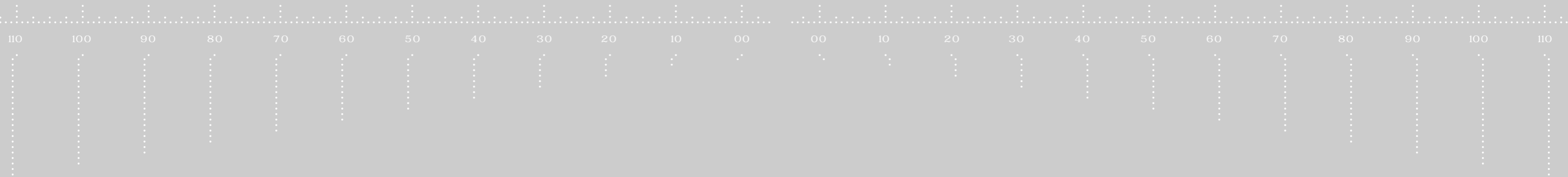


Leading Through Technology and Quality



 **YLI HOLDINGS BERHAD**  
Co. No. 367249-A  
Annual Report 2003



**YLI HOLDINGS BERHAD** Co. No. 367249-A  
71-A, Jalan Jelutong, 11600 Penang, Malaysia. Tel : 604 - 282 1942 Fax : 604 - 282 0821

## Our Vision

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



## Our Mission

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

A close-up photograph of a bamboo spout pouring water into a small, shallow, light-colored basin. The water is captured mid-pour, creating a soft, white mist. The background is a soft-focus green, suggesting foliage.

It's  
all about  
water

# Contents

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strengthening  
**Water**  
networks



## CORPORATE INFORMATION



### BOARD OF DIRECTORS

Loh Toa Thau @ Loh Eng Kim *Executive Chairman*

Loh Yok Yeong *Group Managing Director*

Lee Then Wah *Group Executive Director*

Dato' Ir. Syed Muhammad Shahabudin\*

Dato' Haji Yahaya bin Ahmad\*

Chan Kok Soo\*

Datin Khairah binti Tahir\*\*@

Foong Kai Choong\*\*

Ng Chong Wee\*

*\* Independent Non-Executive Directors*

*\*\* Non-Independent Non-Executive Directors*

*@Ceased on 1 April 2003*

### COMPANY SECRETARY

Molly Gunn Chit Geok

MAICSA 0673097

### REGISTERED OFFICE

71-A Jalan Jelutong

11600 Penang, Malaysia

Tel : 04 282 1942

Fax : 04 282 0821

### AUDIT COMMITTEE

Chan Kok Soo *Chairman*

Dato' Haji Yahaya bin Ahmad

Ng Chong Wee

Loh Yok Yeong

### REMUNERATION COMMITTEE

Foong Kai Choong *Chairman*

Dato' Haji Yahaya bin Ahmad

Chan Kok Soo

Loh Yok Yeong

### NOMINATION COMMITTEE

Chan Kok Soo *Chairman*

Dato' Haji Yahaya bin Ahmad

Foong Kai Choong

### OPTIONS COMMITTEE

Loh Toa Thau @ Loh Eng Kim *Chairman*

Lee Then Wah

Foong Kai Choong

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

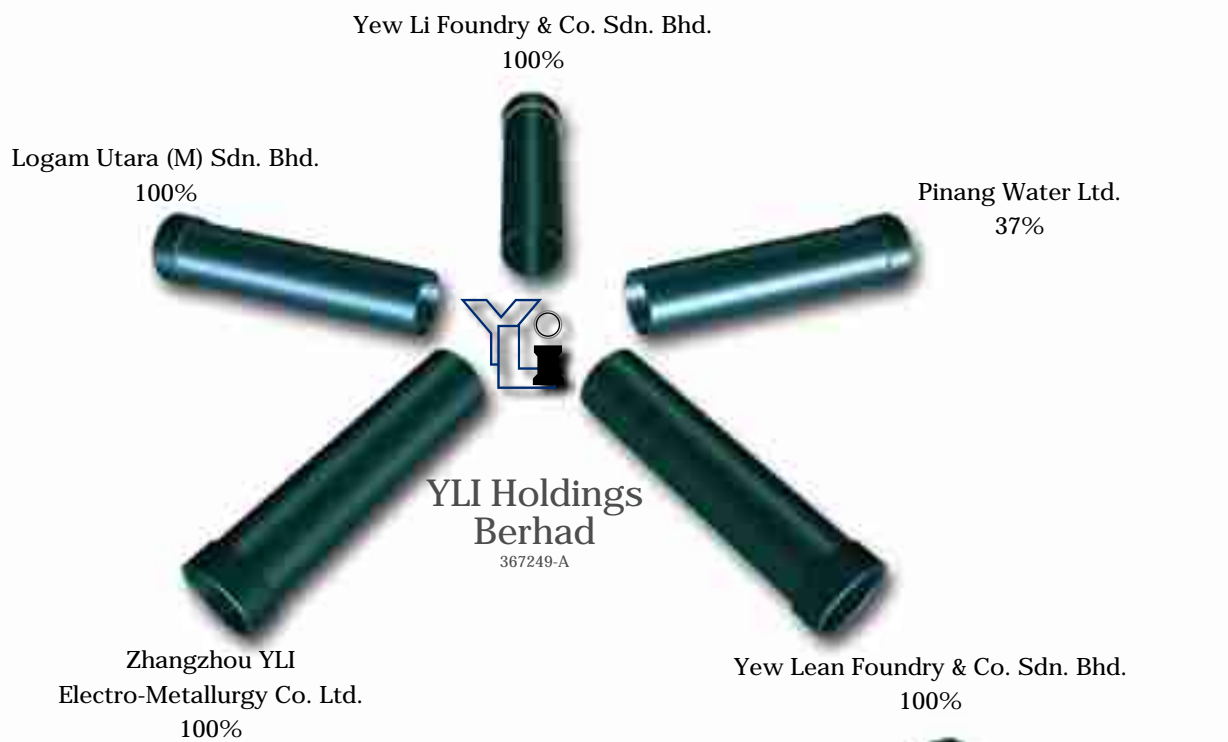
**SHARE REGISTRAR** Plantation Agencies Sdn Bhd  
Standard Chartered Bank Chambers  
Lebuh Pantai  
10300 Penang  
Tel : 04 262 5333  
Fax : 04 262 2018

