,494	27,660	36,168	27,357
Profit After Taxation Attributable to Shareholders	12,866	14,811	21,153	26,903	19,574
Shareholders' Funds	179,722	171,684	160,324	133,846**	110,954*
Total Assets Employed	197,053	187,854	173,537	150,205	129,604
Profit After Taxation as a Percentage of Shareholders' Funds	7.2	8.6	13.2	20.1	17.6
Basic Earnings Per Share (sen)	13.05	15.06	21.90	28.47***	31.90
Diluted Earnings Per Share (sen)	N/A	N/A	21.84	28.28***	31.53
Net Tangible Assets Per Share (RM)	1.82	1.74	1.64	2.13	1.80
No. of Shares in Issue	98,560	98,560	97,957	62,742	61,786

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

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

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

## Our Performance



		2006 RM'000	2005 RM'000	% Change	
<b>INCOME STATEMENT</b>	Revenue	100,103	98,777	1.34	
	Profit Before Taxation	16,602	19,494	-14.83	
	Profit After Taxation	12,866	14,811	-13.1	
<b>BALANCE SHEET</b>	Shareholders' Funds	179,722	171,684	4.68	
	Total Assets Employed	197,053	187,854	4.90	
<b>RATIOS</b>	Current Ratio	times	13.70	13.31	2.93
	Interest Coverage	times	396.29	780.76	-49.24
	Return On Equity	%	7.32	8.92	-17.94
	Return On Total Assets	%	6.69	8.20	-18.41
	Financial Leverage Ratio	times	0.00	0.00	0
	Basic Earnings Per Share	sen	13.05	15.06	-13.35
	Net Tangible Assets Per Share	RM	1.82	1.74	4.60
	31st March Closing Price	RM	2.18	4.20	-48.09

# Profile of Directors

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

Malaysian aged 69,  
Executive Chairman,  
Non-Independent Executive Director

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

## **Mr Loh Yok Yeong**

Malaysian aged 42,  
Group Managing Director,  
Non-Independent Executive Director

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

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 Board meetings held in the financial year.

## **Mr Lee Then Wah**

Malaysian aged 66,  
Non-Independent Executive Director

He was appointed as Group Executive Director on 16 October 1997. 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 is responsible for the Group's manufacturing plants and factory operations.

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



# Profile of Directors > continued

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

Malaysian aged 70,  
Independent Non-Executive Director



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

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

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

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

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

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

He was an executive and council member of the Institution of Engineers Malaysia (IEM) between 1980 to 1983, Chairman of the Association of Consulting Engineers Malaysia (ACEM) between 1985 to 1987, Board Member of the Board of Engineers between 1988 to 1994, Board Member of the Board of Architects Malaysia between 1992 to 1994 and as a Board Member of the Board of Quantity Surveyors Malaysia between 1988-1991.

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.

# Profile of Directors

> continued



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

## **Mr Foong Kai Choong**

Malaysian aged 44,  
Non-Independent Non-Executive Director

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

He qualified as a Chartered Certified Accountant, United Kingdom in 1971. He worked for Coopers & Lybrand and was made a Director in 1978. He was admitted a Partner of Coopers & Lybrand in 1982 and retired as a Senior Partner of PricewaterhouseCoopers in 2002. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom, a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants.

He also sits on the Board of MMS Ventures Bhd, a company listed on the MESDAQ. He is not related to any director and/or major shareholder of YLI and does not have any conflict of interest with the Company. He has attended all Board meetings held during the financial year.

## **Mr Tan Hock Hin**

Malaysian aged 59,  
Independent Non-Executive Director

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

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

## **Mr Ng Chong Wee**

Malaysian aged 37,  
Independent Non-Executive Director

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 2006.

## THE BOARD OF DIRECTORS

### The Board

The Board which is responsible for the control and proper management of the Company comprises members with a wide range of experience in fields such as accounting, marketing, engineering, legal and corporate planning. The Board has delegated specific responsibilities to 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 three Executive Directors and four Non-Executive Directors, of whom three are independent. The composition of the Board also reflects the investment of the minority shareholders of the Company as only two out of the total of seven members represent the interests of Fuji Fusion Sdn Bhd, the largest shareholder of the Company.

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

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

#### (ii) Board meetings

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

**(ii) Board meetings** > continued

During the financial year ended 31 March 2006, four (4) Board Meetings were held. The attendance record of each Director is as follows:-

<b>Board of Directors' Meeting</b>		May 05	Aug 05	Nov 05	Feb 06	Total	%
<b>Directors</b>	<b>Position</b>	Attendance					
1 Dato' Loh Toa Thau @ Loh Eng Kim	Executive Chairman	•	•	•	•	4/4	100
2 Loh Yok Yeong	Group Managing Director	•	•	•	•	4/4	100
3 Lee Then Wah	Group Executive Director	•	•	•	•	4/4	100
4 Dato' Ir Syed Muhammad Shahabudin	Director	•	•	•	•	4/4	100
5 Foong Kai Choong	Director	•	X	•	•	3/4	75
6 Ng Chong Wee	Director	•	•	•	•	4/4	100
7 Tan Hock Hin	Director	•	•	•	•	4/4	100

Total number of meetings held: 4

**(iii) Supply of Information**

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

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

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

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

**(iv) Appointments to the Board**

The Nomination Committee comprises Dato' Ir Syed Muhammad Shahabudin (Independent Non-Executive Director) who is the Chairman, Mr Ng Chong Wee (Independent Non-Executive Director) and Mr Foong Kai Choong (Non-Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

- (1) Recommends to the Board candidates for Directorships
- (2) 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

The Committee had a meeting on 29 May 2006 which was attended by all members.

**(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.

The names of Directors who are standing for re-election at the Eleventh Annual General Meeting of the Company to be held on 23 August 2006 are contained in the Statement Accompanying Notice of Annual General Meeting.



**(vi) Directors' Training**

As required under the Listing Requirement of Bursa Malaysia Securities Berhad, all the Directors have attended the Directors' Mandatory Accreditation Programme. They have also participated in the Continuing Education Programme ("CEP") organized by the relevant regulatory authorities and professional bodies and have all obtained the requisite CEP points within the stipulated time frame.

The Board shall determine the training needs of the Directors. During the financial year the Directors had attended seminars and other training programmes which included topics on new investment instruments, risk management, international currency risk management, off-balance sheet items, offshore accounts and derivatives, etc and they will continue to attend various professional programmes necessary to ensure that they are kept abreast on various issues to enhance their knowledge where relevant, in the discharge of their duties. In addition, the Directors are kept abreast of any changes in relevant laws and regulations by the Company Secretary.

**DIRECTORS' REMUNERATION****(i) Remuneration Committee**

The Remuneration Committee comprises Mr Foong Kai Choong (Chairman) who is a Non-Independent Non-Executive Director, Dato' Ir Syed Muhammad Shahabudin (Independent Non-Executive Director) and Mr Loh Yok Yeong (Group Managing Director).

During the financial year ended 31 March 2006, a meeting was held on 29 November 2005.

**(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 2006 is set out below:-

**A. Aggregate Remuneration**

	<b>Executive Directors</b>	<b>Non-Executive Directors</b>
	<b>RM</b>	<b>RM</b>
Fees	101,000	71,000
Salaries	909,447	-
Bonus	198,322	-
Benefits in kind	48,781	-
Other benefits	204,312	-
	<u>1,461,862</u>	<u>71,000</u>

**B. Band (RM)**

<b>Band (RM)</b>	<b>Executive Directors</b>	<b>Non-Executive Directors</b>	<b>Total</b>
0 – 50,000	-	4	4
150,000 - 200,000	1	-	1
600,000 - 650,000	1	-	1
651,000 - 700,000	1	-	1

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

## RELATIONS WITH SHAREHOLDERS 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:-

Mr Tan Hock Hin, Senior Independent Non-Executive Director

Telephone number : 04-2821942

Facsimile number : 04-2820821

Email address : corporate@yli.com.my

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

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

In addition, a press conference is normally held after the AGM for the Group Managing Director to answer questions from members of the press on topics relevant to the Group.

## 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 23 of this Annual Report.

### (ii) Relationship with the External Auditors

The Board has established a close and transparent relationship with the external auditors of the Company. As disclosed on pages 18 to 21 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.



### **Non-audit fees**

The amount of non-audit fees paid to external auditors for the financial year was RM18,720.

### **Options, warrants or convertible securities exercised**

During the financial year, the Company has not issued any options, warrants or convertible securities.

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

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

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

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

## Chairman

Dato' Ir. Syed Muhammad Shahabudin  
Independent Non-Executive Director

## Members

Tan Hock Hin\*  
Independent Non-Executive Director

Ng Chong Wee\*  
Independent Non-Executive Director

Loh Yok Yeong  
Group Managing Director

\* Mr Tan Hock Hin and Mr Ng Chong Wee are members of MIA

Terms of Reference

### 1.0 MEMBERSHIP

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

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

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

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

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

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

### 2.0 Meetings

#### 2.1 Frequency

2.1.1 Meetings shall be held not less than four times a year.

2.1.2 Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

#### 2.2 Quorum

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



### 2.3 Secretary

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

### 2.4 Attendance

- 2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditor shall normally attend meetings.
- 2.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.
- 2.4.3 At least once a year, the Committee shall meet with the external auditors without any executive Board members present.

