



YLI HOLDINGS BERHAD
Co. No. 367249-A



Annual Report
2007



Leading Through Technology and Quality

COVER DESIGN RATIONALE



This year the cover depicts the theme “**Drive for success**”. The drive of change will be even greater, the rate of change will be faster and smooth transition will follow. **YLI** is a **dynamic** Group with **bold** vision, continuing to move forward with the same determination and resolve to deliver technology and quality.

OUR VISION

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

OUR MISSION

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir

- *Non Independent Non-Executive Chairman*
(appointed with effect from 15 August 2007)

Dato' Loh Toa Thau @ Loh Eng Kim

- *Executive Chairman*
(resigned with effect from 15 August 2007)

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

Ng Chong Wee

- *Chairman*

Loh Yok Yeong

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
3rd Floor, 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
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

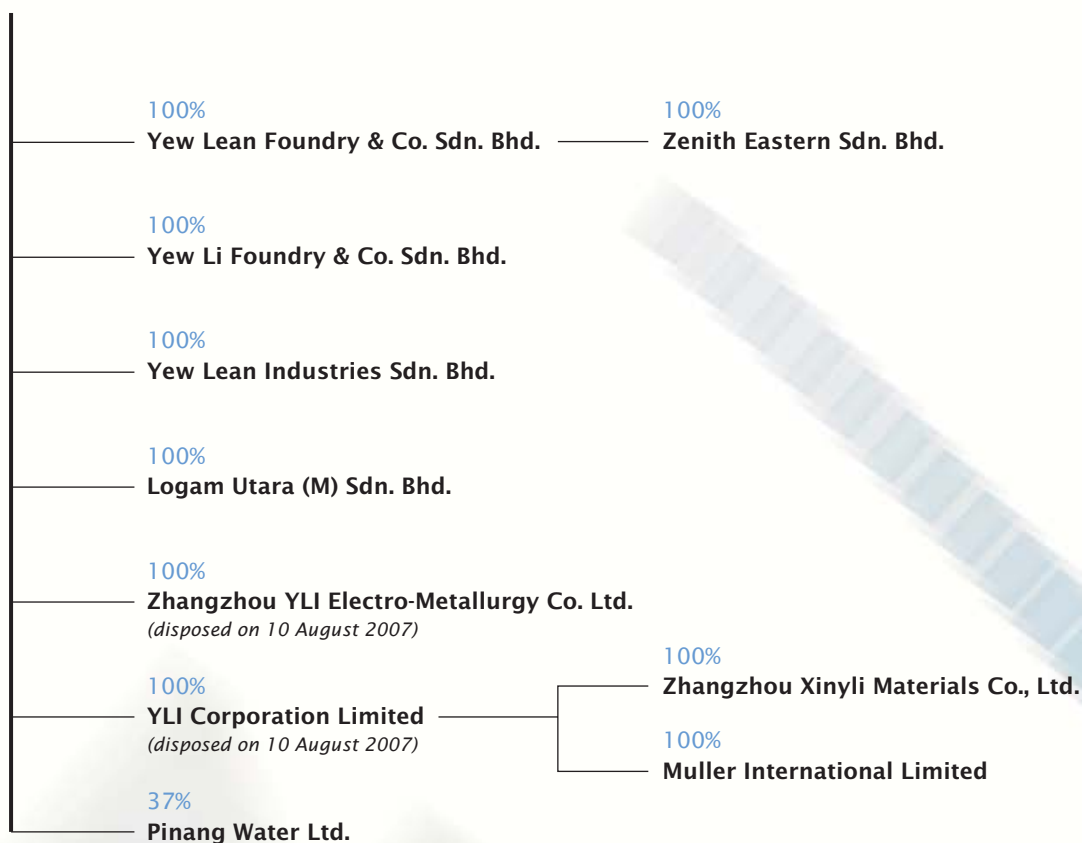
The Main Board of Bursa Malaysia Securities Berhad
Sector : Industrial Products
Stock Name : YLI
Stock Code : 7014

CORPORATE STRUCTURE



YLI HOLDINGS BERHAD

Co. No. 367249-A



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of YLI Holdings Berhad, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 March 2007. The Group has managed to reverse the downward trend plaguing the Group for the past three years.

Financial Performance

Despite a challenging operating environment, the Group recorded a commendable performance. Group revenue increased by 23.5% to RM123.6 million as compared to RM100.1 million in the preceding year. The higher revenue achieved was due to improving local demand for Ductile Iron ("DI") pipes and increased export sales to regional markets.

The Group achieved a pre-tax profit of RM19.4 million, a gain of 16.9% over the previous year while Group after-tax profit increased by 9.0% to RM14.0 million. This was attributed to higher turnover mainly arising from the improvement in local and export sales. Meanwhile, shareholders' funds increased by 5.3% to RM189.2 million as at 31 March 2007. Net cash position further improved by 12.1% to RM46.1 million enabling the Group to have ready funds to explore new business opportunities. Basic earnings per share for the financial year stood at 14.2 sen.

Dividend

The Group has always been prudent to maintain its healthy and strong financial position. Our balance sheet strength is a real advantage under the challenging period that we went through in the past 3 years preceding the year under review.

In view of the Group's healthy financial position, the Board is recommending a first and final dividend of 7% per share less tax of 27% for the financial year ended 31 March 2007 subject to the approval of shareholders at the forthcoming annual general meeting.



CHAIRMAN'S STATEMENT (continued)

Operations highlights

Notwithstanding the improving demand for the Group's products namely DI pipes, the operating environment remained challenging due to significant fluctuations in steel scrap prices and other raw materials as well as higher energy costs. DI pipes remained the main contributor to the Group.

The Group's focus on its core business for the past 15 years has augured well for the Group. The focused strategy and on-going cost control measures undertaken by the Management have shown positive results as demonstrated by the higher pre-tax profit achieved.

Subsequent to the year under review, the Group's raw materials division which operates in China suffered a setback due to significant changes in China's export VAT refund rates policy which in turn, had increased its cost of exports. In addition, as of 1 January 2007 the subsidiaries in China no longer enjoyed the same corporate tax incentive given by the Chinese authorities for the first five years from the time the business started generating profits. Given these developments which will have significant impact on its profit margin, the Group's operations in China will become increasingly challenging. As such, the Company's decision to dispose of the raw materials division was timely and the cash proceeds arising from the disposal will be utilised as working capital to strengthen the Group's dominant market position in the DI pipes industry.

The Group's jointly controlled entity, Pinang Water Limited in which YLI holds 37% had commenced operations during the year with its first project, Yuan He Water Treatment Plant in Yichun City, Jiangxi province, China and is expected to contribute positively to the Group's bottomline from this year onwards.

Corporate Governance

The Statement on Corporate Governance is set out on page 13 to page 16. The Board will also ensure the requirements of Bursa Malaysia's listing requirements are applied and adhered to by the Company.



CHAIRMAN'S STATEMENT (continued)

Industry Outlook

Under the Ninth Malaysia Plan, the government has allocated more than RM12 billion for water supply and sewerage projects. This amount does not include investments from the private water companies as both the government and private sectors work in tandem to improve the water quality and efficiency of existing water supply and sewerage systems in all states in Malaysia.*

All these augurs well for the Group as the Group, being the dominant DI pipes supplier in the country stands to benefit from the vibrant outlook of the industry.

* Source: Malaysia Water Industry Guide 2006

Looking ahead

Although the past few years had been challenging for YLI, it is believed that new opportunities are emerging in line with the Government's effort to reduce the percentage of NRW to 20% by year 2015. Against this backdrop, the Group is optimistic that it will perform satisfactorily leveraging on the Group's expertise, brand equity and proven track record.

The Group will continue to seek opportunities for expansion in water related businesses to further enhance shareholders' value.

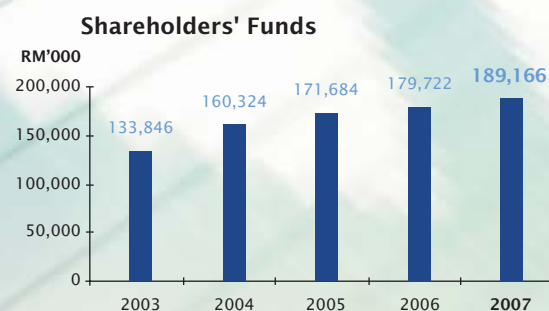
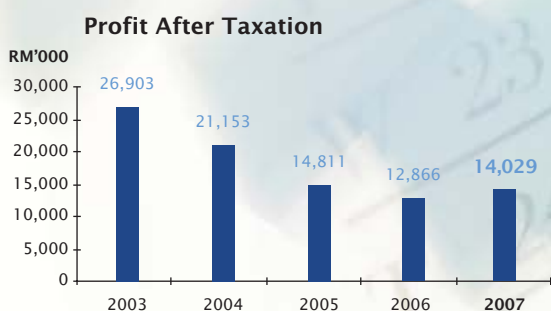
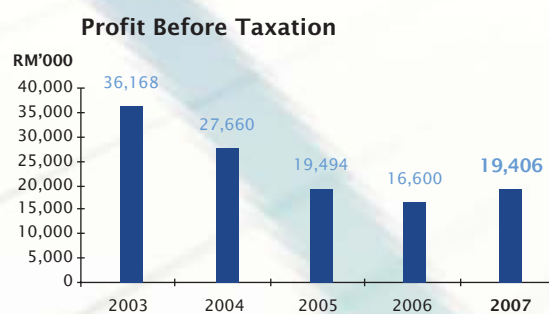
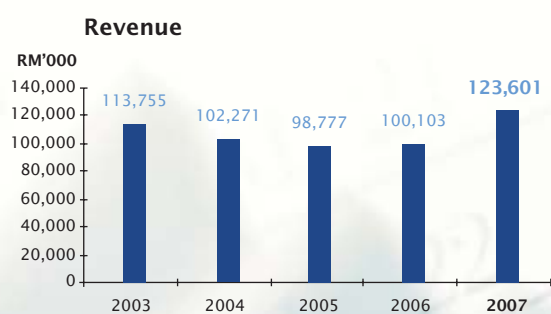
Appreciation

On behalf of the Board, I would like to express my sincere appreciation and gratitude to Dato' Loh Eng Kim, the Executive Chairman who had retired on 15 August 2007 after more than four decades helming the Group. Dato' Loh was one of the founders of the Group since the Group started its operations in the 1960's. Under his austere stewardship, the Group had benefited tremendously from his hands-on involvement in the Group's management and operations and we thank him for his immense contribution in building up the Group throughout the years.