**PRINCIPAL BANKERS** Citibank Berhad  
EON Bank Berhad  
Malayan Banking Berhad  
Southern Bank Berhad  
United Overseas Bank (Malaysia) Berhad

**STOCK EXCHANGE LISTING** The Main Board  
The Kuala Lumpur Stock Exchange  
  
Sector : Industrial Products  
Stock Name : YLI  
Stock Code : 7014



## CORPORATE STRUCTURE



Zenith Eastern Sdn. Bhd.  
100%



## CHAIRMAN'S STATEMENT



*I am very pleased to highlight that over the past 6 years the Group's profits have grown at an annual compounded rate of over 32%, with an average Return On Equity exceeding 17%. These combined achievements probably make the Group one of the most consistent performers on the KLSE.*



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 and of the Company for the financial year ended 31 March 2003.

### Financial Performance

FY2003 was an extraordinary year in most respects. It was a year of tests and challenges around the globe. Some economies just began to emerge from global slowdown, while some continued to be in doldrums. We at YLI faced these tests and passed them. Our management and employees took this opportunity to strengthen our resolve and continued to execute our plans. We as a group were as determined as ever to be the best operator in our field.

To this end, I am very pleased to inform our shareholders that despite the global uncertainties, the Group turned in yet another year of sterling performance. Group turnover over the period was up by 23.5% to RM113.8 million as compared to RM92.1 million in the preceding year. This was the first time the Group surpassed the RM100 million milestone. It also marked the 6th consecutive year of uninterrupted growth since the listing of the Group in 1997.

After-tax profit also rose by a pleasing 37.3% to RM26.9 million from RM19.6 million previously. The record performance was attributed mainly to higher demand for the Group's products and significantly higher production efficiency gains. Basic earnings per share for the financial year improved to 43.2 sen compared to 31.9 sen in the preceding year.

The Group's balance sheet strengthened further, thanks in large part to our consistent profit growth and continued prudent financial and credit management. Consequently, our net cash position at the end of the financial year was RM44.7 million. In line with these, our shareholders' funds expanded to RM134.4 million as at 31 March 2003.

### Dividend

In view of the favourable results, the Board of Directors is recommending a final dividend of 5.0 sen less tax of 28%. The final dividend together with the special dividend of 7.5 sen less tax of 28% that has been paid on 8 May 2003 amounted to total dividend of 12.5 sen per share less tax of 28% for the financial year ended 31 March 2003.

### Proposed Bonus Issue

In an effort to further reward the shareholders of YLI for their continuous support, a Bonus Issue of 1-for-2, the Group's second within 3 years was announced on 26 February 2003.

The proposed Bonus Issue is subject to shareholders' approval at the forthcoming Extraordinary Annual General Meeting and the KLSE for the listing and quotation of the Bonus shares.

The proposed Bonus Issue will increase the capital base of the Group to a level more reflective of the Group's existing scale of operations and assets base. It is also expected to improve the liquidity of the YLI shares on the KLSE and encourage a wider spread of shareholders.

## CHAIRMAN'S STATEMENT (CONTINUED)

### Operations Highlights

During the year, the Group further strengthened its core business of manufacturing Ductile Iron pipes with an expansion that increased its overall production capacity to 50,000 metric tonnes (MT). This has allowed us to reduce our production costs and achieved higher economies of scale.

In line with our expansion programme, the Group will further increase its production capacity by 50% to 75,000 MT per annum by end of financial year ended 2004. The higher production capacity of 75,000 MT per annum coupled with greater efficiency will further enhance the Group's competitive edge. With these incremental improvements, we are ready to meet the potential challenges arising out of WTO.

The Group's wholly-owned subsidiary in China, Zhangzhou YLI Electro-Metallurgy Co. Ltd. which concentrates on the production of carburizer has started turning positive contribution in its second year of operations. The carburizer is exported to Europe and the Far East besides the Group's own consumption.

During the year, Double Line Stopper was introduced to complement the trading activities of Logam Utara (M) Sdn Bhd. This equipment is used for pipeline maintenance that will enable maintenance of pipes to be carried out without disruption of water supply to consumers.

### Corporate developments

I am very pleased to inform our shareholders that as mentioned in our last Annual Report, the Group is embarking on strategic investments in both upstream and downstream activities in the water sector. To this end, the Group had on 25 June 2003 entered into a joint venture with PBA Holdings Berhad (PBAHB) and KWI Far East Sdn Bhd (KWI). The JV will be engaged in the business of constructing water-infrastructure projects, water treatment, management and supply of treated water for both the public and private sectors. The Joint Venture Company, Pinang Water Ltd (PWL) is to be jointly owned by YLI-PBAHB-KWI on a 37:26:37 basis respectively.

Subsequently, on July 13, 2003 PWL entered into two (2) separate waterworks related contracts namely Build, Operate and Transfer (BOT) Agreement and Sales of Water Agreement with the People Government of Yi Chun City, Jiangxi Province, China ("the Government") for the construction of a 100,000m<sup>3</sup>/day water treatment plant for the Yi Chun City to be known as "Yi Chun Yuan Her Water Treatment Plant" (Project) and thereafter, upon completion and commissioning of the said treatment plant, to supply the potable/treated water to the Government through its appointed water supply company. Both contracts are for a fixed period of 29 years from the Practical Completion Date i.e. one year from the date of signing of the said Agreements.

This strategic alliance is synergistic to the business of the Group and in line with the Group's efforts to further tap into water related businesses in the region. The Joint Venture partners have a distinctive edge as the partners possess the expertise, knowledge and in-depth operating experience in the water industry. As PWL intends to explore similar projects in the Asian region, it is anticipated that projects of such nature will generate consistent returns in the long run.