### 2.5 Reporting Procedure

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

### 2.6 Meeting Procedure

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

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

## 3.0 RIGHTS

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

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

## 4.0 FUNCTIONS

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

### 4.1 To review:

- (a) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on: -
  - (i) the going concern assumption;
  - (ii) changes in or implementation of major accounting policy changes;
  - (iii) significant and unusual events; and
  - (iv) compliance with accounting standards and other legal requirements.
- (b) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.

**4.0 FUNCTIONS** > continued

4.1 To review: > continued

- (c) with the external auditor:
  - (i) the audit plan;
  - (ii) his audit report; and
  - (iii) his management letter on internal control issues arising from his year end audit and management's response; and
  - (iv) the assistance given by the Company's employees to the external auditor;

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

4.3 In respect of the appointment of external auditors:

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

4.4 In respect of the internal audit function:

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

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

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

For the financial year ended 31 March 2006, eight (8) Audit Committee meetings were held.

The attendance of each member is as set out below:

Committee Members	Position	#01	#02	#03	#04	#05	#06	#07	#08	Total	%
		Attendance									
1 Dato' Ir Syed Muhammad Shahabudin	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8	100
2 Loh Yok Yeong	Member	✓	✓	✓	✓	✓	✓	✓	✓	8	100
3 Ng Chong Wee	Member	✓	✓	✓	✓	✓	✓	✓	✓	8	100
4 Tan Hock Hin	Member	✓	✓	✓	✓	✓	✓	✓	✓	8	100
Total number of meetings held:										8	



### Activities of the Audit Committee

Based on duties specified in the Terms of Reference, the activities performed by the Audit Committee during the period under review include 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 Directors for approval
- b. Reviewed with the external auditor 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 auditor's annual audit plan, audit findings and reports and assessed his performance, adequacy of resources and approved his 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 auditor's management letter and management's response
- h. Held a meeting with external auditors without the presence of management
- i. Reviewed and approved the Internal Audit Charter

### Activities of the Internal Audit Department

The Group's internal audit function is an independent department which overlooks the overall internal audit activities of the Group. Its activities are mainly carried out in accordance to 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. Internal Audit reports directly to the Audit Committee and assists the Audit Committee to monitor and manage risks and provides the committee with independent views on the effectiveness of the system of internal control after its reviews. The internal audit findings and recommendations are reviewed quarterly by the Audit Committee and its recommendations and minutes of Audit Committee meetings are circulated to the Board.

Further information on the internal audit activities of the Group is set out under the Statement on Internal Control on pages 22 to 23.

## INTRODUCTION

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

## BOARD'S RESPONSIBILITY

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

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

## KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

### Risk Management Framework

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

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

### Internal Audit Function

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

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



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

During the year, there were no material weaknesses that have resulted in any material losses or major breakdown that would require disclosure in this annual report. Management continues to review and take measures to strengthen the internal control environment.

This statement has been seen and approved by the Board of Directors at the meeting held on 29 May 2006.

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

## Directors' Responsibility Statement in relations to Financial Statements

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

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

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

# Financial Statement



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# Directors' Report

for the financial year ended 31 March 2006

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 2006.

## Principal activities

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

## Financial results

	Group RM	Company RM
Net profit after taxation	<u>12,866,181</u>	<u>5,300,198</u>

## Dividend

Dividend proposed, declared or paid since 31 March 2005 is as follows:

RM

In respect of the financial year ended 31 March 2005:

As shown in the Directors' Report for that financial year, a first and final dividend of 7.0 sen less tax at 28%, paid on 11 December 2005

4,967,424

The Directors now recommend the payment of a first and final dividend of 7.0 sen less tax at 28% amounting to RM4,967,424 subject to the approval of members at the forthcoming Annual General Meeting of the Company.

## Share capital

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

## Reserves and provisions

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

## Directors

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

Dato' Loh Toa Thau @ Loh Eng Kim  
Loh Yok Yeong  
Lee Then Wah  
Dato' Ir. Syed Muhammad Shahabudin  
Foong Kai Choong  
Ng Chong Wee  
Tan Hock Hin

### Directors' interests

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

	Number of ordinary shares of RM1 each			As at 31 March 2006
	As at 1 April 2005	Bought	Sold	
<b>YLI Holdings Berhad</b>				
Dato' Loh Toa Thau @ Loh Eng Kim				
Direct	418,500	0	0	<b>418,500</b>
Indirect	38,452,506	871,700	0	<b>39,324,206</b>
Loh Yok Yeong				
Direct	196,000	0	0	<b>196,000</b>
Indirect	38,452,506	871,700	0	<b>39,324,206</b>
Lee Then Wah				
Direct	180,000	0	0	<b>180,000</b>

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

### Directors' benefits

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

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### 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:

- 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
- 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:

- 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
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- 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.



**Other statutory information** > continued

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 29 May 2006.

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

Director

**Lee Then Wah**

Director

# Report of the Auditors

to the members of YLI Holdings Berhad

We have audited the financial statements set out on pages 29 to 59. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 March 2006 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

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

The names of the subsidiary companies of which we have not acted as auditors are indicated in note 15 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

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

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

## **PricewaterhouseCoopers**

[AF:1146]

Chartered Accountants

## **Cho Choo Meng**

[2082/09/06 (J)]

Partner of the firm

Penang

29 May 2006.



# Income Statements

for the financial year ended 31 March 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	5	<b>100,103,459</b>	98,776,903	<b>7,668,290</b>	7,722,151
Cost of sales		<b>(75,578,768)</b>	(70,726,426)	<b>0</b>	0
Gross profit		<b>24,524,691</b>	28,050,477	<b>7,668,290</b>	7,722,151
Other operating income		<b>829,143</b>	723,036	<b>17,280</b>	26,300
Selling and distribution costs		<b>(4,111,594)</b>	(3,699,373)	<b>0</b>	0
Administrative expenses		<b>(5,618,513)</b>	(5,520,838)	<b>(264,394)</b>	(350,289)
Other operating expenses		<b>(242,077)</b>	(140,261)	<b>(123,268)</b>	0
Profit from operations	7	<b>15,381,650</b>	19,413,041	<b>7,297,908</b>	7,398,162
Finance costs	9	<b>(42,286)</b>	(24,830)	<b>0</b>	0
Share of results of a jointly controlled entity		<b>1,262,971</b>	106,174	<b>0</b>	0
Profit from ordinary activities before taxation		<b>16,602,335</b>	19,494,385	<b>7,297,908</b>	7,398,162
Taxation:					
- Company and subsidiaries		<b>(3,734,265)</b>	(4,668,492)	<b>(1,997,710)</b>	(2,154,393)
- Jointly controlled entity		<b>(1,889)</b>	(14,800)	<b>0</b>	0
Net profit after taxation	10	<b>(3,736,154)</b>	(4,683,292)	<b>(1,997,710)</b>	(2,154,393)
		<b>12,866,181</b>	14,811,093	<b>5,300,198</b>	5,243,769
<b>Earnings per share (sen)</b>					
- basic	11	<b>13.05</b>	15.06		
- diluted	11	<b>N/A*</b>	N/A*		
<b>Dividend per share (sen)</b>					
- proposed first and final dividend	12	<b>7.0</b>	7.0	<b>7.0</b>	7.0

\* N/A - Not applicable

# Balance Sheets

as at 31 March 2006

	Note	Group		Company	
		2006	2005	2006	2005
		RM	RM	RM	RM
<b>Non current assets</b>					
Investment properties	13	956,841	0	0	0
Property, plant and equipment	14	77,991,225	81,015,197	0	0
Subsidiary companies	15	0	0	18,355,350	18,306,448
Jointly controlled entity	16	1,505,173	86,121	141	141
		<b>80,453,239</b>	<b>81,101,318</b>	<b>18,355,491</b>	<b>18,306,589</b>
<b>Current assets</b>					
Inventories	17	29,851,396	22,047,826	0	0
Receivables	18	34,861,829	37,189,288	61,617	56,506
Amounts due from subsidiary companies	19	0	0	59,787,910	63,126,377
Amount due from a jointly controlled entity	20	7,196,474	3,537,025	7,164,986	3,505,537
Tax recoverable		124,881	476,315	0	0
Short term investments	21	3,460,194	442,914	3,460,194	442,914
Deposits, bank and cash balances	22	41,105,316	43,059,883	19,217,103	22,382,010
		<b>116,600,090</b>	<b>106,753,251</b>	<b>89,691,810</b>	<b>89,513,344</b>
<b>Less: Current liabilities</b>					
Payables	23	7,422,894	7,699,192	159,089	151,370
Provision for taxation		1,087,925	131,644	16,844	129,969
Revolving credit	24	0	192,526	0	0
		<b>8,510,819</b>	<b>8,023,362</b>	<b>175,933</b>	<b>281,339</b>
<b>Net current assets</b>		<b>108,089,271</b>	<b>98,729,889</b>	<b>89,515,877</b>	<b>89,232,005</b>
<b>Less: Non current liability</b>					
Deferred taxation	25	8,820,852	8,147,295	0	0
		<b>179,721,658</b>	<b>171,683,912</b>	<b>107,871,368</b>	<b>107,538,594</b>
<b>Capital and reserves</b>					
Share capital	26	98,560,000	98,560,000	98,560,000	98,560,000
Share premium	27	7,208,014	7,208,014	7,208,014	7,208,014
Revaluation and other reserves	28	1,460,449	1,321,460	0	0
Retained earnings	29	72,493,195	64,594,438	2,103,354	1,770,580
Shareholders' equity		<b>179,721,658</b>	<b>171,683,912</b>	<b>107,871,368</b>	<b>107,538,594</b>