I would like to thank all our employees for their perseverance, commitment and substantial contribution to the Group for the past year. Same goes to my fellow board members, management team, valued clients and business partners for their support. Last but not least, my heart felt thanks to all our shareholders for their confidence and support.

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
Chairman

FINANCIAL HIGHLIGHTS



FINANCIAL CALENDAR

FINANCIAL YEAR END

31 March 2007

ANNUAL GENERAL MEETING

26 September 2007

ANNOUNCEMENT OF RESULTS

First Quarter	22 August 2006
Second Quarter	22 November 2006
Third Quarter	27 February 2007
Fourth Quarter	29 May 2007

ANNUAL REPORT

Date of Issuance 4 September 2007

DIVIDEND

First & Final

Recommendation	29 May 2007
Payment date	16 November 2007
(if approved)	





FINANCIAL TRACK RECORD

Financial Year Ended 31 March

	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
Revenue	123,601	100,103	98,777	102,271	113,755
Profit Before Taxation	19,406	16,600*	19,494	27,660	36,168
Profit After Taxation Attributable to Shareholders	14,029	12,866	14,811	21,153	26,903
Shareholders' Funds	189,166	179,722	171,684	160,324	133,846
Total Assets Employed	205,272	197,053	187,854	173,537	150,205
Profit After Taxation as a Percentage of Shareholders' Funds	7.4	7.2	8.6	13.2	20.1
Basic Earnings Per Share (sen)	14.23	13.05	15.06	21.90	28.47
Diluted Earnings Per Share (sen)	N/A	N/A	N/A	21.84	28.28
Net Tangible Assets Per Share (RM)	1.92	1.82	1.74	1.64	2.13
No. of Shares in Issue	98,560	98,560	98,560	97,957	62,742

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

OUR PERFORMANCE

		2007 RM'000	2006 RM'000	% Change	
INCOME STATEMENT	Revenue	123,601	100,103	23.47	
	Profit Before Taxation	19,406	16,600*	16.89	
	Profit After Taxation	14,029	12,866	9.04	
BALANCE SHEET	Shareholders' Funds	189,166	179,722	5.25	
	Total Assets Employed	205,272	197,053	4.17	
RATIOS	Current Ratio	times	17.38	13.74#	26.49
	Interest Coverage	times	1618.17	396.29	308.33
	Return On Equity	%	7.61	7.32	3.96
	Return On Total Assets	%	6.97	6.69	4.19
	Financial Leverage Ratio	times	0.00	0.00	0
	Basic Earnings Per Share	sen	14.23	13.05	9.04
	Net Tangible Assets Per Share	RM	1.92	1.82	5.49
	31st March Closing Price	RM	2.19	2.18	0.46

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

Figure has been adjusted in compliance with FRS 117 "Lease".

PROFILE OF DIRECTORS

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir

Malaysian, aged 59,
Chairman,
Non-Independent Non Executive Director

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

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

He is not related to any director and/or other major shareholder of YLI and does not have any conflict of interest with the company. Since Tan Sri Syed Yusof Nasir was only appointed to the Board of the Company on 15 August 2007, he did not attend any Board Meetings held in the financial year ended 31 March 2007.

Mr Loh Yok Yeong

Malaysian, aged 43,
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 Dato' Loh Toa Thau @ 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 67,
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 71,
Independent Non-Executive Director

He was appointed to the Board on 10 December 1998. He is the Chairman of the Nomination Committee and a member of Remuneration Committee of YLI Holdings Berhad.

Dato' Ir. Syed Muhammad Shahabudin has been in the water engineering field for more than 40 years and is a Chartered Engineer and Environmental Manager, United Kingdom. After graduating as a civil engineer from Plymouth College of Technology, UK in 1963, he joined the Public Works Department, Malaysia. The first 12 years of his career was devoted to public service in 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.

He is involved in NGO activities as Chairman of Malaysia Water Partnership, Immediate Past President of the Malaysia Water Association and a board member on Selangor Water Management Board (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)

Mr Foong Kai Choong

Malaysian, aged 45,
Non-Executive Director

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 all Board Meetings held during the financial year.

Mr Ng Chong Wee

Malaysian, aged 38,
Independent Non-Executive Director

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

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

Mr Tan Hock Hin

Malaysian, aged 60,
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 three Board meetings held during the financial year.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices throughout the financial year ended 31 March 2007.

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 two Executive Directors and five Non-Executive Directors, of whom three are independent. The Independent Non-Executive Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Together they play an important part in the process of deliberating and examining business strategies proposed by the Management taking into account the long term interest of the Company, its shareholders, employees, customers and other stakeholders.

There is a clear division of responsibility between the Chairman and the 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 Board considers that the current size of the Board adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the 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.

STATEMENT ON CORPORATE GOVERNANCE ^(continued)

THE BOARD OF DIRECTORS (continued)

The Board (continued)

(ii) Board meetings (continued)

During the financial year ended 31 March 2007, four (4) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		May 06	Aug 06	Nov 06	Feb 07	Total	%
Directors	Position	Attendance					
1 Dato' Loh Toa Thau @ Loh Eng Kim	Executive Chairman	•	•	×	•	3/4	75
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	•	•	•	•	4/4	100
6 Ng Chong Wee	Director	•	•	•	•	4/4	100
7 Tan Hock Hin	Director	×	•	•	•	3/4	75
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 14 August 2007.

(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 Twelfth Annual General Meeting of the Company to be held on 26 September 2007 are contained in the Statement Accompanying Notice of Annual General Meeting.

STATEMENT ON CORPORATE GOVERNANCE ^(continued)

THE BOARD OF DIRECTORS (continued)

The Board (continued)

(vi) Directors' Training

As required under the Listing Requirements 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 Directors continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties. During the financial year the Directors had attended seminars and other training programmes which covered topics on hedge funds and international currency risk management. 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).

(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 2007 is set out below:-

A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fees	101,000	71,000
Salaries	920,990	-
Bonus	231,084	-
Benefits in kind	51,331	-
Other benefits	202,594	-
	<hr/> 1,506,999	<hr/> 71,000

B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
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.

STATEMENT ON CORPORATE GOVERNANCE ^(continued)

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 to obtain the latest information on the Group.

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

ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 23 of this Annual Report.

(ii) Relationship with the External Auditors

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

ADDITIONAL COMPLIANCE INFORMATION

Non-audit fees

For the financial year, the amount of non-audit fees incurred for services rendered to the Company or its subsidiaries by its external auditors or a firm or company affiliated to the said auditors was RM18,260.00.

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 was no profit guarantee given to 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.

AUDIT COMMITTEE REPORT

Chairman

Ng Chong Wee*
Independent Non-Executive Director

Members

Tan Hock Hin*
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 I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

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.

AUDIT COMMITTEE REPORT (continued)

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.

AUDIT COMMITTEE REPORT (continued)

4.0 FUNCTIONS

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

4.1 To review:

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

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

4.3 In respect of the appointment of external auditors:

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

4.4 In respect of the internal audit function:

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

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

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

For the financial year ended 31 March 2007, 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									
Dato' Ir. Syed Muhammad Shahabudin <small>(Resigned w.e.f. 22-08-2006)</small>	Chairman	•	•	•	•	N/A	N/A	N/A	N/A	4/4	100
Loh Yok Yeong	Member	•	•	•	•	•	•	•	•	8/8	100
Ng Chong Wee <small>(Appointed as Chairman w.e.f. 22-08-2006)</small>	Chairman	•	•	•	•	•	•	•	•	8/8	100
Tan Hock Hin	Member	×	×	•	•	•	•	•	•	6/8	75

AUDIT COMMITTEE REPORT (continued)

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

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 for improvements on control and minutes of Audit Committee meetings are circulated to the Board.

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

STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance (“Code”) requires listed companies to maintain a sound system of internal control to safeguard shareholders’ investments and the Group’s assets. Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad requires directors of listed companies to include a statement in their annual reports on the state of internal control of these companies. The Board 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. The Board through its various committees has continuously reviewed the adequacy and effectiveness of the system on the operational and financial aspects of the Group.

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 taking preventive measures to manage significant risks. The framework is continuously monitored and reviewed as risks faced by the Group may change over time. Members of staff from operating levels are involved in identifying, evaluating and managing risks in the course of their day to day duties. 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. 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. In addition, Internal Audit also assists to audit the efficient use of resources within the Group.

STATEMENT OF INTERNAL CONTROL (continued)

Internal Audit Function (continued)

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. Senior management also conducts regular visits to the Group's operating units.

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

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 2007.

The external auditors have reviewed this Statement of Internal Control and have reported 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.

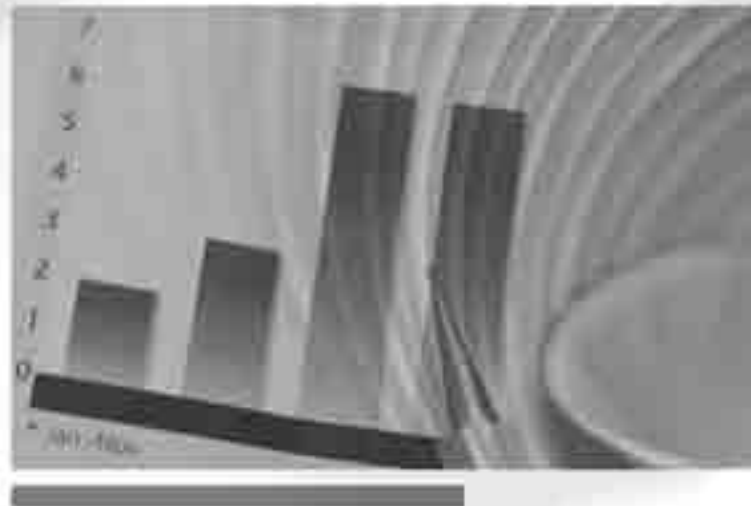
DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF ANNUAL AUDITED ACCOUNTS

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.