*The strategic partnership will help strengthen YLI to become a vertically integrated player in the water sector.*



## CHAIRMAN'S STATEMENT (CONTINUED)



### Corporate Governance

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

### Prospects

Given the growing demand for water and in line with the Government's intensive efforts to reduce the percentage of non-revenue water (NRW), the outlook for the pipe industry remains positive. With its excellent track record as Malaysia's leading Ductile Iron pipes producer, established distribution network and highly recognized brand name, the Group is optimistic of maintaining its leadership position in the Ductile Iron pipes industry.

While the Group will continue to capitalize on the tremendous opportunities and potentials in the water sector in line with its vision of becoming a pre-eminent company in providing products and services to the water industry, its core business of manufacturing Ductile Iron pipes will still be the main driver of the Group's earnings growth.

With enhanced capacity and cost-control efforts implemented, the Group will be able to strengthen its competitiveness when trade liberalization occurs.

### Appreciation

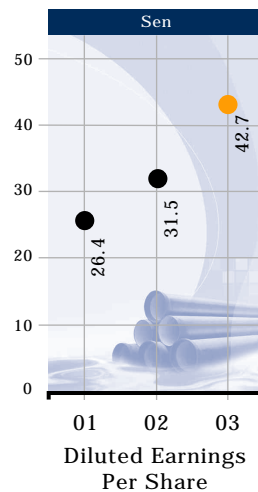
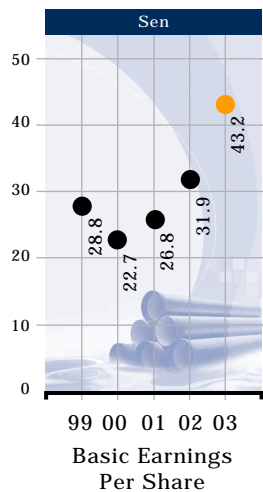
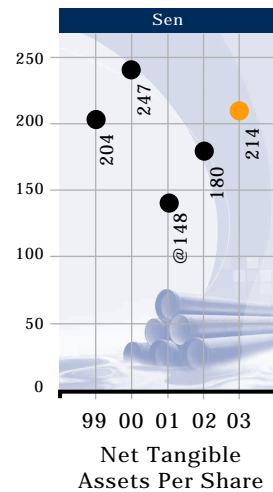
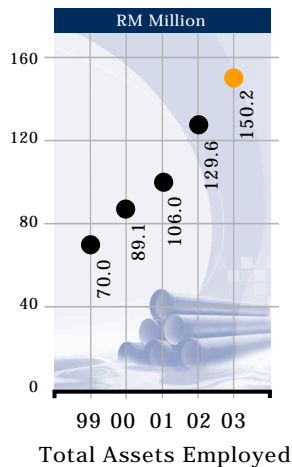
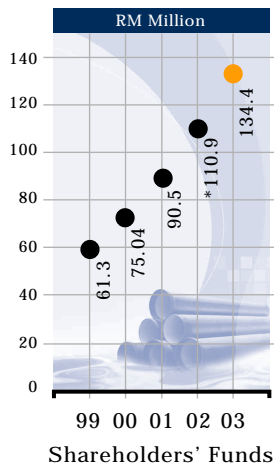
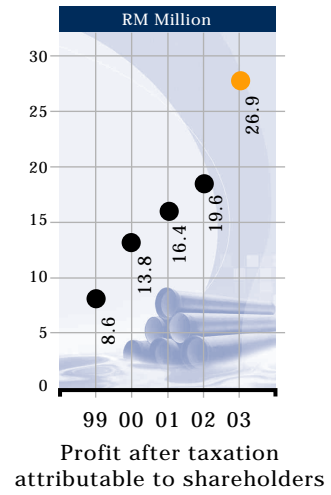
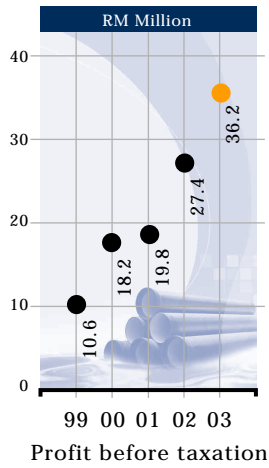
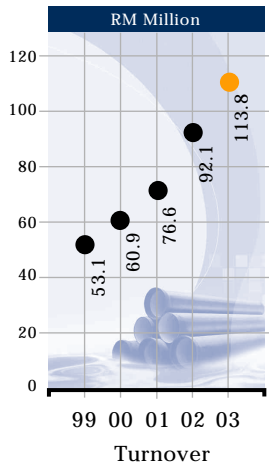
To all our employees, I would like to thank them for their dedication, commitment and contribution to the performance of the Group for the past year. I would also like to express my appreciation to fellow directors, the management team, valued clients and associates for their continuous support. To the valued shareholders, I would like to thank them for their confidence in the Group.

I would also like to take this opportunity to extend my deepest gratitude to the late Datin Khairah who had been on our Board since the initial listing of the Group in 1997. The Board and I were saddened by her untimely demise on 21 May 2003. She had over the years been both a wonderful friend and an excellent business partner to the Group. The Group have no doubt benefited from her tremendous business acumen and insights into the domestic water industry. On behalf of the Board of Directors, I wish to record our appreciation to the late Datin Khairah binti Tahir for her past invaluable contributions.