# Consolidated Statement of Changes In Equity

for the financial year ended 31 March 2006

Note	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	Total RM	
	Number of shares	Nominal value RM	Share premium RM	Revaluation and other reserves RM	Retained earnings RM		
At 1 April 2004	97,957,000	97,957,000	6,292,194	1,326,792	54,748,148	160,324,134	
Net profit for the financial year	0	0	0	0	14,811,093	14,811,093	
Dividend for the financial year ended 31 March 2004	0	0	0	0	(4,964,803)	(4,964,803)	
Issue of shares - exercise of share options	26&27	603,000	603,000	915,820	0	1,518,820	
Exchange fluctuation differences arising in the financial year		0	0	0	(5,332)	0	(5,332)
Net loss not recognised in income statement		0	0	0	(5,332)	0	(5,332)
At 31 March 2005		<b>98,560,000</b>	<b>98,560,000</b>	<b>7,208,014</b>	<b>1,321,460</b>	<b>64,594,438</b>	<b>171,683,912</b>
At 1 April 2005		<b>98,560,000</b>	<b>98,560,000</b>	<b>7,208,014</b>	<b>1,321,460</b>	<b>64,594,438</b>	<b>171,683,912</b>
Net profit for the financial year		0	0	0	0	12,866,181	12,866,181
Dividend for the financial year ended 31 March 2005	12	0	0	0	0	(4,967,424)	(4,967,424)
Exchange fluctuation differences arising in the financial year		0	0	0	138,989	0	138,989
Net gain not recognised in income statement		0	0	0	138,989	0	138,989
At 31 March 2006		<b>98,560,000</b>	<b>98,560,000</b>	<b>7,208,014</b>	<b>1,460,449</b>	<b>72,493,195</b>	<b>179,721,658</b>

# Company Statement of Changes in Equity

for the financial year ended 31 March 2006

	Note	Issued and fully paid ordinary shares of RM1 each		Non-	Distributable	Total RM
		Number of shares	Nominal value RM	Share premium RM	Retained earnings RM	
At 1 April 2004		97,957,000	97,957,000	6,292,194	1,491,614	105,740,808
Net profit for the financial year		0	0	0	5,243,769	5,243,769
Dividend for the financial year ended 31 March 2004		0	0	0	(4,964,803)	(4,964,803)
Issue of shares:						
- exercise of share options	26&27	603,000	603,000	915,820	0	1,518,820
At 31 March 2005		<b>98,560,000</b>	<b>98,560,000</b>	<b>7,208,014</b>	<b>1,770,580</b>	<b>107,538,594</b>
At 1 April 2005		<b>98,560,000</b>	<b>98,560,000</b>	<b>7,208,014</b>	<b>1,770,580</b>	<b>107,538,594</b>
Net profit for the financial year		0	0	0	5,300,198	5,300,198
Dividend for the financial year ended 31 March 2005	12	0	0	0	(4,967,424)	(4,967,424)
At 31 March 2006		<b>98,560,000</b>	<b>98,560,000</b>	<b>7,208,014</b>	<b>2,103,354</b>	<b>107,871,368</b>



# Cash Flow Statements

for the financial year ended 31 March 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>Operating cash flows</b>					
Cash receipts from customers		101,707,083	90,751,550	0	0
Cash paid to suppliers and employees		(87,349,594)	(71,293,639)	(271,868)	(396,068)
Cash flows from / (used in) operations	30	14,357,489	19,457,911	(271,868)	(396,068)
Dividends received from:					
- a subsidiary company		0	0	4,967,424	4,964,803
- marketable securities		23,947	0	23,947	0
Taxation paid		(1,872,427)	(2,233,197)	(180,000)	(92,494)
Taxation refund		125,947	0	7,454	72,948
Interest paid		(42,286)	(19,554)	0	0
Interest received		1,312,870	1,274,892	697,060	634,529
		(451,949)	(977,859)	5,515,885	5,579,786
<b>Net operating cash flow</b>		<b>13,905,540</b>	<b>18,480,052</b>	<b>5,244,017</b>	<b>5,183,718</b>
<b>Investing cash flows</b>					
Dividends received from marketable securities		0	20,347	0	20,347
Acquisition of unit trusts		(3,000,000)	0	(3,000,000)	0
Incorporation of subsidiary companies		0	0	(48,902)	0
Refund of goods and services tax	14	171,083	0	0	0
Proceeds from disposal of property, plant and equipment		201,500	10,500	0	0
Purchase of property, plant and equipment		(4,401,256)	(12,072,866)	0	0
<b>Net investing cash flow</b>		<b>(7,028,673)</b>	<b>(12,042,019)</b>	<b>(3,048,902)</b>	<b>20,347</b>
<b>Financing cash flows</b>					
Advances to subsidiary companies		0	0	(4,378,275)	(4,600,000)
Advances to a jointly controlled entity		(3,659,449)	(1,941,313)	(3,659,448)	(1,909,825)
Repayment of advances by subsidiary companies		0	0	7,645,125	5,500,000
Repayment of short term borrowings		(194,428)	(764,656)	0	0
Repayment of hire-purchase liabilities		0	(28,865)	0	0
Dividends paid		(4,967,424)	(4,964,803)	(4,967,424)	(4,964,803)
Net proceeds from issuance of ordinary shares		0	1,518,820	0	1,518,820
<b>Net financing cash flow</b>		<b>(8,821,301)</b>	<b>(6,180,817)</b>	<b>(5,360,022)</b>	<b>(4,455,808)</b>
<b>Net change in cash and cash equivalents during the financial year (carried forward)</b>		<b>(1,944,434)</b>	<b>257,216</b>	<b>(3,164,907)</b>	<b>748,257</b>

Cash Flow Statements > continued  
for the financial year ended 31 March 2006

Note	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Net change in cash and cash equivalents during the financial year (brought forward)</b>	<b>(1,944,434)</b>	257,216	<b>(3,164,907)</b>	748,257
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(10,133)</b>	(79)	<b>0</b>	0
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>43,059,883</b>	42,802,746	<b>22,382,010</b>	21,633,753
<b>Cash and cash equivalents at the end of the financial year</b>	<b>41,105,316</b>	43,059,883	<b>19,217,103</b>	22,382,010

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM4,403,955 (2005: RM13,148,408) of which RM2,699 (2005: RM1,075,542) was included in other payables at balance sheet date. Cash payments of RM4,401,256 (2005: RM12,072,866) were made to purchase these property, plant and equipment.



# Notes to the Financial Statements

for the financial year ended 31 March 2006

## 1 General information

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

The Group has 379 (2005: 374) employees at the end of the financial year. The Company does not have any employee at the end of the current and previous financial year.

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

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

71-A, Jalan Jelutong  
11600 Penang  
Malaysia

## 2 Financial risk management objectives and policies

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

### (a) Foreign currency exchange risk

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

### (b) Interest rate risk

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

### (c) Credit risk

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

#### **(d) Liquidity and cash flow risk**

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

#### **(e) Market risk**

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

### **3 Basis of preparation**

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

### **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 2006.

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

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

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

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

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.



**4 Summary of significant accounting policies** > continued**(b) Property, plant and equipment**

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently stated at valuation in the years indicated in note 14 to the financial statements and subsequent additions are stated at cost less subsequent amortisation/depreciation and any impairment losses. The cost of other property, plant and equipment comprises their purchase costs and any incidental costs of acquisition. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

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

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

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

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

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

**(c) 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, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement; any amount in revaluation reserve relating to that investment property is transferred to retained earnings.

## 4 Summary of significant accounting policies > continued

### (c) Investment properties > continued

The freehold land which was transferred from property, plant and equipment during the current financial year 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 subject to the continuing application of current depreciation policy.

### (d) Impairment of assets

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

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

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

### (e) 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 (d) on impairment of assets.

### (f) 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).



#### 4 Summary of significant accounting policies > continued

##### (f) 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.

##### (g) Inventories

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

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

##### (h) 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.

##### (i) Deferred taxation

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

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

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

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

##### (j) 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 proceeds and its carrying amount is charged or credited to the income statement.

**4 Summary of significant accounting policies** > continued**(k) Share capital****(i) Classification**

Ordinary shares are classified as equity.

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

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

**(l) Foreign currencies****(i) Reporting currency**

The financial statements are presented in Ringgit Malaysia.

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

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

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

	2006	2005
	RM	RM
Foreign currency		
1 US Dollar	<b>3.6860</b>	3.8000
1 Chinese Renminbi	<b>0.4594</b>	0.4591
1 Hong Kong Dollar	<b>0.4746</b>	N/A

**(iii) Translation of group entities' financial statements**

The results and financial position of group entities that are in measurement currencies other than Ringgit Malaysia are translated into Ringgit Malaysia 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
- (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.