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

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 2007.

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 for the financial year	<u>14,028,852</u>	<u>5,105,983</u>

Dividend

Dividend proposed, declared or paid since 31 March 2006 is as follows:

In respect of the financial year ended 31 March 2006:

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 16 November 2006.

RM

4,967,424

The Directors now recommend the payment of a first and final dividend of 7.0 sen less tax at 27% (2006: 28%) amounting to RM5,036,416 (2006: 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' REPORT (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

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 2007
	As at 1 April 2006	Bought	Sold	
YLI Holdings Berhad				
Dato' Loh Toa Thau @ Loh Eng Kim				
Direct	418,500	0	0	418,500
Indirect	39,324,206	174,000	0	39,498,206
Loh Yok Yeong				
Direct	196,000	0	0	196,000
Indirect	39,324,206	174,000	0	39,498,206
Lee Then Wah				
Direct	180,000	0	25,000	155,000

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

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in note 10 to the financial statements.

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

Other statutory information

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

- 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.

DIRECTORS' REPORT (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

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 2007.

Dato' Loh Toa Thau @ Loh Eng Kim

Director

Lee Then Wah

Director

REPORT OF THE AUDITORS

TO THE MEMBERS OF YLI HOLDINGS BERHAD
(COMPANY NO: 367249 A)
(INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 29 to 62. 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 for Entities Other than Private Entities 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 2007 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 17 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

Yee Wai Yin
[2081/08/08 (J)]
Partner of the firm

Penang

29 May 2007

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	5	123,601,158	100,103,459	7,642,737	7,668,290
Cost of sales		(93,406,311)	(75,578,768)	0	0
Gross profit		30,194,847	24,524,691	7,642,737	7,668,290
Other operating income		1,209,877	829,143	51,410	17,280
Selling and distribution costs		(4,361,368)	(4,111,594)	0	0
Administrative expenses		(6,512,831)	(5,618,513)	(284,149)	(264,394)
Other operating expenses		(509,796)	(242,077)	(267,912)	(123,268)
Finance costs	7	(11,893)	(42,286)	0	0
Share of results of a jointly controlled entity		(602,776)	1,261,082	0	0
Profit before taxation	8	19,406,060	16,600,446	7,142,086	7,297,908
Income tax expense	11	(5,377,208)	(3,734,265)	(2,036,103)	(1,997,710)
Net profit for the financial year		14,028,852	12,866,181	5,105,983	5,300,198
Earnings per share (sen)					
- basic	12	14.23	13.05		
- diluted	12	N/A*	N/A*		
Dividend per share (sen)					
- proposed first and final dividend	13	7.0	7.0	7.0	7.0

* N/A - Not applicable

BALANCE SHEETS

AS AT 31 MARCH 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Non current assets					
Investment properties	14	951,149	956,841	0	0
Property, plant and equipment	15	60,861,463	64,414,373	0	0
Prepaid land leases	16	12,900,908	13,243,598	0	0
Subsidiary companies	17	0	0	18,355,350	18,355,350
Jointly controlled entity	18	1,190,362	1,505,173	141	141
		<u>75,903,882</u>	<u>80,119,985</u>	<u>18,355,491</u>	<u>18,355,491</u>
Current assets					
Inventories	19	33,668,562	29,851,396	0	0
Receivables	20	37,814,251	35,195,083	67,194	61,617
Amounts due from subsidiary companies	21	0	0	56,781,631	59,787,910
Amount due from a jointly controlled entity	22	8,097,564	7,196,474	8,064,928	7,164,986
Tax recoverable		182,429	124,881	56,791	0
Short term investments	23	3,511,604	3,460,194	3,511,604	3,460,194
Deposits, bank and cash balances	24	46,093,248	41,105,316	21,341,929	19,217,103
		<u>129,367,658</u>	<u>116,933,344</u>	<u>89,824,077</u>	<u>89,691,810</u>
Less: Current liabilities					
Payables	25	6,004,702	7,422,894	169,641	159,089
Provision for taxation		1,439,928	1,087,925	0	16,844
		<u>7,444,630</u>	<u>8,510,819</u>	<u>169,641</u>	<u>175,933</u>
Net current assets		<u>121,923,028</u>	<u>108,422,525</u>	<u>89,654,436</u>	<u>89,515,877</u>
Less: Non current liability					
Deferred taxation	26	8,660,612	8,820,852	0	0
		<u>189,166,298</u>	<u>179,721,658</u>	<u>108,009,927</u>	<u>107,871,368</u>
Capital and reserves					
Share capital	27	98,560,000	98,560,000	98,560,000	98,560,000
Share premium	28	7,208,014	7,208,014	7,208,014	7,208,014
Revaluation and other reserves	29	1,843,661	1,460,449	0	0
Retained earnings	30	81,554,623	72,493,195	2,241,913	2,103,354
Shareholders' equity		<u>189,166,298</u>	<u>179,721,658</u>	<u>108,009,927</u>	<u>107,871,368</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

	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 2005		98,560,000	98,560,000	7,208,014	1,321,460	64,594,438	171,683,912
Exchange fluctuation differences arising during 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
Net profit for the financial year		0	0	0	0	12,866,181	12,866,181
Total recognised income for the financial year		0	0	0	138,989	12,866,181	13,005,170
Dividend for the financial year ended - 31 March 2005	13	0	0	0	0	(4,967,424)	(4,967,424)
At 31 March 2006		98,560,000	98,560,000	7,208,014	1,460,449	72,493,195	179,721,658
At 1 April 2006		98,560,000	98,560,000	7,208,014	1,460,449	72,493,195	179,721,658
Reversal of capital gains tax	29	0	0	0	79,845	0	79,845
Effect of change in income tax rate on revaluation surplus	29	0	0	0	122,212	0	122,212
Exchange fluctuation differences arising during the financial year	29	0	0	0	181,155	0	181,155
Net gain not recognised in the income statement		0	0	0	383,212	0	383,212
Net profit for the financial year		0	0	0	0	14,028,852	14,028,852
Total recognised income for the year		0	0	0	383,212	14,028,852	14,412,064
Dividend for the financial year ended - 31 March 2006	13	0	0	0	0	(4,967,424)	(4,967,424)
At 31 March 2007		98,560,000	98,560,000	7,208,014	1,843,661	81,554,623	189,166,298

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

Note	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total RM
	Number of shares	Nominal value RM	Share premium RM	Retained earnings RM	
At 1 April 2005	98,560,000	98,560,000	7,208,014	1,770,580	107,538,594
Net profit for the financial year	0	0	0	5,300,198	5,300,198
Dividend for the financial year ended 31 March 2005	0	0	0	(4,967,424)	(4,967,424)
At 31 March 2006	98,560,000	98,560,000	7,208,014	2,103,354	107,871,368
At 1 April 2006	98,560,000	98,560,000	7,208,014	2,103,354	107,871,368
Net profit for the financial year	0	0	0	5,105,983	5,105,983
Dividend for the financial year ended 31 March 2006	0	0	0	(4,967,424)	(4,967,424)
At 31 March 2007	98,560,000	98,560,000	7,208,014	2,241,913	108,009,927

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Operating cash flows					
Cash receipts from customers		120,477,106	101,707,083	0	0
Cash paid to suppliers and employees		(103,847,594)	(87,349,594)	(326,579)	(271,868)
Cash flows from / (used in) operations	31	16,629,512	14,357,489	(326,579)	(271,868)
Payment for prepaid land leases		0	(383,961)	0	0
Dividends received from:					
- a subsidiary company		0	0	4,967,424	4,967,424
- marketable securities		29,130	23,947	29,130	23,947
Taxation paid		(5,032,636)	(1,872,427)	(169,662)	(180,000)
Taxation refund		0	125,947	0	7,454
Interest paid		(11,893)	(42,286)	0	0
Interest received		963,182	1,312,870	523,745	697,060
		(4,052,217)	(835,910)	5,350,637	5,515,885
Net operating cash flow		12,577,295	13,521,579	5,024,058	5,244,017
Investing cash flows					
Income from short term investment		292,558	0	178,159	0
Acquisition of unit trusts		0	(3,000,000)	0	(3,000,000)
Incorporation of subsidiary companies		(4)	0	0	(48,902)
Refund of goods and services tax		0	171,083	0	0
Proceeds from compulsory acquisition by Government of freehold land		222,000	0	0	0
Proceeds from disposal of property, plant and equipment		160	201,500	0	0
Purchase of property, plant and equipment		(2,236,511)	(4,017,295)	0	0
Net investing cash flow		(1,721,797)	(6,644,712)	178,159	(3,048,902)
Financing cash flows					
Advances to subsidiary companies		0	0	(5,928,000)	(4,378,275)
Advances to a jointly controlled entity		(901,090)	(3,659,449)	(899,942)	(3,659,448)
Repayment of advances by subsidiary companies		0	0	8,717,975	7,645,125
Repayment of short term borrowings		0	(194,428)	0	0
Dividends paid		(4,967,424)	(4,967,424)	(4,967,424)	(4,967,424)
Net financing cash flow		(5,868,514)	(8,821,301)	(3,077,391)	(5,360,022)
Net change in cash and cash equivalents during the financial year					
		4,986,984	(1,944,434)	2,124,826	(3,164,907)
Effect of exchange rate changes on cash and cash equivalents		948	(10,133)	0	0
Cash and cash equivalents at the beginning of the financial year		41,105,316	43,059,883	19,217,103	22,382,010
Cash and cash equivalents at the end of the financial year	24	46,093,248	41,105,316	21,341,929	19,217,103

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM2,257,868 (2006: RM4,019,994) of which RM21,357 (2006: RM2,699) was included in other payables at balance sheet date. Cash payments of RM2,236,511 (2006: RM4,017,295) were made to purchase these property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

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 384 (2006: 379) 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 exchange, interest rate, credit, liquidity and cash flow risks. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial risk management policies. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

(a) Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiary companies in currencies other than their functional currency. The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments. Foreign 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 payments from customers. The Group considers the risk of material loss in the event of non-performance by a financial counter party to be unlikely.