LOH TOA THAU @ LOH ENG KIM  
Executive Chairman



# GROUP FINANCIAL HIGHLIGHTS



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

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

## FINANCIAL TRACK RECORD

Financial Year Ended 31 March

	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000	1999 RM'000
Turnover	113,755	92,125	76,600	60,892	53,130
Profit Before Taxation	36,168	27,357	19,786	18,176	10,594
Profit After Taxation Attributable to Shareholders	26,871	19,574	16,383	13,761	8,648
Shareholders' Funds	134,403	*110,954	90,522	75,041	61,318
Total Assets Employed	150,205	129,604	105,963	89,108	70,048
Profit After Taxation as a Percentage of Shareholders' Funds	20.0	17.6	18.1	18.4	14.0
Basic Earnings Per Share (sen)	43.18	31.90	26.77	22.69	28.83
Diluted Earnings Per Share (sen)	42.73	31.53	26.40	22.60	N/A
Net Tangible Assets Per Share (RM)	2.14	1.80	@1.48	2.47	2.04
No. of Shares in Issue	62,742	61,786	61,250	30,346	30,000

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

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

## OUR PERFORMANCE

		2003 RM'000	2002 RM'000	% Change	
INCOME STATEMENT	Turnover	113,755	92,125	23.48	
	Profit Before Taxation	36,168	27,357	32.21	
	Profit After Taxation	26,871	19,574	37.27	
BALANCE SHEET	Total Assets Employed	150,205	129,604	15.89	
	Shareholders' Funds	134,403	*110,954	21.13	
RATIOS	Current ratio	times	7.12	5.16	37.98
	Interest coverage	times	234.34	73.18	220.22
	Return on equity	%	21.90	19.43	12.71
	Return on total assets	%	19.21	16.62	15.58
	Financial leverage ratio	times	0.01	0.05	-80.00
	Earnings per share	sen	43.18	31.90	35.36
	Net tangible assets per share	RM	2.14	1.80	18.89
	31st March closing price	RM	4.00	4.28	-6.54

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

## PROFILE OF DIRECTORS

### Mr Loh Toa Thau @ Loh Eng Kim

*Malaysian aged 66*

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

### Mr Loh Yok Yeong

*Malaysian aged 39*

was appointed as the Group Managing Director on 21 May 1997. He is a Non-Independent Director. He is also a member of the Audit Committee and Remuneration Committee of YLI Holdings Berhad. He started his career with the Group in 1986 when he joined Yew Lean as an Assistant Manager. Over the years, 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.

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

### Mr Lee Then Wah

*Malaysian aged 63*

was appointed as Group Executive Director on 16 October 1997. He is a Non-Independent Executive Director. He is a member of the Options Committee. He graduated with a Bachelor of Science degree in Chemical Engineering from the National Cheng Kung University, Taiwan in 1965.

He started his career in the iron and steel industry in 1966 when he joined Malayawata Steel Bhd as Production Engineer.

Prior to his appointment to the Board, he was the factory manager of Yew Lean, a position he has held since July 1984. In his present capacity, he oversees the Group's manufacturing plants and factory operations. He is not related to any director and/or major shareholder of the Group and does not have any conflict of interest with the Company. He has attended all four Board Meetings in the financial year.

### Dato' Ir. Syed Muhammad Shahabudin

*Malaysian aged 67*

was appointed to the Board on 10 December 1998. He is an Independent Non-Executive Director. A Chartered Engineer and Environmental Manager by profession, he obtained his Diploma in Civil Engineering in the United Kingdom. He has been an engineer for 40 years and devoted the earlier part of his career in the public sector serving the Public Works Department, Malaysia; nearly all the time in the water section. His last appointment was as Chief Executive Engineer, Penang Water Authority. The latter part of his career was spent in the private sector; in the consulting engineering industry specialising mainly in water engineering.

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

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



## PROFILE OF DIRECTORS (CONTINUED)

### Dato' Haji Yahaya bin Ahmad

*Malaysian aged 74*

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

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

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

### Mr Chan Kok Soo

*Malaysian aged 68*

was appointed as Director on 21 May 1997. He is an independent Non-Executive Director. He graduated in 1960 with a Bachelor of Science in Engineering from University of Malaya. He is the Chairman of the Audit and Nomination Committees as well as a member of the Remuneration Committee. At present, he is the Non-Executive Vice-Chairman of George Kent (M) Berhad ("GKM"). He joined GKM in 1960 and was appointed as Managing Director on 1 July 1978. He held this position until his retirement on 31 July 1990 whereupon he was appointed as Vice-Chairman.

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



### Mr Foong Kai Choong

*Malaysian aged 41*

was appointed to the Board on 16 October 1997. He is a Non-Independent Non-Executive Director. He is the Chairman of the Remuneration Committee as well as a member of the Options and Nomination Committees. He holds a Bachelor of Law (Honours) degree from Universiti Malaya and was called to the Malaysian Bar in 1987. He started his career in the firm of Mahinder Singh Dulku & Co. In 1991, he started his own practice and he is a partner in his own legal firm of advocates and solicitors. He is also a Board member of Atlan Holdings Berhad.



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

### Mr Ng Chong Wee

*Malaysian aged 34*

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

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

## HIGHLIGHTS OF THE YEAR



*Realizing  
synergies  
in Water*

**Pinang Water Ltd.**  
*Joint Venture with  
PBA Holdings Bhd  
and KWI Far East Sdn Bhd*



**March 2003  
Indowater 2003**



**Expo & Forum**



### FINANCIAL CALENDAR

FINANCIAL YEAR END	31 March 2003
ANNUAL GENERAL MEETING	28 August 2003
ANNOUNCEMENT OF RESULTS	
First Quarter	20 August 2002
Second Quarter	27 November 2002
Third Quarter	26 February 2003
Fourth Quarter	29 May 2003
ANNUAL REPORT	
Date of issuance	5 August 2003
DIVIDENDS	
<i>Special Interim</i>	
Payment Date	8 May 2003
<i>Final</i>	
Recommendation	29 May 2003
Payment Date (if approved)	8 October 2003

## CORPORATE GOVERNANCE STATEMENT

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

The Board of Directors of YLI Holdings Berhad (“the Board”) has always recognised the importance of adopting good corporate governance. The Board is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging 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 Kuala Lumpur Stock Exchange Listing Requirements 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 2003.

### THE BOARD OF DIRECTORS

#### The Board

The Board is responsible for the control and proper management of the Company. The Board has delegated specific responsibilities to four main committees namely the Audit, Remuneration, Nomination and Options Committees, which operate within approved terms of reference. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

#### (i) Board Composition

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

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

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## (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.