**4 Summary of significant accounting policies** > continued

**(m) Revenue recognition**

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

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

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

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

**(n) Finance costs**

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

**(o) 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.

**(p) Employee benefits**

**(i) Short term employee benefits**

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

**(ii) Defined contribution plan**

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

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

**(q) 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.

**4 Summary of significant accounting policies** > continued**(q) Financial instruments** > continued**(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 carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

**5 Revenue**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>RM</b>	RM	<b>RM</b>	RM
Sales of goods	<b>99,369,896</b>	98,092,518	<b>0</b>	0
Interest income from:				
- licensed banks and finance companies	<b>703,103</b>	684,385	<b>703,103</b>	684,385
- a subsidiary company	<b>0</b>	0	<b>35,527</b>	142,206
Dividend income from:				
- a subsidiary company	<b>0</b>	0	<b>6,899,200</b>	6,895,560
- marketable securities	<b>30,460</b>	0	<b>30,460</b>	0
	<b>100,103,459</b>	98,776,903	<b>7,668,290</b>	7,722,151

**6 Significant party balances and transactions**

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

**(i) Significant related party balances**

	<b>Company</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
Amounts due from subsidiary companies (note 19) (non-trade) :		
- Yew Lean Foundry & Co. Sdn. Bhd.	<b>48,466,232</b>	53,614,232
- Yew Li Foundry & Co. Sdn. Bhd.	<b>6,006,000</b>	6,006,000
- Logam Utara (M) Sdn. Bhd.	<b>1,000,000</b>	1,000,000
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	<b>1,554,928</b>	2,506,145
- YLI Corporation Ltd.	<b>2,760,750</b>	0
	<b>59,787,910</b>	63,126,377



**6 Significant party balances and transactions** > continued

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

	Company	
	2006 RM	2005 RM
Gross dividend income from a subsidiary company:		
- Yew Lean Foundry & Co Sdn. Bhd.	<b>6,899,200</b>	6,895,560
Interest income from a subsidiary company:		
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	<b>35,527</b>	142,206
Advances to subsidiary companies:		
- Yew Lean Foundry & Co. Sdn. Bhd.	<b>1,500,000</b>	1,500,000
- Yew Li Foundry & Co. Sdn. Bhd.	<b>0</b>	2,100,000
- Logam Utara (M) Sdn. Bhd.	<b>0</b>	1,000,000
- YLI Corporation Ltd.	<b>2,878,275</b>	0
Advances to a jointly controlled entity:		
- Pinang Water Limited	<b>3,659,448</b>	1,909,825

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

**7 Profit from operations**

Profit from operations is stated after charging:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Auditors' remuneration:				
- statutory audit	<b>80,557</b>	70,127	<b>25,000</b>	25,000
- other services	<b>18,720</b>	17,803	<b>0</b>	2,000
Depreciation of property, plant and equipment	<b>5,864,691</b>	6,448,356	<b>0</b>	0
Rental of land and building	<b>26,136</b>	23,145	<b>0</b>	0
Property, plant and equipment written off	<b>250,068</b>	457,423	<b>0</b>	0
Bad debts written off	<b>0</b>	71,060	<b>0</b>	0
Allowance for diminution in value of marketable securities	<b>0</b>	68,690	<b>0</b>	68,690
Foreign exchange loss				
- realised	<b>42,446</b>	0	<b>7,600</b>	0
- unrealised	<b>169,166</b>	0	<b>115,668</b>	0
Staff costs	<b>9,810,373</b>	9,408,899	<b>0</b>	0
and crediting:				
Interest income from:				
- licensed banks and finance companies	<b>1,318,913</b>	1,324,748	<b>703,103</b>	684,385
- a subsidiary company	<b>0</b>	0	<b>35,527</b>	142,206
Rental income	<b>156,000</b>	51,000	<b>0</b>	0
Gain on disposal of property, plant and equipment	<b>23,202</b>	3,281	<b>0</b>	0
Dividend income from marketable securities	<b>30,460</b>	26,300	<b>30,460</b>	26,300
Foreign exchange gain (realised)	<b>11,925</b>	1,835	<b>0</b>	0
Allowance for diminution in value for investment no longer required	<b>17,280</b>	0	<b>17,280</b>	0

**7 Profit from operations** > continued

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

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>RM</b>	RM	<b>RM</b>	RM
Wages, salaries and bonuses	<b>7,615,738</b>	7,332,683	<b>0</b>	0
Defined contribution plan	<b>709,662</b>	698,869	<b>0</b>	0
Other employee benefits	<b>1,484,973</b>	1,377,347	<b>0</b>	0
	<b>9,810,373</b>	9,408,899	<b>0</b>	0

**8 Directors' remuneration**

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

Non-Executive Directors

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

Executive Directors

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

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

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>RM</b>	RM	<b>RM</b>	RM
Non-Executive Directors - fees	<b>71,000</b>	73,000	<b>71,000</b>	73,000
Executive Directors:				
- fees	<b>101,000</b>	92,000	<b>51,000</b>	42,000
- salaries and bonuses	<b>1,107,769</b>	1,117,765	<b>0</b>	0
- defined contribution plan	<b>143,812</b>	141,374	<b>0</b>	0
- other employee benefits	<b>60,500</b>	100,750	<b>0</b>	0
- estimated money value of benefits-in-kind	<b>48,781</b>	47,630	<b>0</b>	0
	<b>1,461,862</b>	1,499,519	<b>51,000</b>	42,000
	<b>1,532,862</b>	1,572,519	<b>122,000</b>	115,000



**9 Finance costs**

	<b>Group</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
Interest expense on:		
- revolving credit / bankers acceptance	<b>(19,759)</b>	(15,038)
- hire-purchase	<b>0</b>	(5,276)
- bank overdraft	<b>(22,527)</b>	(4,516)
	<b>(42,286)</b>	(24,830)

**10 Taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>RM</b>	RM	<b>RM</b>	RM
Malaysian taxation:				
- current taxation	<b>(3,402,714)</b>	(3,297,184)	<b>(2,075,256)</b>	(2,154,133)
- deferred taxation (note 25)	<b>(670,512)</b>	(1,207,066)	<b>0</b>	0
	<b>(4,073,226)</b>	(4,504,250)	<b>(2,075,256)</b>	(2,154,133)
Over/(under) accrual in prior financial year:				
- current taxation	<b>340,117</b>	(116,558)	<b>77,546</b>	(260)
- deferred taxation (note 25)	<b>(3,045)</b>	(62,484)	<b>0</b>	0
	<b>(3,736,154)</b>	(4,683,292)	<b>(1,997,710)</b>	(2,154,393)

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

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>RM</b>	RM	<b>RM</b>	RM
Profit from ordinary activities before taxation	<b>16,602,335</b>	19,494,385	<b>7,297,908</b>	7,398,162
Tax calculated at the Malaysian income tax rate of 28% (2005: 28%)	<b>(4,648,654)</b>	(5,458,428)	<b>(2,043,414)</b>	(2,071,485)
Tax effects of:				
Expenses not deductible for tax purposes	<b>(313,179)</b>	(342,302)	<b>(46,628)</b>	(84,059)
Income not subject to tax	<b>205,597</b>	147,520	<b>14,786</b>	1,411
Utilisation of reinvestment allowances	<b>107,364</b>	1,081,962	<b>0</b>	0
Utilisation of previously unabsorbed tax losses	<b>16,654</b>	0	<b>0</b>	0
Utilisation of previously unabsorbed capital allowances	<b>21,792</b>	0	<b>0</b>	0
Difference in tax rate for the first RM500,000 (2005: RM500,000) of taxable income of Malaysian subsidiaries	<b>108,437</b>	46,694	<b>0</b>	0
Current financial year's tax loss not recognised	<b>(8,924)</b>	(12,776)	<b>0</b>	0
Deductible temporary differences not recognised	<b>0</b>	(27,222)	<b>0</b>	0
Difference in foreign tax rate	<b>437,687</b>	60,302	<b>0</b>	0
Over/(under) accrual in prior financial year:				
- current taxation	<b>340,117</b>	(116,558)	<b>77,546</b>	(260)
- deferred taxation	<b>(3,045)</b>	(62,484)	<b>0</b>	0
	<b>(3,736,154)</b>	(4,683,292)	<b>(1,997,710)</b>	(2,154,393)

**11 Earnings per share**

Basic earnings per share of the Group is calculated by dividing the net profit after taxation for the financial year by the weighted average number of ordinary shares in issue during the financial year. For the financial year 31 March 2005, the weighted average number of ordinary shares had been adjusted for the issuance of ordinary shares in respect of the Employees Share Option Scheme.

	<b>2006</b>	2005
Net profit after taxation (RM)	<b>12,866,181</b>	14,811,093
Weighted average number of ordinary shares in issue	<b>98,560,000</b>	98,353,216
Basic earnings per share (sen)	<b>13.05</b>	15.06

The diluted earnings per share is adjusted for the effects of all dilutive potential ordinary shares. There is no dilutive potential ordinary shares as at end of the financial year (2005: Nil).

**12 Dividend**

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

	<b>Group and Company</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
Proposed first and final dividend of 7.0 sen (2005: 7.0 sen) less tax at 28%	<b><u>4,967,424</u></b>	<u>4,967,424</u>

The proposed first and final dividend of 7.0 sen less tax 28% amounting to RM4,967,424 in respect of the financial year ended 31 March 2006 will be accrued as a liability after approval by the shareholders at the Annual General Meeting of the Company.

**13 Investment properties**

	<b>Group</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
Transferred from property, plant and equipment		
Freehold land - at valuation	<b>672,246</b>	0
Buildings - at cost	<b>297,966</b>	0
At 31 March	<b><u>970,212</u></b>	<u>0</u>
Accumulated depreciation on buildings		
Transferred from property, plant and equipment	<b>7,563</b>	0
Charge for the financial year	<b>5,808</b>	0
At 31 March	<b><u>13,371</u></b>	<u>0</u>
Net book value	<b><u>956,841</u></b>	<u>0</u>



**13 Investment properties** > continued

During the current financial year, the above investment properties were transferred from property, plant and equipment as the Directors are of the view that it will result in a more appropriate presentation of the Company's state of affairs.