(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.

NOTES TO THE FINANCIAL STATEMENTS ^(continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

2 Financial risk management objectives and policies (continued)

(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 Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

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

(i) Standards, amendments to published standards and interpretation that are effective:

For the financial year ended 31 March 2007, the Group adopted the new or revised FRS and interpretations to FRS (INT FRS) that are applicable in the current financial year. The following are the FRS and INT FRS that are relevant to the Group:

FRS 101 Presentation of Financial Statements
FRS 102 Inventories
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110 Events after the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 121 The Effects of Changes in Foreign Exchange Rates
FRS 127 Consolidated and Separate Financial Statements
FRS 131 Interests in Joint Ventures
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 133 Earnings Per Share
FRS 136 Impairment of Assets
FRS 138 Intangible Assets
FRS 140 Investment Property
FRS 3 Business Combination
IC Interpretation 112 Consolidation – Special Purpose Entities

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies.

(ii) Standards early adopted by the Group

The Group has chosen to early adopt the following standard in the current financial year:

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease. The effects of the early adoption of FRS 117 Leases are shown in note 36 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS ^(continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

3 Basis of preparation (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial periods beginning on or after 1 April 2007 or later periods, but which the Group has not early adopted, are as follows:

- FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial periods beginning 1 April 2007.
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

(iv) Standards that are not yet effective and not relevant for the Group's operations

FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007). FRS 6 is not relevant to the Group's operations as the Group does not carry out exploration for and evaluation of mineral resources.

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 2007.

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 FRS 3 Business Combinations to apply this standard prospectively. Accordingly, business combinations entered into prior to 1 January 2006 have not been restated to comply with this standard.

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

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

NOTES TO THE FINANCIAL STATEMENTS ^(continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

4 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

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

(b) Property, plant and equipment

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

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

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

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. Depreciation on other property, plant and equipment is calculated so as to write off the cost or valuation to their residual values on the reducing balance basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are as follows:

	%
Flats	2.0
Buildings	2.0
Plant, machinery, tools and equipment	10.0 – 33.3
Motor vehicles	6.0 – 20.0
Furniture and fittings	5.0
Office equipment and air conditioners	6.0 – 25.0
Renovation	10.0

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

Gains and losses on disposals are determined by comparing the net disposal proceed with the carrying amounts and 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.

NOTES TO THE FINANCIAL STATEMENTS ^(continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

4 Summary of significant accounting policies (continued)

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

The freehold land has not been revalued since 1994. The Directors had adopted the transitional provisions in International Accounting Standard No.16 (Revised): Property, Plant and Equipment as allowed for by the Malaysian Accounting Standards Board to retain the carrying amounts of these freehold land on the basis of their previous revaluation.

(d) Impairment of assets

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS ^(continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

4 Summary of significant accounting policies (continued)

(f) Jointly controlled entities (continued)

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

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

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

(g) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the period of the respective leases that range from 46 to 60 years, which expire from 2041 and 2056.

The prepaid land leases were last revalued in 1994 and 1996 using the open market value basis. The Directors have adopted the transitional provisions in FRS 117 Leases as allowed for by the Malaysian Accounting Standards Board to retain the unamortised amount as the surrogate carrying amount of prepaid land leases.

(h) Inventories

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

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

(i) 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.

(j) Income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS ^(continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

4 Summary of significant accounting policies (continued)

(j) Income tax (continued)

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

(k) Short term investments

Marketable securities/unit trusts

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

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

(l) 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.

(m) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS ^(continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

4 Summary of significant accounting policies (continued)

(m) Foreign currencies (continued)

(iii) Group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (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.

(n) Revenue recognition

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

(i) Sale of goods

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

(ii) Dividend income

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

(iii) Interest income

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

(iv) Rental income

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

(o) Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

4 Summary of significant accounting policies (continued)

(p) 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.

(q) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

Subsidiary companies incorporated in Malaysia contribute to the Employees Provident Fund of Malaysia, the national defined contribution 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.

(r) Financial instruments

(i) Description

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

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

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

(ii) Financial instruments recognised on the balance sheet

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

NOTES TO THE FINANCIAL STATEMENTS ^(continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

4 Summary of significant accounting policies (continued)

(r) Financial instruments (continued)

(iii) Fair value estimation for disclosure purposes

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

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

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

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

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

(s) Critical accounting estimates and assumptions

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

5 Revenue

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sales of goods	122,857,621	99,369,896	0	0
Interest income from:				
- licensed banks and finance companies	527,948	703,103	527,948	703,103
- a subsidiary company	0	0	0	35,527
Dividend income from:				
- a subsidiary company	0	0	6,899,200	6,899,200
- marketable securities	37,430	30,460	37,430	30,460
Income from short term investment	178,159	0	178,159	0
	<u>123,601,158</u>	<u>100,103,459</u>	<u>7,642,737</u>	<u>7,668,290</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

6 Significant party balances and transactions

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

(i) Significant related party balances

	Company	
	2007 RM	2006 RM
Amounts due from subsidiary companies (note 21) (non-trade):		
- Yew Lean Foundry & Co. Sdn. Bhd.	50,716,232	48,466,232
- Yew Li Foundry & Co. Sdn. Bhd.	2,006,000	6,006,000
- Logam Utara (M) Sdn. Bhd.	0	1,000,000
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	951,699	1,554,928
- YLI Corporation Ltd.	3,107,700	2,760,750
	<u>56,781,631</u>	<u>59,787,910</u>

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

	Company	
	2007 RM	2006 RM
Gross dividend income from a subsidiary company:		
- Yew Lean Foundry & Co Sdn. Bhd.	6,899,200	6,899,200
Interest income from a subsidiary company:		
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	0	35,527
Advances to subsidiary companies:		
- Yew Lean Foundry & Co. Sdn. Bhd.	5,400,000	1,500,000
- YLI Corporation Ltd.	528,000	2,878,275
Advances to a jointly controlled entity:		
- Pinang Water Limited	899,942	3,659,448
	<u>899,942</u>	<u>3,659,448</u>

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

7 Finance costs

	Group	
	2007 RM	2006 RM
Interest expense on:		
- revolving credit / bankers acceptance	(6,859)	(19,759)
- bank overdraft	(5,034)	(22,527)
	<u>(11,893)</u>	<u>(42,286)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

8 Profit before taxation

(i) Expenses by nature

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Changes in inventories of finished goods and work in progress	2,410,215	8,043,895	0	0
Purchases of raw materials	(60,494,287)	(47,999,213)	0	0
Auditors' remuneration:				
- statutory audit	(96,606)	(80,557)	(35,000)	(25,000)
- other services	(4,200)	(18,720)	(3,800)	(2,350)
Depreciation of property, plant and equipment (note 15)	(5,162,499)	(5,525,630)	0	0
Amortisation of prepaid land leases	(333,254)	(333,254)	0	0
Depreciation of investment properties (note 14)	(5,692)	(5,808)	0	0
Rental of land and building	(48,205)	(26,136)	0	0
Property, plant and equipment written off	(404,050)	(250,068)	0	0
Loss on disposal of property, plant and equipment	(437)	0	0	0
Foreign exchange loss				
- realised	(207,687)	(42,446)	(39,978)	(7,600)
- unrealised	(293,931)	(169,166)	(227,934)	(115,668)
Employee benefits costs (note 9)	(10,388,534)	(9,810,373)	0	0
Directors' fee (note 10)	(172,000)	(172,000)	(122,000)	(122,000)
Utilities	(13,104,566)	(11,694,772)	0	0
Repairs and maintenance	(2,492,170)	(2,613,102)	0	0
Transportation	(5,965,347)	(4,640,675)	0	0
Insurance	(375,835)	(272,487)	(21,955)	(19,511)
Other expenses	(7,651,221)	(9,940,440)	(101,394)	(95,533)
Total cost of sales, selling and distribution costs, administrative expenses and other operating expenses	<u>(104,790,306)</u>	<u>(85,550,952)</u>	<u>(552,061)</u>	<u>(387,662)</u>

Direct operating expenses from investment properties that generated rental income of the Group during the period amounted to RM11,748 (2006: RM11,741).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

8 Profit before taxation (continued)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest income from:				
- licensed banks and finance companies	967,385	1,318,913	527,948	703,103
- a subsidiary company	0	0	0	35,527
Rental income	322,000	156,000	0	0
Gain on disposal of property, plant and equipment	0	23,202	0	0
Gain on compulsory acquisition by Government of freehold land	76,688	0	0	0
Dividend income from marketable securities	37,430	30,460	37,430	30,460
Foreign exchange gain				
- realised	19,644	11,925	0	0
- unrealised	36,554	0	0	0
Allowance for diminution in value for investment no longer required	51,410	17,280	51,410	17,280
Income from short term investment	292,558	0	178,159	0

9 Employee benefits cost

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Wages, salaries and bonuses	7,968,211	7,615,738	0	0
Defined contribution plan	717,022	709,662	0	0
Other employee benefits	1,703,301	1,484,973	0	0
	10,388,534	9,810,373	0	0

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

10 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:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-Executive Directors - fees	71,000	71,000	71,000	71,000
Executive Directors:				
- fees	101,000	101,000	51,000	51,000
- salaries and bonuses	1,152,074	1,107,769	0	0
- defined contribution plan	138,294	143,812	0	0
- other employee benefits	64,300	60,500	0	0
- estimated money value of benefits-in-kind	51,331	48,781	0	0
	<u>1,506,999</u>	<u>1,461,862</u>	<u>51,000</u>	<u>51,000</u>
	<u>1,577,999</u>	<u>1,532,862</u>	<u>122,000</u>	<u>122,000</u>