During the financial year ended 31 March 2003, four (4) Board Meetings were held. The attendance record of each Director is as follows:-

	Board of Directors' Meeting		May '02	Aug '02	Nov '02	Feb '03		
	Directors	Position	Attendance				Total	%
1	Loh Toa Thau @ Loh Eng Kim	Executive Chairman	●	●	●	●	4/4	100
2	Loh Yok Yeong	Group Managing Director	●	●	●	●	4/4	100
3	Lee Then Wah	Group Executive Director	●	●	●	●	4/4	100
4	Dato' Ir Syed Muhammad Shahabudin	Director	●	●	●	●	4/4	100
5	Dato' Haji Yahaya bin Ahmad	Director	●	●	●	N/A	3/4	75
6	Datin Khairah binti Tahir <i>(Ceased w.e.f. 1/4/03)</i>	Director	N/A	N/A	N/A	N/A	0/4	0
7	Chan Kok Soo	Director	●	●	●	●	4/4	100
8	Foong Kai Choong	Director	●	N/A	●	●	3/4	75
9	Ng Chong Wee	Director	●	●	●	●	4/4	100
Total number of meetings held:							4	

## (iii) Supply of Information

All Directors are supplied with board papers pertaining to agenda items prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

In addition, there is a schedule of matters reserved specifically for the Board's decision, including amongst others, the approval of annual and quarterly results, Group budget, 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 meetings, the Management updates the Board on the business and market factors relevant to the Group.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (iv) Appointments to the Board

The Nomination Committee was set up on 24 May 2001 comprising three Non-Executive Directors, two of whom are independent. The members are Chan Kok Soo (Independent Non-Executive Director) who is the Chairman, Dato' Haji Yahaya bin Ahmad (Independent Non-Executive Director) and Foong Kai Choong (Non-Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

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

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

During the financial year ended 31 March 2003, one meeting was held on 30 May 2002, which was attended by all members of the Nomination Committee. The Nomination Committee had a meeting on 29 May 2003 during which it reviewed the present composition of the Board of Directors and the various committees and is of the opinion that they have the required mix of skills and experience and other qualities to function completely and efficiently.

### (v) Re-election of Directors

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

The names of Directors who are standing for re-election at the Eighth Annual General Meeting of the Company to be held on 28 August 2003 are contained in the Statement Accompanying Notice of Annual General Meeting.

No new appointment was made during the financial year ended 31 March 2003.

### (vi) Directors' Training

All the Directors have attended the Directors' Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of the Kuala Lumpur Stock Exchange. The Company Secretary ensures that every new Director is provided with essential information pertaining to his responsibility under the rules and regulations and all Directors are kept informed of any changes in relevant laws and regulations.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## DIRECTORS' REMUNERATION

## (i) Remuneration Committee

The Remuneration Committee was formed on 24 May 2001. It comprises mainly Non-Executive Directors. The members are Mr Foong Kai Choong (Chairman) who is a Non-Executive Director, Dato' Haji Yahaya bin Ahmad (Independent Non-Executive Director), Mr Chan Kok Soo (Independent Non-Executive Director) and Mr Loh Yok Yeong (Group Managing Director).

During the financial year ended 31 March 2003, one meeting was held. All the members attended the meeting.

## (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.

## (ii) Details of the Directors' remuneration

The aggregate remuneration of the Directors during the financial year ended 31 March 2003 is set out below:-

## A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fees	92,000	87,000
Salaries	784,650	-
Bonus	127,000	-
Benefits in kind	32,625	-
Other benefits	521,952	-
	<b>1,558,227</b>	<b>87,000</b>

## B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
0 - 50,000	-	6	6
150,001 - 200,000	1	-	1
550,001 - 600,000	1	-	1
800,001 - 850,000	1	-	1

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### RELATIONS WITH SHAREHOLDERS

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

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

Mr Chan Kok Soo, Senior Independent Non-Executive Director

Telephone number : 04-282 1942

Facsimile number : 04-282 0821

Email address : corporate@ylihq.po.my

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

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

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 KLSE.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 20 of this Annual Report.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (ii) Statement on Internal Control

The Board of Directors acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. Due to limitations that are inherent in any system of internal control, it should be noted that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Further, such system can only provide reasonable but not absolute assurance against material risks or loss.

There is an on-going process for identifying, evaluating and managing significant risks that may be faced by the Group. The system of internal control covers operational, financial, compliance with applicable laws and risk management. The internal control system helps to safeguard shareholders' investments and the Group's assets.

Internal Audit facilitates the overall internal control system and an internal control working committee comprising the Group Managing Director and heads of major departments assists the Board to oversee the existing risk management framework that had been in place within the Group. The risk management framework had been reviewed subsequent to the risk management workshop conducted by the holding company in early 2003 for all department heads and key executives of the Group. The management, department heads and executives also identified possible new risks emerging from their operational activities in their respective departments using the questionnaire designed by the Internal Auditor.

In reviewing the adequacy and the integrity of the system of internal control, the management from each key area also identifies the significant risks, likelihood, impact and measures developed to manage the risks relating to their area. The risk profile and control measures are raised to the senior management and the Audit Committee. The effectiveness of the system is monitored and reviewed quarterly by the Audit Committee, which receives report from the Internal Auditor. Control measures are in place to resolve any weaknesses (if any) identified in the reports. The Internal Auditor also monitors compliance with procedures issued by the Company and highlights any significant findings in respect of non-compliance.

There were no material losses incurred during the financial year as a result of weaknesses in internal control that would require disclosure in the annual report. The 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 2003.

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (iii) Relationship with the External Auditors

The Board has established a close and transparent relationship with the external auditors of the Company. As disclosed on pages 21 to 24 the Audit Committee is the independent channel of communication for the external and internal auditors. It also reviews the activities of the internal audit function as well as the effectiveness of the system of internal control.

### Additional Compliance Information

#### Non-audit fees

The amount of non-audit fees paid to external auditors for the financial year was RM11,300.

#### Exercise of Options

During the financial year, a total of 956,000 options were exercised in respect of the YLI Group Employees' Share Option Scheme.