The freehold land 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.

Analysis of freehold land that is stated at valuation:

	Group	
	2006 RM	2005 RM
Net book value	<u>672,246</u>	<u>0</u>

**14 Property, plant and equipment**

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

Group only 2006	Land and buildings	Plant, machinery, tools and equipment	Motor vehicles	Furniture and fittings	Office equipment and air conditioners	Capital Work in progress	Total
	RM	RM	RM	RM	RM	RM	RM
<b>At cost / valuation</b>	<b>At cost/ valuation</b>	<b>At cost</b>	<b>At cost</b>	<b>At cost</b>	<b>At cost</b>	<b>At cost</b>	<b>At cost/ valuation</b>
At 1 April	42,705,689	68,032,346	4,613,929	320,904	1,118,040	64,490	116,855,398
Foreign currency exchange differences	432	803	(708)	15	(182)	(8,541)	(8,181)
Additions	169,692	2,662,377	483,199	2,529	137,720	948,438	4,403,955
Disposals	0	(213,110)	(386,140)	0	0	0	(599,250)
Write off	0	(522,401)	0	0	0	0	(522,401)
Reclassify to investment properties	(970,212)	0	0	0	0	0	(970,212)
Adjustment *	0	(171,083)	0	0	0	0	(171,083)
Reclassification	64,490	0	0	0	0	(64,490)	0
At 31 March	<u>41,970,091</u>	<u>69,788,932</u>	<u>4,710,280</u>	<u>323,448</u>	<u>1,255,578</u>	<u>939,897</u>	<u>118,988,226</u>
<b>Accumulated depreciation</b>							
At 1 April	4,910,184	27,598,531	2,698,316	98,300	534,870	0	35,840,201
Foreign currency exchange differences	(223)	(832)	(139)	(4)	(37)	0	(1,235)
Charge for the financial year	720,015	4,587,009	442,061	12,385	103,221	0	5,864,691
Disposals	0	(150,539)	(270,413)	0	0	0	(420,952)
Write off	0	(272,333)	0	0	0	0	(272,333)
Reclassify to investment properties	(13,371)	0	0	0	0	0	(13,371)
At 31 March	<u>5,616,605</u>	<u>31,761,836</u>	<u>2,869,825</u>	<u>110,681</u>	<u>638,054</u>	<u>0</u>	<u>40,997,001</u>
<b>Net book value</b>							
31 March 2006	<u>36,353,486</u>	<u>38,027,096</u>	<u>1,840,455</u>	<u>212,767</u>	<u>617,524</u>	<u>939,897</u>	<u>77,991,225</u>
31 March 2005	<u>37,795,505</u>	<u>40,433,815</u>	<u>1,915,613</u>	<u>222,604</u>	<u>583,170</u>	<u>64,490</u>	<u>81,015,197</u>

**14 Property, plant and equipment** > continued

\* The above adjustment relates to goods and services tax previously capitalised now reversed as this amount was refunded during the financial year.

The Group's land and buildings comprise of:

2006	At 1 April RM	Foreign currency exchange	Additions RM	Reclassify to investment properties	Reclassify from capital work in progress	At 31 March RM
		differences RM		RM	RM	
<b>Cost or valuation</b>						
Freehold land, at valuation	1,841,166	0	0	(672,246)	0	1,168,920
Long term leasehold land, at valuation	2,550,000	0	0	0	0	2,550,000
Building, at valuation	141,155	0	0	0	0	141,155
Short term leasehold land and building, at valuation	6,324,260	0	0	0	0	6,324,260
Freehold land and building, at cost	5,429,079	0	69,483	(297,966)	0	5,200,596
Long term leasehold building, at cost	1,973,160	0	0	0	0	1,973,160
Long term leasehold flats, at cost	188,200	0	0	0	0	188,200
Short term leasehold land and buildings, at cost	22,246,426	0	9,929	0	0	22,256,355
Renovation, at cost	365,044	0	0	0	0	365,044
Factory building, at cost	1,647,199	432	90,280	0	64,490	1,802,401
<b>Total</b>	<b>42,705,689</b>	<b>432</b>	<b>169,692</b>	<b>(970,212)</b>	<b>64,490</b>	<b>41,970,091</b>

2006	At 1 April RM	Foreign currency exchange	Depreciation charge for the financial year RM	Reclassify to investment properties	At 31 March RM
		differences RM		RM	
<b>Accumulated depreciation</b>					
Long term leasehold land, at valuation	437,607	0	45,921	0	483,528
Building, at valuation	29,885	0	2,225	0	32,110
Short term leasehold land and building, at valuation	1,273,794	0	96,737	0	1,370,531
Freehold land and building, at cost	181,765	0	29,627	(13,371)	198,021
Long term leasehold building, at cost	306,257	0	33,338	0	339,595
Long term leasehold flats, at cost	31,288	0	3,138	0	34,426
Short term leasehold land and buildings, at cost	2,392,347	0	453,923	0	2,846,270
Renovation, at cost	147,912	0	21,713	0	169,625
Factory building, at cost	109,329	(223)	33,393	0	142,499
<b>Total</b>	<b>4,910,184</b>	<b>(223)</b>	<b>720,015</b>	<b>(13,371)</b>	<b>5,616,605</b>



**14 Property, plant and equipment** > continued

	<b>2006</b>	2005
	<b>RM</b>	RM
<b>Net book value</b>		
Freehold land, at valuation	<b>1,168,920</b>	1,841,166
Long term leasehold land, at valuation	<b>2,066,472</b>	2,112,393
Building, at valuation	<b>109,045</b>	111,270
Short term leasehold land and building, at valuation	<b>4,953,729</b>	5,050,466
Freehold land and building, at cost	<b>5,002,575</b>	5,247,314
Long term leasehold building, at cost	<b>1,633,565</b>	1,666,903
Long term leasehold flats, at cost	<b>153,774</b>	156,912
Short term leasehold land and buildings, at cost	<b>19,410,085</b>	19,854,079
Renovation, at cost	<b>195,419</b>	217,132
Factory building, at cost	<b>1,659,902</b>	1,537,870
	<b><u>36,353,486</u></b>	<u>37,795,505</u>

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

Subsequent additions are stated at cost.

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

	<b>2006</b>	2005
	<b>RM</b>	RM
Valuation in 1994 on the Open Market Value basis	<b>7,634,335</b>	8,306,581
Valuation in 1996 on the Open Market Value basis	<b>2,550,000</b>	2,550,000
	<b><u>10,184,335</u></b>	<u>10,856,581</u>
Net book value	<b><u>8,298,166</u></b>	<u>9,115,295</u>
Net book value – had the above been carried at historical cost	<b><u>1,435,445</u></b>	<u>1,549,573</u>

**15 Subsidiary companies**

	<b>Company</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
Unquoted shares, at cost	<b><u>18,355,350</u></b>	<u>18,306,448</u>

**15 Subsidiary companies** > continued

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Held by the Company		Held by subsidiary companies		Principal activities
		2006 %	2005 %	2006 %	2005 %	
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.
Yew Lean Industries Sdn Bhd *	Malaysia	100	0	0	0	Marketing and distribution of pipes and fittings to waterworks and others.
YLI Corporation Ltd *	Hong Kong	100	0	0	0	Investment holding.
Zenith Eastern (M) Sdn. Bhd.*	Malaysia	0	0	100	100	Property investment holding.
Zhangzhou YLI Electro-Metallurgy Co. Ltd.*	The People's Republic of China	100	100	0	0	Manufacturing of raw materials for foundry use.
Zhangzhou Xinyli Materials Co. Ltd.*	The People's Republic of China	0	0	100	0	Not in commercial operations yet. Intended principal activity is manufacturing of raw materials for foundry use.

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



**16 Jointly controlled entity**

	<b>2006</b>	2005
	<b>RM</b>	RM
<b>Group</b>		
Share of net assets of the jointly controlled entity	<b><u>1,505,173</u></b>	<u>86,121</u>
<b>Company</b>		
Unquoted shares, at cost	<b><u>141</u></b>	<u>141</u>

Details of the jointly controlled entity are as follows:

Name of company	Country of incorporation	Held by the Company		Principal activities
		2006	2005	
		%	%	
Pinang Water Limited*	Labuan, Malaysia	37	37	Constructing water-infrastructure projects, water treatment, management and supply of treated water.