11 Income tax expense

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Malaysian taxation:				
- current taxation	(5,212,694)	(3,400,825)	(1,988,492)	(2,075,256)
- deferred taxation (note 26)	(41,817)	(670,512)	0	0
	<u>(5,254,511)</u>	<u>(4,071,337)</u>	<u>(1,988,492)</u>	<u>(2,075,256)</u>
(Under)/over accrual in prior financial year:				
- current taxation	(122,697)	340,117	(47,611)	77,546
- deferred taxation (note 26)	0	(3,045)	0	0
	<u>(5,377,208)</u>	<u>(3,734,265)</u>	<u>(2,036,103)</u>	<u>(1,997,710)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

11 Income tax expense (continued)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before taxation	<u>19,406,060</u>	<u>16,600,446</u>	<u>7,142,086</u>	<u>7,297,908</u>
Tax calculated at the Malaysian income tax rate of 27% (2006: 28%)	(5,239,636)	(4,648,125)	(1,928,363)	(2,043,414)
Tax effects of:				
Share of results of jointly controlled entities	(162,750)	353,103	0	0
Difference in foreign income tax rate	11,969	85,944	0	0
Change in income tax rate	545,995	0	0	0
Expenses not deductible for income tax purposes	(462,664)	(313,179)	(122,112)	(46,628)
Expenses allowable for double deductions for income tax purposes	19,448	0	0	0
Income not subject to tax	307,156	205,597	61,983	14,786
Utilisation of reinvestment allowances	201,938	107,364	0	0
Utilisation of previously unabsorbed tax losses	0	16,654	0	0
Utilisation of previously unabsorbed capital allowances	0	21,792	0	0
Difference in income tax rate for the first RM500,000 (2006: RM500,000) of taxable income of Malaysian subsidiaries	77,471	108,437	0	0
Current financial year's tax loss not recognised	(15,999)	(8,924)	0	0
(Under)/over accrual in prior financial year:				
- current taxation	(122,697)	340,117	(47,611)	77,546
- deferred taxation	(537,439)	(3,045)	0	0
	<u>(5,377,208)</u>	<u>(3,734,265)</u>	<u>(2,036,103)</u>	<u>(1,997,710)</u>

12 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.

	2007	2006
Net profit after taxation (RM)	14,028,852	12,866,181
Weighted average number of ordinary shares in issue	98,560,000	98,560,000
Basic earnings per share (sen)	14.23	13.05

The diluted earnings per share is adjusted for the effects of all dilutive potential ordinary shares. There is no dilutive potential ordinary share as at end of the financial year (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

13 Dividend

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

	Group and Company	
	2007	2006
	RM	RM
Proposed first and final dividend of 7.0 sen (2006: 7.0 sen) less income tax at 27% (2006: 28%)	<u>5,036,416</u>	<u>4,967,424</u>

The proposed first and final dividend of 7.0 sen less income tax at 27% (2006: 28%) amounting to RM5,036,416 (2006: RM4,967,424) in respect of the financial year ended 31 March 2007 will be accrued as a liability after approval by the shareholders at the Annual General Meeting of the Company.

14 Investment properties

	Group	
	2007	2006
	RM	RM
Net book value		
At start of the financial year	956,841	0
Transferred from property, plant and equipment (note 15)		
Freehold land – at valuation	0	672,246
Buildings – at cost	0	297,966
Accumulated depreciation on buildings	0	(7,563)
Depreciation for the financial year	<u>(5,692)</u>	<u>(5,808)</u>
At end of the financial year	<u>951,149</u>	<u>956,841</u>
Cost	970,212	970,212
Accumulated depreciation	<u>(19,063)</u>	<u>(13,371)</u>
Net book value	<u>951,149</u>	<u>956,841</u>

During the previous financial year ended 31 March 2006, 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 Group'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	
	2007	2006
	RM	RM
Net book value	<u>672,246</u>	<u>672,246</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

15 Property, plant and equipment

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

Group only 2007	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
At cost / valuation	At cost/ valuation	At cost	At cost	At cost	At cost	At cost	At cost/ valuation
At 1 April	26,276,223	69,788,932	4,710,280	323,448	1,255,578	555,936	102,910,397
Foreign currency exchange differences	(43,942)	(64,262)	(8,638)	(492)	(1,462)	(15,252)	(134,048)
Additions	170,839	1,759,910	90,390	0	49,314	187,415	2,257,868
Disposals	(145,312)	0	0	0	(3,069)	0	(148,381)
Write off	0	(1,231,282)	0	0	(46,800)	0	(1,278,082)
At 31 March	26,257,808	70,253,298	4,792,032	322,956	1,253,561	728,099	103,607,754
Accumulated depreciation							
At 1 April	3,115,628	31,761,836	2,869,825	110,681	638,054	0	38,496,024
Foreign currency exchange differences	(4,085)	(26,035)	(4,845)	(127)	(636)	0	(35,728)
Charge for the financial year	373,578	4,301,074	383,039	11,627	93,181	0	5,162,499
Disposals	0	0	0	0	(2,472)	0	(2,472)
Write off	0	(849,616)	0	0	(24,416)	0	(874,032)
At 31 March	3,485,121	35,187,259	3,248,019	122,181	703,711	0	42,746,291
Net book value							
31 March 2007	22,772,687	35,066,039	1,544,013	200,775	549,850	728,099	60,861,463

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
At cost / valuation	At cost/ valuation	At cost	At cost	At cost	At cost	At cost	At cost/ valuation
At 1 April	27,011,821	68,032,346	4,613,929	320,904	1,118,040	64,490	101,161,530
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	564,477	4,019,994
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	26,276,223	69,788,932	4,710,280	323,448	1,255,578	555,936	102,910,397
Accumulated depreciation							
At 1 April	2,742,460	27,598,531	2,698,316	98,300	534,870	0	33,672,477
Foreign currency exchange differences	(223)	(832)	(139)	(4)	(37)	0	(1,235)
Charge for the financial year	386,762	4,587,009	442,061	12,385	103,221	0	5,531,438
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	3,115,628	31,761,836	2,869,825	110,681	638,054	0	38,496,024
Net book value							
31 March 2006	23,160,595	38,027,096	1,840,455	212,767	617,524	555,936	64,414,373

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

15 Property, plant and equipment (continued)

The Group's land and buildings comprise of:

2007	At 1 April RM	Foreign currency exchange differences RM	Additions RM	Disposals RM	At 31 March RM
Cost or valuation					
Freehold land, at valuation	1,168,920	0	0	(145,312)	1,023,608
Building on freehold land, at valuation	141,155	0	0	0	141,155
Building on short term leasehold land, at valuation	4,066,634	0	0	0	4,066,634
Freehold land and buildings, at cost	5,200,596	0	0	0	5,200,596
Long term leasehold flats, at cost	188,200	0	0	0	188,200
Buildings on short term leasehold land, at cost	13,343,273	0	170,839	0	13,514,112
Renovation, at cost	365,044	0	0	0	365,044
Factory building, at cost	1,802,401	(43,942)	0	0	1,758,459
Total	26,276,223	(43,942)	170,839	(145,312)	26,257,808

2007	At 1 April RM	Foreign currency exchange differences RM	Depreciation charge for the financial year RM	At 31 March RM
Accumulated depreciation				
Building on freehold land, at valuation	32,110	0	2,181	34,291
Building on short term leasehold land, at valuation	818,156	0	47,919	866,075
Freehold land and buildings, at cost	198,021	0	23,333	221,354
Long term leasehold flats, at cost	34,426	0	3,691	38,117
Buildings on short term leasehold land, at cost	1,720,791	0	244,156	1,964,947
Renovation, at cost	169,625	0	19,542	189,167
Factory building, at cost	142,499	(4,085)	32,756	171,170
Total	3,115,628	(4,085)	373,578	3,485,121

2006	At 1 April RM	Foreign currency exchange differences RM	Additions RM	Reclassify to investment properties RM	Reclassify from capital work in progress RM	At 31 March RM
Cost or valuation						
Freehold land, at valuation	1,841,166	0	0	(672,246)	0	1,168,920
Building on freehold land, at valuation	141,155	0	0	0	0	141,155
Building on short term leasehold, at valuation	4,066,634	0	0	0	0	4,066,634
Freehold land and building, at cost	5,429,079	0	69,483	(297,966)	0	5,200,596
Long term leasehold flats, at cost	188,200	0	0	0	0	188,200
Buildings on short term leasehold land, at cost	13,333,344	0	9,929	0	0	13,343,273
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
Total	27,011,821	432	169,692	(970,212)	64,490	26,276,223

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

15 Property, plant and equipment (continued)

The Group's land and buildings comprise of:

2006	At 1 April RM	Foreign currency exchange differences RM	Depreciation charge for the financial year RM	Reclassify to investment properties RM	At 31 March RM
Accumulated depreciation					
Building on freehold land, at valuation	29,885	0	2,225	0	32,110
Building on short term leasehold land, at valuation	769,260	0	48,896	0	818,156
Freehold land and building, at cost	181,765	0	29,627	(13,371)	198,021
Long term leasehold flats, at cost	31,288	0	3,138	0	34,426
Buildings on short term leasehold land, at cost	1,473,021	0	247,770	0	1,720,791
Renovation, at cost	147,912	0	21,713	0	169,625
Factory building, at cost	109,329	(223)	33,393	0	142,499
Total	2,742,460	(223)	386,762	(13,371)	3,115,628

	2007 RM	2006 RM
Net book value		
Freehold land, at valuation	1,023,608	1,168,920
Building on freehold land, at valuation	106,864	109,045
Building on short term leasehold land, at valuation	3,200,559	3,248,477
Freehold land and building, at cost	4,979,242	5,002,575
Long term leasehold flats, at cost	150,083	153,774
Buildings on short term leasehold land, at cost	11,549,165	11,622,483
Renovation, at cost	175,877	195,419
Factory building, at cost	1,587,289	1,659,902
	<u>22,772,687</u>	<u>23,160,595</u>

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

Subsequent additions are stated at cost.