#### During the financial year:

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

A Shareholder' Mandate was granted at the Annual General Meeting held on 19 September 2002 for the following RRPT:-

Nature of Transactions	Transacting Party (Company)	FY 2003 Actual (RM'000)	Interested related party
Sale of finished goods comprising mainly Ductile Iron pipes and fittings by the YLI Group (as the Vendor)	Pakar Sains Sdn Bhd (as the Purchaser)	9,415.16	Datin Khairah binti Tahir

The late Datin Khairah binti Tahir had no interest (direct or indirect) in YLI apart from her position as a non-Executive Director, a position she had held until 31 March 2003. She was the Managing Director and a major shareholder of Pakar Sains Sdn Bhd.

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

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

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

# AUDIT COMMITTEE REPORT

## Members

Chan Kok Soo\* *Chairman*  
 Dato' Haji Yahaya bin Ahmad\*  
 Ng Chong Wee\*  
 Loh Yok Yeong\*\*

\* *Independent Non-Executive Director*

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

\* Mr Ng Chong Wee is a Chartered Accountant of MIA

## Terms of Reference

### 1.0 Membership

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

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

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

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

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

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

### 2.0 Meetings

#### 2.1 Frequency

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

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

## AUDIT COMMITTEE REPORT (CONTINUED)

### 2.2 Quorum

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

### 2.3 Secretary

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

### 2.4 Attendance

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

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

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

### 2.5 Reporting Procedure

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

### 2.6 Meeting Procedure

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

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

## 3.0 RIGHTS

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

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

## AUDIT COMMITTEE REPORT (CONTINUED)

### 4.0 Functions

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

#### 4.1 To review:

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

## AUDIT COMMITTEE REPORT (CONTINUED)

- 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 2003, eight (8) Audit Committee meetings were held. The attendance of each member is as set out below:

Directors	Position	Attendance
Chan Kok Soo	Chairman	8/8
Dato' Haji Yahaya bin Ahmad	Member	6/8
Ng Chong Wee	Member	8/8
Loh Yok Yeong	Member	8/8

### Activities of the Audit Committee

Based on duties specified in the Terms of Reference, the main activities performed by the Audit Committee during the financial year ended 31 March 2003 were as follow:

- a. Reviewed the Group's quarterly results and year end financial statements, prior to recommending to the Board of Directors for approval.
- b. Reviewed with the external auditors the audit plan, audit report and the audit approach.
- c. Considered and recommended the reappointment and remuneration of the external auditors.
- d. Reviewed and approved the internal 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. Monitored related party transactions entered into by the Group.
- g. Reviewed the external auditor's management letter and management's response.

### Activities of the Internal Audit Department

The Group has in place its own internal audit department, an independent department which functions on the audit plan reviewed and approved by the Audit Committee. The audit plan focuses on financial and operational areas and assesses the adequacy of internal controls and the effectiveness of risk management framework. The internal auditor reports to the Audit Committee on a quarterly basis and provides the committee with independent views on the effectiveness of the system of internal control after its reviews. The internal audit reports are deliberated by the Audit Committee and duly acted upon by the Management. The Management has taken steps to strengthen the control on any weaknesses identified in the reports. The audit on the Group was undertaken using the risk-based approach.

# Financial Report

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BUSINESS TIMES

YLI records higher revenue

YLI Holdings Ltd has posted a 32 per cent increase in net profit to RM26.87 million for the financial year ended March 31, 2002 from RM19.58 million previously. The company's turnover rose 23 per cent to RM113.76 million from RM92.72 million in the same period last year. Its earnings per share during the period under review stood at 43.18 sen compared with 31.9 sen in 2001. The company has declared a final dividend of 5 per cent less tax, bringing the total dividend payout to 12.5 sen for the entire year. In an announcement, attributed the increase in its revenue to higher demand for its ductile iron pipe and its credit margin has also risen as a result of better product

## DIRECTORS' REPORT

for the financial year ended 31 March 2003

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 2003.

### Principal activities

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

Financial results	Group RM	Company RM
Net profit after taxation	<u>26,870,795</u>	<u>31,818,197</u>

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

### Dividends

Dividends proposed, declared or paid since 31 March 2002 are as follows:

	RM
In respect of the financial year ended 31 March 2002:	
As declared in the Directors' Report for that financial year, a first and final dividend of 5% less tax at 28%, paid on 3 December 2002	2,224,296
Dividend on ordinary shares in respect of financial year ended 31 March 2002 exercised under Employees' Share Option Scheme ("ESOS") previously not accounted for - paid on 3 December 2002	<u>16,668</u>
	2,240,964
Special interim dividend of 7.5% per ordinary share, less tax at 28%, paid on 8 May 2003	<u>3,401,676</u>
	<u>5,642,640</u>

The Directors now recommend the payment of a final dividend of 5% per ordinary share less tax at 28% amounting to RM2,258,712 subject to the approval of members at forthcoming Annual General Meeting of the Company, will be paid on 8 October 2003 to shareholders registered on the Company's Register of Members at the close of business on 18 September 2003.

### Share capital

During the financial year, the issued and fully paid up share capital of the Company was increased from RM61,786,000 to RM62,742,000 by way of issuance of 956,000 ordinary shares of RM1 each for cash at the respective option prices by virtue of the exercise of options granted under the Employees' Share Option Scheme ("ESOS") of YLI Holdings Berhad. The newly issued ordinary shares rank pari passu in all respects with all the existing issued ordinary shares of the Company.

**DIRECTORS' REPORT** (CONTINUED)

for the financial year ended 31 March 2003

**Share capital** (continued)

On 26 February 2003, the Board of Directors resolved to:

- (i) implement a bonus issue of up to 32,846,000 bonus shares on the basis of one (1) bonus share for every two (2) shares held on a date to be determined and announced later; and
- (ii) increase the Company's authorised share capital from RM100,000,000 comprising 100,000,000 ordinary shares of RM1 each to RM500,000,000 comprising 500,000,000 ordinary shares of RM1 each.

The bonus shares to be issued pursuant to the proposed bonus issue shall, upon allotment and issue, rank pari passu in all respects with the existing issued and fully paid-up shares except that the bonus shares will not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date precedes the date of allotment of the bonus shares.

The proposed bonus issue and increase in authorised share capital are subject to the following approvals being obtained:

- (i) KLSE, for the listing of and quotation for the bonus shares;
- (ii) the shareholders of the Company at an Extraordinary General Meeting to be convened; and
- (iii) any other relevant authorities.