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

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

	<b>2006</b>	2005
	<b>RM</b>	RM
Non-current assets	<b>9,573,362</b>	7,441,414
Current assets	<b>720,459</b>	255,072
Current liabilities	<b>(7,596,212)</b>	(3,123,632)
Non-current liabilities	<b>(1,192,436)</b>	(4,486,733)
Net assets	<b><u>1,505,173</u></b>	<u>86,121</u>

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

	<b>2006</b>	2005
	<b>RM</b>	RM
In respect of purchase of property, plant and equipment	<b><u>0</u></b>	<u>451,215</u>

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

	<b>2006</b>	2005
	<b>RM</b>	RM
In respect of purchase of property, plant and equipment	<b><u>1,362,821</u></b>	<u>4,569,500</u>

**16 Jointly controlled entity** > continued

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

	<b>2006</b>	2005
	<b>RM</b>	RM
Other income	<b>1,612,126</b>	369,304
Expenses excluding taxation	<b>(349,155)</b>	(263,130)
Profit from ordinary activities before taxation	<b>1,262,971</b>	106,174
Taxation	<b>(1,889)</b>	(14,800)
Profit after taxation	<b>1,261,082</b>	91,374

**17 Inventories**

	<b>Group</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
At cost:		
Raw materials	<b>4,691,619</b>	4,931,944
Work in progress	<b>913,979</b>	629,437
Finished goods	<b>24,245,798</b>	16,486,445
	<b>29,851,396</b>	22,047,826

**18 Receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>RM</b>	RM	<b>RM</b>	RM
Trade receivables	<b>34,020,678</b>	35,962,136	<b>0</b>	0
Other receivables	<b>520,884</b>	412,585	<b>58,617</b>	52,156
Deposits	<b>284,879</b>	84,257	<b>3,000</b>	4,350
Prepayments	<b>35,388</b>	730,310	<b>0</b>	0
	<b>34,861,829</b>	37,189,288	<b>61,617</b>	56,506

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

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>RM</b>	RM	<b>RM</b>	RM
Ringgit Malaysia	<b>29,772,326</b>	30,761,182	<b>58,617</b>	52,156
US Dollar	<b>4,076,217</b>	4,984,633	<b>0</b>	0
Chinese Renminbi	<b>693,019</b>	628,906	<b>0</b>	0
	<b>34,541,562</b>	36,374,721	<b>58,617</b>	52,156

The credit terms of trade receivables of the Group range from 30 to 120 days (2005: 30 to 120 days).



**19 Amounts due from subsidiary companies**

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

Amounts due from subsidiary companies are primarily interest free advances with no fixed repayment terms except for RM Nil (2005: RM1,900,000) due from a subsidiary company where interest is charged at Nil% (2005: 7.50%) per annum.

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

	Company	
	2006 RM	2005 RM
Ringgit Malaysia	<b>55,472,232</b>	60,620,232
US Dollar	<b>4,315,678</b>	2,506,145
	<b>59,787,910</b>	<b>63,126,377</b>

**20 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.

**21 Short term investments****Group and Company****Quoted in Malaysia**

Shares in corporations, at market value

Unit trusts, at market value

At 31 March

	Carrying amount	
	2006 RM	2005 RM
Shares in corporations, at market value	<b>460,194</b>	442,914
Unit trusts, at market value	<b>3,000,000</b>	0
At 31 March	<b>3,460,194</b>	<b>442,914</b>

**22 Deposits, cash and bank balances / Cash and cash equivalents**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits with:				
Licensed banks	<b>35,433,133</b>	28,112,805	<b>18,804,234</b>	12,801,209
Licensed finance companies	<b>0</b>	12,001,937	<b>0</b>	9,501,937
	<b>35,433,133</b>	40,114,742	<b>18,804,234</b>	22,303,146
Cash and bank balances	<b>5,672,183</b>	2,945,141	<b>412,869</b>	78,864
	<b>41,105,316</b>	43,059,883	<b>19,217,103</b>	22,382,010

The effective interest rates of the Group's and of the Company's deposits with licensed banks and finance companies at balance sheet date range from 2.50% to 3.70% (2005: 2.55% to 3.70%) and 2.50% to 3.70% (2005: 2.55% to 3.70%) per annum respectively.

The Group's and the Company's fixed deposits with licensed banks and finance companies have a weighted average maturity of 164 days and 231 days (2005: 126 days and 173 days) respectively at the end of the financial year.

**22 Deposits, cash and bank balances / Cash and cash equivalents** > continued

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	<b>38,000,032</b>	41,687,193	<b>19,217,103</b>	22,382,010
US Dollar	<b>2,508,807</b>	1,372,690	<b>0</b>	0
Chinese Renminbi	<b>558,419</b>	0	<b>0</b>	0
Hong Kong Dollar	<b>38,058</b>	0	<b>0</b>	0
	<b>41,105,316</b>	43,059,883	<b>19,217,103</b>	22,382,010

**23 Payables**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	<b>2,328,903</b>	2,031,360	<b>0</b>	0
Other payables	<b>2,072,749</b>	3,366,657	<b>11,089</b>	9,370
Other accruals	<b>3,021,242</b>	2,301,175	<b>148,000</b>	142,000
	<b>7,422,894</b>	7,699,192	<b>159,089</b>	151,370

The currency exposure profile of payables is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Ringgit Malaysia	<b>4,672,373</b>	6,063,729	<b>159,089</b>	151,370
US Dollar	<b>1,175,262</b>	946,663	<b>0</b>	0
Chinese Renminbi	<b>1,575,259</b>	688,800	<b>0</b>	0
	<b>7,422,894</b>	7,699,192	<b>159,089</b>	151,370

The credit terms of trade payables granted to the Group range from 30 to 90 days (2005: 30 to 90 days).

**24 Revolving credit (unsecured) (2005 only)**

The revolving credit was denominated in US Dollar and had an effective interest rate of 4.87% per annum.



**25 Deferred taxation**

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

	<b>Group</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
Deferred tax liabilities		
- subject to income tax	<b>8,741,007</b>	8,067,450
- subject to capital gains tax	<b>79,845</b>	79,845
	<b><u>8,820,852</u></b>	<u>8,147,295</u>

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

	<b>Group</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
At 1 April	<b>8,147,295</b>	6,877,745
Property, plant and equipment:		
- current financial year (note 10)	<b>670,512</b>	1,207,066
- under accrual in prior financial year (note 10)	<b>3,045</b>	62,484
- charged to income statement	<b>673,557</b>	1,269,550
At 31 March	<b><u>8,820,852</u></b>	<u>8,147,295</u>

**Subject to income tax:**

Deferred tax assets (before offsetting):		
Accruals	<b>(54,206)</b>	(52,285)
Offsetting	<b>54,206</b>	52,285
Deferred tax assets (after offsetting)	<b><u>0</u></b>	<u>0</u>

Deferred tax liabilities (before offsetting):

Property, plant and equipment	<b>8,795,213</b>	8,119,735
Offsetting	<b>(54,206)</b>	(52,285)
Deferred tax liabilities (after offsetting)	<b><u>8,741,007</u></b>	<u>8,067,450</u>

**Subject to capital gains tax:**

Deferred tax liabilities:		
Property, plant and equipment	<b><u>79,845</u></b>	<u>79,845</u>

**26 Share capital**

	<b>Company</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
<b>Authorised:</b>		
Ordinary shares of RM1 each:		
At 1 April / 31 March	<b><u>500,000,000</u></b>	<u>500,000,000</u>
<b>Movements on issued share capital are as follows:</b>		
Ordinary shares of RM1 each:		
At 1 April	<b>98,560,000</b>	97,957,000
Issued during the financial year from exercise of share options	<b>0</b>	603,000
At 31 March	<b><u>98,560,000</u></b>	<u>98,560,000</u>

**27 Share premium**

	<b>Group and Company</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
At 1 April	<b>7,208,014</b>	6,292,194
Premium arising from share options exercised in respect of Nil (2005: 603,000) ordinary shares	<b>0</b>	915,820
At 31 March	<b><u>7,208,014</u></b>	<u>7,208,014</u>

**28 Revaluation and other reserves**

	<b>Group</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
Revaluation*/capital reserve	<b>1,326,976</b>	1,326,976
Exchange fluctuation reserve	<b>133,473</b>	(5,516)
	<b><u>1,460,449</u></b>	<u>1,321,460</u>

\* Revaluation reserve is stated net of deferred taxation.

The movements in each category of reserves are as follows:

	<b>Group</b>	
	<b>2006</b>	2005
	<b>RM</b>	RM
<b>Revaluation/capital reserve</b>		
At 1 April/31 March	<b><u>1,326,976</u></b>	<u>1,326,976</u>
<b>Exchange fluctuation reserve</b>		
At 1 April	<b>(5,516)</b>	(184)
Arising in the financial year	<b>138,989</b>	(5,332)
At 31 March	<b><u>133,473</u></b>	<u>(5,516)</u>



**29 Retained earnings**

The Company has, subject to confirmation by the Inland Revenue Board, sufficient tax credits and tax exempt income to frank the payment of net dividends out of all its retained earnings as at 31 March 2006 without incurring additional taxation.