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

	2007 RM	2006 RM
Valuation in 1994 on the Open Market Value basis	5,231,397	5,376,709
Net book value	<u>4,331,031</u>	<u>4,526,442</u>
Net book value - had the above been carried at historical cost	<u>576,827</u>	<u>596,182</u>

16 Prepaid land leases

	2007 RM	2006 RM
Current (included in receivables - note 20)	333,254	333,254
Non-current	12,900,908	13,243,598
Total prepaid land leases	<u>13,234,162</u>	<u>13,576,852</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

17 Subsidiary companies

Company	
2007	2006
RM	RM
18,355,350	18,355,350

Unquoted shares, at cost

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Held by the Company		Held by subsidiary companies		Principal activities
		2007 %	2006 %	2007 %	2006 %	
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	100	0	0	Marketing and distribution of pipes and fittings to waterworks and others.
YLI Corporation Ltd *	Hong Kong	100	100	0	0	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.
Zenith Eastern (M) Sdn. Bhd.*	Malaysia	0	0	100	100	Property investment holding.
Zhangzhou Xinyli Materials Co. Ltd.*	The People's Republic of China	0	0	100	100	Presently dormant. Intended activity is manufacturing of raw materials for foundry use.
Muller International Ltd. *	British Virgin Islands	0	0	100	0	Trading of finished goods and investment holding.

* Audited by firm other than PricewaterhouseCoopers, Malaysia.

Following the Board of Directors' approval on 29 May 2006, a subsidiary of the Company, YLI Corporation Ltd, subscribed for 1 ordinary share in Muller International Ltd. on 27 September 2006, representing of 100% equity interest.

Muller International Ltd. contributed revenue of RM651,454 and profit after tax of RM125,723 to the Group for the period from 27 September 2006 to 31 March 2007.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

18 Jointly controlled entity

	2007 RM	2006 RM
Group		
Share of net assets of the jointly controlled entity	<u>1,190,362</u>	<u>1,505,173</u>
Company		
Unquoted shares, at cost	<u>141</u>	<u>141</u>

Details of the jointly controlled entity are as follows:

Name of company	Country of incorporation	Held by the Company		Principal activities
		2007 %	2006 %	
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:

	2007 RM	2006 RM
Non current assets	9,788,709	9,573,362
Current assets	377,206	720,459
Current liabilities	(8,015,958)	(7,596,212)
Non current liabilities	(959,595)	(1,192,436)
Net assets	<u>1,190,362</u>	<u>1,505,173</u>

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

	2007 RM	2006 RM
In respect of purchase of property, plant and equipment	<u>189,852</u>	<u>0</u>

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

	2007 RM	2006 RM
In respect of purchase of property, plant and equipment	<u>1,277,610</u>	<u>1,362,821</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

18 Jointly controlled entity (continued)

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

	2007 RM	2006 RM
Revenue	186,989	0
Cost of sales	<u>(173,859)</u>	<u>0</u>
Gross profit	13,130	0
Other income	4,117	1,612,126
Expenses excluding taxation	<u>(614,515)</u>	<u>(349,155)</u>
(Loss)/profit before taxation	(597,268)	1,262,971
Income tax expense	<u>(5,508)</u>	<u>(1,889)</u>
(Loss)/profit after taxation	<u><u>(602,776)</u></u>	<u><u>1,261,082</u></u>

19 Inventories

	Group	
	2007 RM	2006 RM
Raw materials	6,098,570	4,691,619
Work in progress	1,179,302	913,979
Finished goods	<u>26,390,690</u>	<u>24,245,798</u>
	<u><u>33,668,562</u></u>	<u><u>29,851,396</u></u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RM59,087,336 (2006: RM48,239,539).

20 Receivables

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade receivables	36,479,720	34,020,678	0	0
Other receivables	329,040	520,884	64,194	58,617
Deposits	354,032	284,879	3,000	3,000
Prepayments	<u>651,459</u>	<u>368,642</u>	<u>0</u>	<u>0</u>
	<u><u>37,814,251</u></u>	<u><u>35,195,083</u></u>	<u><u>67,194</u></u>	<u><u>61,617</u></u>

Included under prepayments is the current portion of prepaid land leases amounting to RM333,254 (2006: RM333,254).

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	30,841,266	29,772,326	64,194	58,617
US Dollar	3,125,195	4,076,217	0	0
Chinese Renminbi	838,233	693,019	0	0
Euro	<u>2,004,066</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>36,808,760</u></u>	<u><u>34,541,562</u></u>	<u><u>64,194</u></u>	<u><u>58,617</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

20 Receivables (continued)

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

As at 31 March 2007, approximately 52% (2006: 49%) of the trade receivables balance of the Group relate to four major customers. The Group's historical record in the collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no credit risk needs to be additionally allowed for beyond the allowance for doubtful debts (if any) already made by the Group.

21 Amounts due from subsidiary companies

Amounts due from subsidiary companies are primarily interest free advances with no fixed repayment terms.

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

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

	Company	
	2007	2006
	RM	RM
Ringgit Malaysia	52,722,232	55,472,232
US Dollar	4,059,399	4,315,678
	<u>56,781,631</u>	<u>59,787,910</u>

22 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.

23 Short term investments

	Group and Company	
	2007	2006
	RM	RM
Lower of cost and market value		
Quoted shares in corporations	511,604	460,194
Unit trusts	3,000,000	3,000,000*
At 31 March	<u>3,511,604</u>	<u>3,460,194</u>
Market value		
Quoted shares in corporations	635,250	460,194
Unit trusts	<u>3,228,600</u>	<u>2,977,200*</u>

* Investment in unit trusts is capital guaranteed provided the units are held for a period of 3 years. The Directors have indicated that it is their intention to hold this investment for a period of 3 years, thus no allowance for diminution in value was recognised in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

24 Deposits, cash and bank balances/Cash and cash equivalents

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Deposits with licensed banks	40,289,551	35,433,133	21,130,697	18,804,234
Cash and bank balances	5,803,697	5,672,183	211,232	412,869
	<u>46,093,248</u>	<u>41,105,316</u>	<u>21,341,929</u>	<u>19,217,103</u>

The effective interest rates of the Group's and of the Company's deposits with licensed banks at balance sheet date range from 3.00% to 5.02% (2006: 2.50% to 3.70%) and 3.45% to 4.00% (2006: 2.50% to 3.70%) per annum respectively.

The Group's and the Company's fixed deposits with licensed banks have a weighted average maturity of 48 days and 44 days (2006: 164 days and 231 days) respectively at the end of the financial year.

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	42,733,436	38,000,032	21,341,929	19,217,103
US Dollar	2,747,032	2,508,807	0	0
Chinese Renminbi	554,750	558,419	0	0
Euro	47,885	0	0	0
Hong Kong Dollar	10,145	38,058	0	0
	<u>46,093,248</u>	<u>41,105,316</u>	<u>21,341,929</u>	<u>19,217,103</u>

25 Payables

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Trade payables	1,457,732	2,328,903	0	0
Other payables	2,293,293	2,072,749	10,641	11,089
Other accruals	2,253,677	3,021,242	159,000	148,000
	<u>6,004,702</u>	<u>7,422,894</u>	<u>169,641</u>	<u>159,089</u>

The currency exposure profile of payables is as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Ringgit Malaysia	3,875,184	4,672,373	169,641	159,089
US Dollar	203,668	1,175,262	0	0
Chinese Renminbi	1,918,546	1,575,259	0	0
Hong Kong Dollar	7,304	0	0	0
	<u>6,004,702</u>	<u>7,422,894</u>	<u>169,641</u>	<u>159,089</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

26 Deferred taxation

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

	Group	
	2007	2006
	RM	RM
Deferred tax liabilities		
- subject to income tax	8,660,612	8,741,007
- subject to capital gains tax	0	79,845
	<u>8,660,612</u>	<u>8,820,852</u>

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

	Group	
	2007	2006
	RM	RM
At 1 April	8,820,852	8,147,295
Property, plant and equipment:		
- current financial year	54,925	670,512
- under accrual in prior financial year	0	3,045
Accruals	4,051	0
Unrealised foreign exchange loss	(17,159)	0
Charged to income statement (note 11)	41,817	673,557
Reversal of capital gains tax	(79,845)	0
Effect of change in income tax rate on revaluation surplus	(122,212)	0
Charged to equity	(202,057)	0
At 31 March	<u>8,660,612</u>	<u>8,820,852</u>
Subject to income tax:		
Deferred tax assets (before offsetting):		
Accruals	(50,155)	(54,206)
Unrealised foreign exchange loss	(17,159)	0
	<u>(67,314)</u>	<u>(54,206)</u>
Offsetting	67,314	54,206
Deferred tax assets (after offsetting)	<u>0</u>	<u>0</u>
Deferred tax liabilities (before offsetting):		
Property, plant and equipment	8,727,926	8,795,213
Offsetting	(67,314)	(54,206)
Deferred tax liabilities (after offsetting)	<u>8,660,612</u>	<u>8,741,007</u>
Subject to capital gains tax:		
Deferred tax liabilities:		
Property, plant and equipment	<u>0</u>	<u>79,845</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

27 Share capital

	Company	
	2007	2006
	RM	RM
Authorised:		
Ordinary shares of RM1 each:		
At 1 April/31 March	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of RM1 each:		
At 1 April/31 March	<u>98,560,000</u>	<u>98,560,000</u>

28 Share premium

	Group and Company	
	2007	2006
	RM	RM
At 1 April/31 March	<u>7,208,014</u>	<u>7,208,014</u>

29 Revaluation and other reserves

	Group	
	2007	2006
	RM	RM
Revaluation*/capital reserve	1,529,033	1,326,976
Exchange fluctuation reserve	<u>314,628</u>	<u>133,473</u>
	<u>1,843,661</u>	<u>1,460,449</u>

* Revaluation reserve is stated net of deferred taxation.