**Reserves and provisions**

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

**Directors**

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

Loh Toa Thau @ Loh Eng Kim

Loh Yok Yeong

Lee Then Wah

Dato' Ir Syed Muhammad Shahabudin

Dato' Haji Yahaya bin Ahmad

Chan Kok Soo

Foong Kai Choong

Ng Chong Wee

Datin Khairah binti Tahir *(ceased to be a Director on 1 April 2003 pursuant to Paragraph 15.05 (1) of the listing requirement)*

**DIRECTORS' REPORT** (CONTINUED)

for the financial year ended 31 March 2003

**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:

	<u>Number of ordinary shares of RM1 each</u>			
	1 April	Bought	Sold	31 March
YLI Holdings Berhad				
Loh Toa Thau @ Loh Eng Kim				
Direct	379,000	201,000	0	580,000
Indirect	28,047,004	148,000	0	28,195,004
Loh Yok Yeong				
Direct	264,000	0	0	264,000
Indirect	28,047,004	148,000	0	28,195,004
Lee Then Wah				
Direct	27,000	58,000	(20,000)	65,000
Chan Kok Soo				
Direct	16,000	0	0	16,000

	<u>Number of options over ordinary shares of RM1</u>			
	1 April	Granted	Exercised	31 March
YLI Holdings Berhad				
Loh Toa Thau @ Loh Eng Kim	300,000	200,000	(201,000)	299,000
Loh Yok Yeong	492,000	180,000	0	672,000
Lee Then Wah	290,000	108,000	(58,000)	340,000

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.

The Company has been granted exemption by the Companies Commission Of Malaysia from having to disclose the list of option holders and their holdings.

**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 6 and note 8 to the financial statements.

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

## DIRECTORS' REPORT (CONTINUED)

for the financial year ended 31 March 2003

### Other statutory information

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their book values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group's and of the Company's operations inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability of any company in the Group 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 Company and its subsidiary companies to meet their obligations when they fall due.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the Group's and of the Company's operations for the financial year in which this report is made; and
- (b) no charge has arisen on the assets of any company in the Group which secures the liability of any other person nor has any contingent liability arisen in any company in the Group.

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.

## DIRECTORS' REPORT (CONTINUED)

for the financial year ended 31 March 2003

### Employees' Share Option Scheme

The Employees' Share Option Scheme ("ESOS") of YLI Holdings Berhad was approved by the shareholders at the Extraordinary General Meeting ("EGM") held on 28 September 1999 and will be in force for a period of 5 years from this date. The main features of the ESOS are as follows:

- (a) Eligible persons are Malaysian citizens who are all full time employees of the Group (including Executive Chairman and Executive Directors) who have been confirmed and have attained the age of eighteen years. The eligible persons must have served at least one year of continuous service.
- (b) Eligible employees of the Group who have accepted the offer to participate in other employees' share option scheme implemented by any other company within the Group which is in force for the time being shall not be eligible to participate in the ESOS.
- (c) The total number of shares to be offered shall not exceed 10% of the issued and paid up share capital of the Company at any time during the existence of the ESOS.
- (d) No option shall be granted for less than 1,000 shares nor more than 500,000 shares and shall always be in multiples of 1,000 shares.
- (e) The option price shall be the average of the mean market quotation as shown in the daily official list issued by the Kuala Lumpur Stock Exchange ("KLSE") for the five (5) market days preceding the date of offer, provided that the option price shall not be less than the last transacted market price of the shares at the date preceding the date of offer or the par value of the shares.
- (f) The ESOS remains in force until 29 November 2004.
- (g) The number of shares comprised in the option price or the maximum number of shares and/or percentage of the total YLI Holdings Berhad's shares comprised in the option that may be executed in a particular financial year so far as the options remain unexercised, shall be adjusted following any alterations in capital structures of the Company by ways of capitalisation of profits or reserves, rights issues, reduction, subdivision, consolidation of capital or otherwise howsoever taking place.
- (h) The new shares to be allotted upon any exercise of an option will rank pari passu in all respects with the then existing ordinary shares of the Company save and except that the new shares will not be entitled to any dividends, rights, allotments or distributions which entitlement date precedes the relevant exercise date of the option.

Subject to the approval of the relevant authorities, the terms and conditions of the ESOS may from time to time be modified and/or amended by a resolution of the Board of Directors or Options Committee without the prior approval of the Company's shareholders in a general meeting provided that no such amendment shall be made which would either prejudice the rights then accrued to any option holder without the consent or sanction of that option holder or alter to the advantage of any option holder.

**DIRECTORS' REPORT** (CONTINUED)

for the financial year ended 31 March 2003

**Employees' Share Option Scheme** (continued)

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

Date of expiry	Balance at 1 April 2002	Granted and accepted	Exercised	Lapsed	Balance at 31 March 2003
29 November 2004	2,544,000	1,377,000	(956,000)	(23,000)	2,942,000

The lapsed amounts are attributed to employees' resignations.

As at 31 March 2003, options to subscribe for 316,000, 6,000, 1,236,000, 17,000, 2,000 and 1,365,000 ordinary shares of RM1 each can be exercised at the respective option prices of RM1.36, RM1.37, RM2.65, RM2.38, RM2.60 and RM3.90 per share. These options remain unexercised as at 31 March 2003. The consideration is payable in full on application.

**Subsequent events**

On 26 June 2003, the Board of Directors announced that YLI Holdings Berhad ("YLI") has entered into a joint venture and shareholders agreement with PBA Holdings Bhd ("PBA"), a public company incorporated in Malaysia and KWI Far East Sdn Bhd ("KWI"), a company incorporated in Malaysia for the incorporation of a joint venture company. The joint venture and shareholders agreement was executed on 25 June 2003. The joint venture company is jointly owned by YLI, PBA and KWI on an equity structure of 37%, 26% and 37% respectively. The joint venture company, Pinang Water Ltd ("PWL"), was incorporated on 25 June 2003 in Wilayah Persekutuan Labuan as a private company limited by shares, will engage in the business of constructing water-infrastructure projects, water treatment, management and supply of treated water to government, industries, commercial and domestic consumers. The authorised share capital of PWL is USD13,000.00 comprising 13,000 ordinary shares of USD1.00 each, and the issued and paid-up share capital is USD100.00 comprising 100 ordinary shares of USD1.00 each.