**30 Cash flows from operations**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Net profit after taxation	<b>12,866,181</b>	14,811,093	<b>5,300,198</b>	5,243,769
Adjustments for:				
Share of results of jointly controlled entity	<b>(1,262,971)</b>	(106,174)	<b>0</b>	0
Taxation	<b>3,736,154</b>	4,683,292	<b>1,997,710</b>	2,154,393
Depreciation of property, plant and equipment	<b>5,864,691</b>	6,448,356	<b>0</b>	0
Gain on disposal of property, plant and equipment	<b>(23,202)</b>	(3,281)	<b>0</b>	0
Property, plant and equipment written off	<b>250,068</b>	457,423	<b>0</b>	0
Allowance for diminution in value of marketable securities	<b>0</b>	68,690	<b>0</b>	68,690
Allowance for diminution in value for investment no longer required	<b>(17,280)</b>	0	<b>(17,280)</b>	0
Interest expense	<b>42,286</b>	24,830	<b>0</b>	0
Interest income	<b>(1,318,913)</b>	(1,324,748)	<b>(738,630)</b>	(826,591)
Dividend income from:				
- a subsidiary company	<b>0</b>	0	<b>(6,899,200)</b>	(6,895,560)
- marketable securities	<b>(30,460)</b>	(26,300)	<b>(30,460)</b>	(26,300)
Foreign exchange loss - unrealised	<b>169,166</b>	0	<b>115,668</b>	0
	<b>7,409,539</b>	10,222,088	<b>(5,572,192)</b>	(5,525,368)
Changes in working capital during the financial year:				
Inventories	<b>(7,803,570)</b>	563,330	<b>0</b>	0
Receivables	<b>2,164,336</b>	(7,394,059)	<b>932</b>	(2,300)
Payables	<b>(278,997)</b>	1,255,459	<b>7,719</b>	(103,643)
Intercompany balances	<b>0</b>	0	<b>(8,525)</b>	(8,526)
	<b>(5,918,231)</b>	(5,575,270)	<b>126</b>	(114,469)
Cash flows from / (used in) operations	<b>14,357,489</b>	19,457,911	<b>(271,868)</b>	(396,068)

**31 Contingent liabilities (unsecured)****Company**

The Company has given guarantees to banks on behalf of certain subsidiary companies for facilities approximating RM43,584,000 (2005: RM56,368,500) of which RM6,028,441 (2005: RM4,571,691) was utilised as at 31 March 2006.

The Group's interest in the contingent liability of the jointly controlled entity is disclosed in note 16 to the financial statements.

### 32 Commitments

Expenditures not provided for in the financial statements are as follow:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Contracted but not provided for	<b>2,306,753</b>	4,630,900	<b>0</b>	0
Analysed as follows:				
- Property, plant and equipment	<b>2,028,276</b>	4,630,900	<b>0</b>	0
- Inventories	<b>278,477</b>	0	<b>0</b>	0
	<b>2,306,753</b>	4,630,900	<b>0</b>	0

The Group's interest in the capital commitments of the jointly controlled entity is disclosed in note 16 to the financial statements.

### 33 Segmental reporting

#### Primary reporting format – Business segments

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

#### Secondary reporting format – Geographical segments

	2006			2005		
	Malaysia RM	The People's Republic of China RM	Total RM	Malaysia RM	The People's Republic of China RM	Total RM
<b>Revenue</b>						
Total revenue	<b>95,257,693</b>	<b>16,368,628</b>	<b>111,626,321</b>	97,718,727	10,252,182	107,970,909
Intersegment revenue	<b>(9,934,915)</b>	<b>(1,587,947)</b>	<b>(11,522,862)</b>	(7,423,187)	(1,770,819)	(9,194,006)
External revenue	<b>85,322,778</b>	<b>14,780,681</b>	<b>100,103,459</b>	90,295,540	8,481,363	98,776,903
<b>Segment results</b>	<b>13,226,745</b>	<b>2,154,905</b>	<b>15,381,650</b>	18,121,464	1,291,577	19,413,041
<b>Other information</b>						
Segment assets	<b>151,145,317</b>	<b>8,844,825</b>	<b>159,990,142</b>	140,991,784	6,185,607	147,177,391
Unallocated assets	<b>33,898,768</b>	<b>1,659,246</b>	<b>35,558,014</b>	40,591,057	0	40,591,057
			<b>195,548,156</b>			187,768,448
Jointly controlled entity			<b>1,505,173</b>			86,121
Total assets			<b>197,053,329</b>			187,854,569
Segment liabilities	<b>5,847,635</b>	<b>1,575,259</b>	<b>7,422,894</b>	7,010,392	688,800	7,699,192
Unallocated liabilities	<b>9,908,777</b>	<b>0</b>	<b>9,908,777</b>	8,278,939	192,526	8,471,465
Total liabilities			<b>17,331,671</b>			16,170,657
Capital expenditure	<b>2,949,130</b>	<b>1,454,825</b>	<b>4,403,955</b>	13,011,520	136,888	13,148,408
Depreciation and amortisation	<b>5,641,989</b>	<b>222,702</b>	<b>5,864,691</b>	6,184,321	264,035	6,448,356



## **33 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 taxation recoverable. Segment liabilities comprise operating liabilities but exclude items such as taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment (note 14).

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

## **34 Approval of financial statements**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 May 2006.

## Statement by Directors

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

We, Dato' Loh Toa Thau @ Loh Eng Kim and Lee Then Wah, two of the Directors of YLI Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 29 to 59 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 2006 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 provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 May 2006.

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

Director

### **Lee Then Wah**

Director

## Statutory Declaration

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

I, Loh Bee Hoon, being the officer primarily responsible for the financial management of YLI Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 59 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

### **Loh Bee Hoon**

Subscribed and solemnly declared by the abovenamed Loh Bee Hoon at Penang on 29 May 2006.

Before me

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

Commissioner for Oaths



## Properties of the Group

FACTORIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2006 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
2432, Tingkat Perusahaan 6, Prai Industrial Estate 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 03.10.2042)	3.30 acres	1,630	N/A	1 November 1994
	Main factory	76,100 sq.ft.	3,939	23	
	Machine workshop	3,200 sq.ft.		15	
	Canteen	2,050 sq.ft.		10	
	Office building	7,949 sq.ft.		10	
71-A Jalan Jelutong, 11600 Pulau Pinang	Land ( Freehold)	12,988 sq.ft.	1,169	N/A	25 October 1994
	Two-storey office block and one single storey workshop	*5,170 sq.ft.	677	34	
	Land (Freehold)	3,044 sq.ft.	83	N/A	5 August 1998
	Single storey office building		59	7	1 March 2000
Lot No. 499 9W, Georgetown North East District Pulau Pinang	Land (Leasehold expiring 23.3.2041) (front yard of Lebu Bakau factory)	1,679 sq.ft.	76	N/A	25 October 1994
2462 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai Pulau Pinang	Land ( Leasehold 60 years expiring 13.04.2044)	3.01 acres	4,956	N/A	10 September 1999
	Factory Building	60,702 sq.ft.	4,881	6	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	2,605	N/A	19 July 1999
	Single Storey factory cum workshop	40,050 sq.ft.	2,225	15	19 July 1999
	Double-storey office building	4,450 sq.ft.			
Min Nam Coastal Free Trade zone, Nanjing, Zhangzhou, Fujian, People's Republic of China	Factory	33,368 sq.ft.	1,660	5	24 October 2000
	Three-storey building cum workers hostel	9,095 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	1,860	N/A	6 May 2004
	Factory Building	24,208 sq.ft.	1,397	16	

<b>FACTORIES</b>	<b>DESCRIPTION</b>	<b>LAND AREA/ BUILT-UP AREA</b>	<b>NET BOOK VALUE @31.03.2006 RM '000</b>	<b>APPROXIMATE AGE OF BUILDING YEARS</b>	<b>DATE OF REVALUATION/ ACQUISITION</b>
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
HuaAn County,XinXu Industry Zone Fujian Province,Zhangzhou City, People's Republic of China	Land (Leasehold 50 years expiring 09.03.2056)	36,514 sq.metres	940	N/A	10 March 2006

\* Approximate figures

<b>OFFICE CUM WORKSHOP</b>	<b>DESCRIPTION</b>	<b>LAND AREA/ BUILT-UP AREA</b>	<b>NET BOOK VALUE @31.03.2006 RM '000</b>	<b>APPROXIMATE AGE OF BUILDING YEARS</b>	<b>DATE OF REVALUATION/ ACQUISITION</b>
51, Jalan Layang-layang 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Land ( Freehold)  1 1/2 storey semi-detached factory erected on it	7,201 sq. ft.	750  420	N/A  9	26 May 1997

<b>WAREHOUSE</b>	<b>DESCRIPTION</b>	<b>LAND AREA/ BUILT-UP AREA</b>	<b>NET BOOK VALUE @31.03.2006 RM '000</b>	<b>APPROXIMATE AGE OF BUILDING YEARS</b>	<b>DATE OF REVALUATION/ ACQUISITION</b>
No. 2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai Pulau Pinang	Land (Leasehold expiring 09.05.2051)  Single storey building used as a warehouse with a small section as office	3.25 acres  10,744 sq. ft	2,918  1,634	N/A  10	22 June 1996



GENERAL PROPERTIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2006 RM '000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
No. 11, 12, 13, 14 Tingkat 3, Block C Taman Pelangi 13600 Prai Pulau Pinang	4 units of flats (leasehold expiring 07.11.2093) used as production workers accommodation)	700 sq. ft. each	154	10	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.	256	10	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		114	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' (4 units)	46	N/A	16 September 2002

INVESTMENT PROPERTIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2006 RM '000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
39, East Jelutong 11600 Pulau Pinang	Land ( Freehold) (part of Lebuah Bakau factory)	6,993 sq.ft.	424	N/A	25 October 1994
	Workshop	2,000 sq.ft.	155	3	3 October 2003
40, East Jelutong 11600 Pulau Pinang	Land ( Freehold) (part of Lebuah Bakau factory)	4,085 sq.ft.	248	N/A	25 October 1994
	Workshop	2,800 sq.ft.	130	2	15 September 2004

# Analysis of Shareholdings

as at 30 June 2006

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 : RM98,560,000  
 Number of Shareholders : 2,178

## DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 30 JUNE 2006

No. of Shareholders	Size of Holdings	Total Shareholdings	% of Total Issued Capital
23	less than 100 shares	703	0.00
336	100 to 1,000 shares	291,150	0.30
1,485	1,001 to 10,000 shares	5,608,541	5.69
261	10,001 to 100,000 shares	7,562,100	7.67
71	100,001 to less than 5% of issued shares	38,413,150	38.97
2	5% and above of issued shares	46,684,356	47.37
2,178		98,560,000	100.00

## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 JUNE 2006

Name	Shareholdings	% of Total Issued Capital
1. FUJI FUSION SDN BHD	38,781,206	39.35
2. EMPLOYEES PROVIDENT FUND BOARD	7,903,150	8.02
3. LEMBAGA TABUNG HAJI	4,919,400	4.99
4. AMMB NOMINEES (TEMPATAN) SDN BHD <i>AMTRUSTEE BERHAD FOR HLG PENNY STOCK FUND (5/4-3)</i>	2,596,500	2.63
5. RHB NOMINEES (TEMPATAN) SDN BHD <i>RHB ASSET MANAGEMENT SDN BHD FOR KUMPULAN WANG SIMPANAN PEKERJA</i>	2,527,500	2.56
6. PERTUBUHAN KESELAMATAN SOSIAL	2,223,000	2.26
7. BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN. BHD. <i>BUMIPUTRA-COMMERCE TRUSTEE BERHAD FOR PACIFIC DANA AMAN (3717 TRO1)</i>	1,992,600	2.02
8. HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR OSK-UOB SMALL CAP OPPORTUNITY UNIT TRUST (3548)</i>	1,636,700	1.66
9. AMMB NOMINEES (TEMPATAN) SDN BHD <i>AMTRUSTEE BERHAD FOR PACIFIC DIVIDEND FUND (5/27-2)</i>	1,581,200	1.60
10. AMMB NOMINEES (TEMPATAN) SDN BHD <i>AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (5/1-9)</i>	1,550,750	1.57
11. HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND</i>	1,422,700	1.44



## THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 JUNE 2006

Name	Shareholdings	% of Total Issued Capital
12. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>SEKIM AMANAH SAHAM NASIONAL</i>	1,126,700	1.14
13. LEMBAGA TABUNG ANGKATAN TENTERA	1,000,000	1.01
14. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC SMALLCAP FUND</i>	851,700	0.86
15. MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>MAYBAN TRUSTEES BERHAD FOR MAAKL BALANCED FUND (910170)</i>	687,300	0.70
16. ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN.BHD. <i>PETROLIAM NASIONAL BERHAD</i>	682,500	0.69
17. HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE PAR)</i>	637,350	0.65
18. RHB NOMINEES (TEMPATAN) SDN BHD <i>RHB ASSET MANAGEMENT SDN BHD FOR KUMPULAN WANG AMANAH PENCEN</i>	567,700	0.58
19. ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN.BHD. <i>PETRONAS RETIREMENT BENEFIT SCHEME</i>	557,000	0.57
20. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MGF)</i>	529,400	0.54
21. FUJI FUSION SDN BHD	528,000	0.54
22. CIMSEC NOMINEES (TEMPATAN) SDN BHD <i>CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD FOR PENSIONS TRUST FUND COUNCIL</i>	516,600	0.52
23. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MSF)</i>	460,500	0.47
24. CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>MERIDIAN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN ASSURANCE ALLIANCE BHD (1/154-6)</i>	457,000	0.46
25. TASEC NOMINEES (TEMPATAN) SDN BHD <i>TA ASSET MANAGEMENT SDN.BHD. FOR COMMERCE LIFE ASSURANCE BHD (CLA1)</i>	400,800	0.41
26. HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR HWANG-DBS DANA IZDIHAR (4207)</i>	389,300	0.39
27. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)</i>	378,000	0.38
28. CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>MALAYSIAN ASSURANCE ALLIANCE BHD FOR ANNUITY PAR (1/185-6)</i>	368,700	0.37
29. LOH TOA THAU @ LOH ENG KIM	357,000	0.36
30. HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR MAAKL EQUITY 80 FUND (4710)</i>	337,600	0.34
	<b>77,967,856</b>	<b>79.08</b>

## SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 30 June 2006 are as follows:-

Name of Shareholders	No of shares			
	Direct	%	Indirect	%
Fuji Fusion Sdn Bhd	39,309,206	39.88	-	-
Loh Eng Kim Co Sdn Bhd	15,000	0.02	@39,309,206	39.88
Loh Toa Thau @ Loh Eng Kim	418,500	0.42	#39,324,206	39.90
Loh Yok Yeong	196,000	0.20	#39,324,206	39.90
Loh Yeok Chuan	-	-	#39,324,206	39.90
Loh Yeok Cheong+	-	-	#39,324,206	39.90
Employees Provident Fund Board	10,430,650	10.58	-	-

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

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

+ Held in trust by Yeoh Phaik See

## DIRECTORS AND THEIR SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 30 June 2006 are as follows:-

Name of Directors	No of shares			
	Direct	%	Indirect	%
Loh Toa Thau @ Loh Eng Kim	418,500	0.42	#39,324,206	39.90
Loh Yok Yeong	196,000	0.20	#39,324,206	39.90
Lee Then Wah	160,000	0.16	-	-
Dato' Ir Syed Muhammad Shahabudin	-	-	-	-
Foong Kai Choong	-	-	-	-
Ng Chong Wee	-	-	-	-
Tan Hock Hin	-	-	-	-

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



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Eleventh Annual General Meeting of YLI Holdings Berhad will be held at the Merbah Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Wednesday, 23 August 2006 at 10.00 a.m.

## **BUSINESS**

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2006 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To sanction the declaration and payment of a first and final dividend for the financial year ended 31 March 2006. (Resolution 2)
3. To approve the Directors' fees for the financial year ended 31 March 2006. (Resolution 3)
4. (i) To re-elect Dato' Ir Syed Muhammad Shahabudin who retires in accordance with Section 129(6) of the Companies Act, 1965. (Resolution 4)
- (ii) To re-elect the following Directors who retire in accordance with Article 84 of the Company's Articles of Association:-  
Mr Loh Yok Yeong (Resolution 5)  
Mr Ng Chong Wee (Resolution 6)
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration. (Resolution 7)

## **6. SPECIAL BUSINESS**

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

### **Authority to allot shares**

(Resolution 8)

"THAT pursuant to Section 132D of the Companies Act 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being, subject always to the approval of the relevant regulatory bodies being obtained for such allotment and issue."

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

# Notice of Dividend Entitlement

**NOTICE IS ALSO HEREBY GIVEN** that subject to the approval of the shareholders, the first and final dividend will be paid on 16 November 2006 to depositors registered in the Register of Depositors at the close of business on 31 October 2006.

**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 31 October 2006 in respect of 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: 1 August 2006

## NOTES:

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

## EXPLANATORY NOTES ON SPECIAL BUSINESS

### Resolution 8 – Authority pursuant to Section 132D of the Companies Act 1965

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



# Statement Accompanying Notice of Annual General Meeting

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

## 1 Directors standing for re-election

Pursuant to Article 84 of the Articles of Association

- Mr Loh Yok Yeong
- Mr Ng Chong Wee

Pursuant to Section 129(6) of the Companies Act 1965

- Dato' Ir Syed Muhammad Shahabudin

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

The details are set out on page 14 of the annual report.

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

Merbah Room, Hotel Equatorial,  
No 1, Jalan Bukit Jambul,  
11900 Bayan Lepas, Penang  
on Wednesday, 23 August 2006 at 10.00 a.m.

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

The profile and shareholdings of the Directors who are standing for re-election are set out on pages 10 to 12 and 66 respectively of the annual report.

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# Proxy Form

Shareholding represented by Proxy

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 ]

of \_\_\_\_\_

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

\_\_\_\_\_ [ name of proxy as per NRIC, in capital letters ] NRIC No. \_\_\_\_\_ [ new ] \_\_\_\_\_ [ old ]

of \_\_\_\_\_

or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at the Merbah Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Wednesday, 23 August 2006 at 10.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

Resolutions	For	Against
Resolution 1 - Adoption of financial statements and reports of Directors and Auditors		
Resolution 2 - Declaration and payment of a first and final dividend		
Resolution 3 - Approval of Directors' fees		
Re-election of Directors:		
Resolution 4 - Dato' Ir. Syed Muhammad Shahabudin		
Resolution 5 - Mr Loh Yok Yeong		
Resolution 6 - Mr Ng Chong Wee		
Resolution 7 - Re-appointment of Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration		
Resolution 8 - Authority to allot shares		

(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 \_\_\_\_\_ 2006

CDS Account Number	
Number of shares held	

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

**NOTES:**

- In accordance with Paragraph 7.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, 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.
- A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf.
- If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointer is acceptable.
- The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 71-A Jalan Jelutong, 11600 Penang not less than 48 hours before the time set for the meeting.
- Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
- The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
- 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.
- Those proxy forms which are indicated with "✓" in the spaces provided to show how the votes are to be cast will also be accepted.

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[ STAMP ]

The Company Secretary  
**YLI HOLDINGS BERHAD** (367249-A)  
71-A, Jalan Jelutong, 11600 Penang, Malaysia.

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## **YLI HOLDINGS BERHAD**

Co. No. 367249-A

71-A Jalan Jelutong, 11600 Penang, Malaysia.

Tel : 04 282 1942 Fax : 04 282 0821