The movements in each category of reserves are as follows:

	Group	
	2007	2006
	RM	RM
Revaluation/capital reserve		
At 1 April	1,326,976	1,326,976
Reversal of capital gains tax	79,845	0
Effect of change in income tax rate on revaluation surplus	<u>122,212</u>	<u>0</u>
At 31 March	<u>1,529,033</u>	<u>1,326,976</u>
Exchange fluctuation reserve		
At 1 April	133,473	(5,516)
Arising in the financial year	<u>181,155</u>	<u>139,989</u>
At 31 March	<u>314,628</u>	<u>133,473</u>

30 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 2007 without incurring additional taxation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

31 Cash flows from/(used in) operations

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Net profit after taxation	14,028,852	12,866,181	5,105,983	5,300,198
Adjustments for:				
Share of results of jointly controlled entity	602,776	(1,261,082)	0	0
Taxation	5,377,208	3,734,265	2,036,103	1,997,710
Depreciation of property, plant and equipment	5,162,499	5,525,630	0	0
Depreciation of investment properties	5,692	5,808	0	0
Amortisation of prepaid land leases	333,254	333,254	0	0
Loss/(gain) on disposal of property, plant and equipment	437	(23,202)	0	0
Gain on compulsory acquisition by Government of freehold land	(76,688)	0	0	0
Property, plant and equipment written off	404,050	250,068	0	0
Income from short term investment	(292,558)	0	(178,159)	0
Allowance for diminution in value for investment no longer required	(51,410)	(17,280)	(51,410)	(17,280)
Interest expense	11,893	42,286	0	0
Interest income	(967,385)	(1,318,913)	(527,948)	(738,630)
Dividend income from:				
- a subsidiary company	0	0	(6,899,200)	(6,899,200)
- marketable securities	(37,430)	(30,460)	(37,430)	(30,460)
Foreign exchange loss – unrealised	293,931	169,166	227,934	115,668
Foreign exchange gain – unrealised	(36,554)	0	0	0
	10,729,715	7,409,540	(5,430,110)	(5,572,192)
Changes in working capital during the financial year:				
Inventories	(3,817,166)	(7,803,570)	0	0
Receivables	(2,872,342)	2,164,336	(1,374)	932
Payables	(1,439,547)	(278,998)	10,552	7,719
Intercompany balances	0	0	(11,630)	(8,525)
	(8,129,055)	(5,918,232)	(2,452)	126
Cash flows from/(used in) operations	16,629,512	14,357,489	(326,579)	(271,868)

32 Contingent liabilities (unsecured)

Company

The Company has given guarantees to banks on behalf of certain subsidiary companies for facilities approximating RM40,750,000 (2006: RM42,222,000) of which RM4,395,937 (2006: 4,666,471) was utilised as at 31 March 2007.

The Group's interest in the contingent liability of the jointly controlled entity is disclosed in note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

33 Commitments

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Contracted but not provided for	<u>4,128,968</u>	<u>2,306,753</u>	<u>0</u>	<u>0</u>
Analysed as follows:				
- Property, plant and equipment	3,310,075	2,028,276	0	0
- Inventories	<u>818,893</u>	<u>278,477</u>	<u>0</u>	<u>0</u>
	<u>4,128,968</u>	<u>2,306,753</u>	<u>0</u>	<u>0</u>

The Group's interest in the capital commitments of the jointly controlled entity is disclosed in note 18 to the financial statements.

34 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

	2007			2006		
	Malaysia RM	The People's Republic of China RM	Total RM	Malaysia RM	The People's Republic of China RM	Total RM
Revenue						
Total revenue	117,959,779	17,687,772	135,647,551	95,257,693	16,368,628	111,626,321
Intersegment revenue	(9,555,967)	(2,490,426)	(12,046,393)	(9,934,915)	(1,587,947)	(11,522,862)
External revenue	<u>108,403,812</u>	<u>15,197,346</u>	<u>123,601,158</u>	<u>85,322,778</u>	<u>14,780,681</u>	<u>100,103,459</u>
Segment results	18,622,146	1,398,583	20,020,729	13,226,745	2,154,905	15,381,650
Other information						
Segment assets	153,890,438	9,718,760	163,609,198	151,145,317	8,844,825	159,990,142
Unallocated assets	38,317,453	2,154,527	40,471,980	33,898,768	1,659,246	35,558,014
			204,081,178			195,548,156
Jointly controlled entity			<u>1,190,362</u>			<u>1,505,173</u>
Total assets			<u>205,271,540</u>			<u>197,053,329</u>
Segment liabilities	4,022,357	1,982,345	6,004,702	5,847,635	1,575,259	7,422,894
Unallocated liabilities	9,970,974	129,566	10,100,540	9,908,777	0	9,908,777
Total liabilities			<u>16,105,242</u>			<u>17,331,671</u>
Capital expenditure	1,960,955	296,913	2,257,868	2,949,130	1,070,864	4,019,994
Depreciation and amortisation	5,248,343	253,102	5,501,445	5,641,990	222,702	5,864,692

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

34 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 15).

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

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

35 Financial instruments

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

Forward foreign exchange contracts

As at 31 March 2007, the expected settlement date on the forward exchange contract is 2 days (2006: Nil). The details of the foreign currency amount to be paid and contractual exchange rate of the Group's outstanding contract as at balance sheet date are as follows:

Hedged items	Currency to be received	Currency to be paid	RM equivalent	Contractual rate
Payables: USD140,000	US Dollar	Ringgit Malaysia	RM478,788	1 USD = RM3.4842

The fair value of the outstanding forward contract of the Group as at the balance sheet date is an unfavourable net position of RM5,068 (2006: Nil).

36 Comparative figures

Leasehold land and depreciation

The adoption of the revised FRS 117 Leases has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid land leases and are amortised on a straight-line basis over the lease terms. Prior to 1 April 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Upon the adoption of the revised FRS 117 Leases at 1 April 2006, the unamortised cost/revaluation amount of leasehold land of RM13,576,852 is retained as the surrogate carrying amount of prepaid land leases as allowed by the transitional provisions of FRS 117 Leases.

The following comparative amounts have been restated due to the adoption of FRS 117 Leases:

Balance sheet	As previously reported	Reclassification	As reclassified
Property, plant and equipment	77,991,225	(13,576,852)	64,414,373
Prepaid land leases (non current)	0	13,243,598	13,243,598
Receivables (current)	34,861,829	333,254	35,195,083

37 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 2007.

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 62 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 2007 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 for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 May 2007.

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 62 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 2007.

Before me

Chai Choon Kiat, PJM
No. P.073

Commissioner for Oaths

PROPERTIES OF THE GROUP

DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2007 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
FACTORIES				
2432, Tingkat Perusahaan 6, Prai Industrial Estate 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 03.10.2042)	3.30 acres	1,584	N/A
	Main factory	76,100 sq. ft.		24
	Machine workshop	3,200 sq. ft.	3,853	16
	Canteen	2,050 sq. ft.		11
	Office building	7,949 sq. ft.		11
71-A Jalan Jelutong, 11600 Pulau Pinang	Land (Freehold)	11,373 sq. ft.	1,024	N/A
	Two-storey office block and one single storey workshop	*5,170 sq. ft.	657	35
	Land (Freehold)	3,044 sq. ft.	83	N/A
	Single storey office building		58	8
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.	74	N/A
2462 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai Pulau Pinang	Land (Leasehold 60 years expiring 13.04.2044)	3.01 acres	4,825	N/A
	Factory Building	60,702 sq. ft.	4,783	7
2579, Lorong Perusahaan 10, Prai Industrial Estate 13600 Prai Pulau Pinang	Land (Leasehold 60 years expiring 23.01.2045)	3.02 acres	2,538	N/A
	Single Storey factory cum workshop	40,050 sq. ft.	2,206	16
	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.	1,587	6
	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	1,818	N/A
	Factory Building	24,208 sq.ft.	1,369	17
				24 October 2000
				6 May 2004

PROPERTIES OF THE GROUP (continued)

DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2007 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
FACTORIES (continued)				
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 999	N/A	10 March 2006
* Approximate figures				
OFFICE CUM WORKSHOP				
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. 750 412	N/A 10	26 May 1997
WAREHOUSE				
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 2,873 10,744 sq. ft 1,742	N/A 11	22 June 1996
GENERAL PROPERTIES				
No. 11, 12, 13, 14 Tingkat 3, Block C Taman Pelangi 13600 Prai Pulau Pinang	4 units of flats (leasehold expiring 07.11.2093) used as production workers accommodation)	700 sq. ft. each 150	11	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. 254	11	10 November 1993
HS(M)21310, PT No.18066 HS(M)28813, PT No.64243 HS(M)21312,	Land (Freehold) 1,200 sq.metres	610	N/A	May 2002

PROPERTIES OF THE GROUP (continued)

DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2007 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION	
GENERAL PROPERTIES <small>(continued)</small>					
PT No.18068 HS(M)21313, PT No.18069	Warehouse	112	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)	37	N/A	16 September 2002
INVESTMENT PROPERTIES					
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.	152	4	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.	127	3	15 September 2004

ANALYSIS OF SHAREHOLDINGS

AS AT 31 JULY 2007

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 Holders : 2,348

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 31 JULY 2007

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
21	less than 100 shares	700	0.00
362	100 to 1,000 shares	316,103	0.32
1,544	1,001 to 10,000 shares	6,067,541	6.16
343	10,001 to 100,000 shares	11,144,050	11.31
75	100,001 to less than 5% of issued shares	36,215,550	36.74
3	5% and above of issued shares	44,816,056	45.47
2,348		98,560,000	100.00

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 JULY 2007

Name	Shareholdings	% of Total Issued Capital
1 UOBM NOMINEES (TEMPATAN) SDN BHD <i>PLEGDED SECURITIES ACCOUNT FOR SYED MOHD YUSOF BIN TUN SYED NASIR (PIB)</i>	29,568,000	30.00
2 FUJI FUSION SDN BHD	9,332,206	9.47
3 EMPLOYEES PROVIDENT FUND BOARD	5,915,850	6.00
4 LEMBAGA TABUNG HAJI	4,919,400	4.99
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	1,983,000	2.01
7 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
8 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND</i>	1,608,900	1.63
9 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)</i>	1,180,200	1.20
10 AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>SEKIM AMANAH SAHAM NASIONAL</i>	1,126,700	1.14
11 HSBC NOMINEES (TEMPATAN) SDN BHD <i>NOMURA ASSET MGMT MALAYSIA FOR EMPLOYEES PROVIDENT FUND</i>	1,000,000	1.01
12 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MGF)</i>	946,900	0.96
13 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)</i>	931,000	0.94
14 LEMBAGA TABUNG ANGKATAN TENTERA	857,000	0.87

ANALYSIS OF SHAREHOLDINGS (continued)

AS AT 31 JULY 2007

Name	Shareholdings	% of Total Issued Capital
15 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)</i>	731,000	0.74
16 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>MERIDIAN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN ASSURANCE ALLIANCE BHD (1/154-6)</i>	720,000	0.73
17 HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE PAR)</i>	637,350	0.65
18 FUJI FUSION SDN BHD	583,000	0.59
19 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PETROLIAM NASIONAL BERHAD (TRADING PF)</i>	582,500	0.59
20 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>MALAYSIAN ASSURANCE ALLIANCE BHD FOR ANNUITY PAR (1/185-6)</i>	570,000	0.58
21 SBB NOMINEES (TEMPATAN) SDN. BHD. <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN)</i>	567,700	0.58
22 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PETRONAS FOR PETRONAS RETIREMENT BENEFIT SCHEME</i>	557,000	0.57
23 CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR PRUDENTIAL ASSURANCE MALAYSIA BERHAD</i>	528,300	0.54
24 HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR MAAKL AL-FAID (4389)</i>	450,000	0.46
25 KE-ZAN NOMINEES (ASING) SDN. BHD. <i>KIM ENG SECURITIES PTE. LTD. FOR LIM TIEN LOCK CHRISTOPHER</i>	427,200	0.43
26 AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC ISLAMIC OPPORTUNITIES FUND</i>	420,000	0.43
27 HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR HWANG-DBS DANA IZDIHAR (4207)</i>	389,300	0.39
28 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MSF)</i>	380,200	0.39
29 BHLB TRUSTEE BERHAD <i>TA SMALL CAP FUND</i>	372,400	0.38
30 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>AXA AFFIN GENERAL INSURANCE BERHAD</i>	360,000	0.37
	71,809,306	72.86

ANALYSIS OF SHAREHOLDINGS (continued)

AS AT 31 JULY 2007

SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 31 July 2007 are as follows:-

Name of Shareholders	No of shares			
	Direct	%	Indirect	%
Tan Sri Syed Mohd Yusof bin Tun Syed Nasir	29,568,000	30.00	-	-
Fuji Fusion Sdn Bhd	9,915,206	10.06	-	-
Loh Eng Kim Co Sdn Bhd	15,000	0.02	@9,915,206	10.06
Dato' Loh Toa Thau @ Loh Eng Kim	357,000	0.36	#9,930,206	10.08
Loh Yok Yeong	196,000	0.20	#9,930,206	10.08
Loh Yeok Chuan	-	-	#9,930,206	10.08
Loh Yeok Cheong+	-	-	#9,930,206	10.08
Employees Provident Fund Board	10,142,850	10.29	-	-

@ 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 31 July 2007 are as follows:-

Name of Directors	No of shares			
	Direct	%	Indirect	%
Dato' Loh Toa Thau @ Loh Eng Kim	357,000	0.36	#9,930,206	10.08
Loh Yok Yeong	196,000	0.20	#9,930,206	10.08
Lee Then Wah	26,000	0.03	-	-
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 Twelfth Annual General Meeting of **YLI Holdings Berhad** will be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Wednesday, 26 September 2007 at 11.30 a.m.

AS ORDINARY BUSINESS

1. To receive the Statutory Financial Statements for the financial year ended 31 March 2007 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 of 7.0 sen per ordinary share less income tax at 27% for the financial year ended 31 March 2007. (Resolution 2)
3. To approve the Directors' fees for the financial year ended 31 March 2007. (Resolution 3)
4. (i) To re-appoint Dato' Ir. Syed Muhammad Shahabudin who retire in accordance with Section 129(6) of the Companies Act, 1965. (Resolution 4)
(ii) To re-elect Mr Tan Hock Hin who retires in accordance with Article 84 of the Company's Articles of Association. (Resolution 5)
(iii) To re-elect Tan Sri Syed Mohd Yusof bin Tun Syed Nasir who retires in accordance with Article 86 of the Company's Articles of Association. (Resolution 6)
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration. (Resolution 7)

AS SPECIAL BUSINESS

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

6. **Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965** (Resolution 8)
"THAT, subject to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the approvals from the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Act, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."
7. **Authority pursuant to Section 132E of the Companies Act, 1965** (Resolution 9)
"THAT pursuant to Section 132E of the Companies Act, 1965 ("the Act"), authority be and is hereby given to the Company's wholly-owned subsidiary companies, Yew Li Foundry & Co Sdn Bhd and Yew Lean Foundry & Co Sdn Bhd to sell to Loh Eng Kim Co Sdn Bhd (as the Purchaser) their properties known as Lots 128, 140, 141 and 499 Section 9W, Town of Georgetown, NED, Penang and Lots 126, 127, 129 & 130 Section 9W, Town of Georgetown, NED, Penang respectively together with the respective buildings erected thereon for a total consideration of RM2,845,017.10 which is equivalent to the total net book values of these properties as at 31 March 2007."

NOTICE OF ANNUAL GENERAL MEETING ^(continued)

8. Proposed Share Buy-Back

(Resolution 10)

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

- (i) The maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per cent (10%) of the issued and paid-up ordinary share capital for the time being of the Company ("YLI Shares")
- (ii) The maximum fund to be allocated by the Company for the purpose of purchasing the YLI Shares shall not exceed the retained earnings and share premium account of the Company amounting to RM2,241,913 and RM7,208,014 respectively as at 31 March 2007.
- (iii) The authority conferred by this resolution shall commence upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of Bursa Securities or any other relevant authority; and
- (iv) Upon completion of the purchase(s) of the YLI Shares by the Company, the Directors of the Company be hereby authorized to deal with the YLI Shares in the following manner:-
 - a. cancel the YLI Shares so purchased; or
 - b. retain the YLI Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
 - c. retain part of the YLI Shares so purchased as treasury shares and cancel the remainder;

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

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

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

NOTICE OF ANNUAL GENERAL MEETING (continued)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders, the first and final dividend will be paid on 16 November 2007 to depositors registered in the Register of Depositors at the close of business on 31 October 2007.

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 2007 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: 4 September 2007

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.

NOTICE OF ANNUAL GENERAL MEETING (continued)

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 8 – Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 8, if passed, will from the date of the above meeting give the Directors of the Company authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

2. Resolution 9 – Authority pursuant to Section 132E of the Companies Act, 1965

Section 132E of the Companies Act, 1965 (“the Act”) prohibits a company or its subsidiaries from entering into any arrangement or transaction with a director or with a person connected with such director to acquire from or dispose to such director or connected persons any non-cash assets of the “requisite value” without prior approval of the company in general meeting. According to the Act, a non-cash asset is considered to be of the “requisite value” if, at the time of arrangement or transaction, its value is greater than two hundred and fifty thousand ringgit or 10% of the company’s net assets, subject to a minimum of ten thousand ringgit. The proposed Ordinary Resolution 9, if passed, will authorise the Company’s subsidiaries to dispose its properties which are non-core assets of the Company to Loh Eng Kim Co Sdn Bhd of which Dato’ Loh Toa Thau @ Loh Eng Kim and Loh Yok Yeong have interest.

3. Resolution 10 – Proposed Share Buy-Back

The proposed Ordinary Resolution 10, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information, please refer to the Circular to shareholders dated 4 September 2007.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The profile and shareholdings of the Directors who are standing for re-appointment under Section 129(6) of the Companies Act, 1965 and re-election are set out on pages 10 to 12 and 69 respectively of the annual report.

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PROXY FORM

CDS account no. of authorised nominee

I/We _____ (name of shareholder as per NRIC, in capital letters)

NRIC No. _____ (new) _____ (old) /ID No./Company No. _____ of

(full address)

being a member(s) of the abovenamed Company, hereby appoint _____

(name of proxy as per NRIC, in capital letters) NRIC No. _____ (new) _____ (old)

or failing him/her _____ (name of proxy as per NRIC, in capital letters) NRIC No.

_____ (new) _____ (old) or failing him/her the CHAIRMAN OF

THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Wednesday, 26 September 2007 at 11.30 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

Resolutions	For	Against
Resolution 1 - Receiving of statutory 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		
Resolution 4 - Re-appointment of Dato' Ir. Syed Muhammad Shahabudin		
Re-election of Directors:		
Resolution 5 - Mr Tan Hock Hin		
Resolution 6 - Tan Sri Syed Mohd Yusof bin Tun Syed Nasir		
Resolution 7 - Re-appointment of Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration		
Resolution 8 - Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 9 - Authority pursuant to Section 132E of the Companies Act, 1965		
Resolution 10 - Proposed Share Buy-Back		

(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 _____ 2007

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

For appointment of more than one proxy, number of shares and percentage of shareholdings to be represented by the proxies:-

	No. of shares	Percentage
Proxy 1	_____	_____ %
Proxy 2	_____	_____ %

Signature/Common Seal of Appointer

NOTES:

1. 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. 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.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
4. 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.
5. 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.
6. Those proxy forms which are indicated with "✓" in the spaces provided to show how the votes are to be cast will also be accepted.

Applicable to shares held through a nominee account.

[PLEASE FOLD ACROSS THE LINE AND CLOSE]

[STAMP]

The Company Secretary
YLI HOLDINGS BERHAD (367249-A)
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