**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 27 June 2003.

Loh Toa Thau @ Loh Eng Kim  
Director

Lee Then Wah  
Director

## REPORT OF THE AUDITORS

to the members of YLI Holdings Berhad

We have audited the financial statements set out on pages 33 to 64. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the 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 applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 March 2003 and of the results and cash flows of the Group and of the Company for the financial year ended on that date; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary company of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

PricewaterhouseCoopers  
[AF-1146]  
Chartered Accountants

Cho Choo Meng  
[2082/09/04 (J)]  
Partner of the firm

Penang  
27 June 2003

# INCOME STATEMENTS

for the financial year ended 31 March 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	5	113,755,212	92,125,416	44,602,551	3,355,554
Cost of sales		(68,832,411)	(56,162,148)	0	0
Gross profit		44,922,801	35,963,268	44,602,551	3,355,554
Other operating income		364,233	119,970	173	0
Selling and distribution costs		(3,542,549)	(3,557,904)	0	0
Administrative expenses		(5,263,824)	(4,747,692)	(304,504)	(286,511)
Other operating expenses		(157,821)	(42,281)	0	0
Profit from operations	7	36,322,840	27,735,361	44,298,220	3,069,043
Finance costs	9	(155,171)	(378,680)	0	0
Profit from ordinary activities before taxation		36,167,669	27,356,681	44,298,220	3,069,043
Taxation	10	(9,296,874)	(7,782,454)	(12,480,023)	(917,000)
Net profit after taxation		26,870,795	19,574,227	31,818,197	2,152,043
Earnings per share (sen)					
- basic	11	43.18	31.90		
- diluted	11	42.73	31.53		
Dividends per share (sen)	12	12.5	5.0	12.5	5.0

**BALANCE SHEETS**

as at 31 March 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>Non current assets</b>					
Property, plant and equipment	13	72,713,763	69,604,609	0	0
Subsidiary companies	14	0	0	18,306,448	18,306,448
		<u>72,713,763</u>	<u>69,604,609</u>	<u>18,306,448</u>	<u>18,306,448</u>
<b>Current assets</b>					
Inventories	15	11,512,145	13,376,526	0	0
Trade and other receivables	16	20,100,093	28,616,871	4,350	11,857
Amounts due from subsidiary companies	17	0	0	58,222,417	35,214,960
Tax recoverable		211,745	179,076	65,266	128,108
Deposits, bank and cash balances	18	45,666,937	17,827,334	20,762,290	11,893,236
		<u>77,490,920</u>	<u>59,999,807</u>	<u>79,054,323</u>	<u>47,248,161</u>
<b>Less: Current liabilities</b>					
Trade and other payables	19	5,684,493	4,678,602	163,447	152,607
Provision for taxation		642,369	4,482,135	0	0
Borrowings	20	957,281	2,211,527	0	0
Hire-purchase liabilities	21	194,551	245,030	0	0
Special interim dividend	12	3,401,676	0	3,401,676	0
		<u>10,880,370</u>	<u>11,617,294</u>	<u>3,565,123</u>	<u>152,607</u>
<b>Net current assets</b>		<u>66,610,550</u>	<u>48,382,513</u>	<u>75,489,200</u>	<u>47,095,554</u>
<b>Less: Non current liabilities</b>					
Deferred taxation	22	4,897,538	3,855,432	0	0
Borrowings	20	0	2,960,000	0	0
Hire-purchase liabilities	21	23,589	218,140	0	0
		<u>4,921,127</u>	<u>7,033,572</u>	<u>0</u>	<u>0</u>
		<u>134,403,186</u>	<u>110,953,550</u>	<u>93,795,648</u>	<u>65,402,002</u>
<b>Capital and reserves</b>					
Share capital	23	62,742,000	61,786,000	62,742,000	61,786,000
Share premium	24	1,597,060	334,971	1,597,060	334,971
Revaluation and other reserves	25	1,846,906	1,853,514	0	0
Retained earnings	26	68,217,220	46,979,065	29,456,588	3,281,031
<b>Shareholders' equity</b>		<u>134,403,186</u>	<u>110,953,550</u>	<u>93,795,648</u>	<u>65,402,002</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2003

	Note	Number of shares	Issued and fully paid ordinary shares of RM1 each	Non-distributable		Distributable	Total RM
			Nominal value RM	Share premium RM	Revaluation and other reserves RM	Retained earnings RM	
At 1 April 2001							
As previously reported		61,250,000	61,250,000	11,511	1,853,756	27,406,249	90,521,516
Prior year adjustment	31	0	0	0	0	1,543,500	1,543,500
As restated		61,250,000	61,250,000	11,511	1,853,756	28,949,749	92,065,016
Net profit for the financial year		0	0	0	0	19,574,227	19,574,227
Dividend for the financial year ended 31 March 2001		0	0	0	0	(1,544,911)	(1,544,911)
Issue of shares - exercise of share options		536,000	536,000	323,460	0	0	859,460
Exchange fluctuation differences arising in the financial year		0	0	0	(242)	0	(242)
Net loss not recognised in income statement		0	0	0	(242)	0	(242)
At 31 March 2002		61,786,000	61,786,000	334,971	1,853,514	46,979,065	110,953,550
At 1 April 2002							
As previously reported		61,786,000	61,786,000	334,971	1,853,514	44,754,769	108,729,254
Prior year adjustment	31	0	0	0	0	2,224,296	2,224,296
As restated		61,786,000	61,786,000	334,971	1,853,514	46,979,065	110,953,550
Net profit for the financial year		0	0	0	0	26,870,795	26,870,795
Reclassification	25	0	0	0	(10,000)	10,000	0
Dividend for the financial year ended 31 March 2002	12	0	0	0	0	(2,240,964)	(2,240,964)
Special interim dividend for the financial year ended 31 March 2003	12	0	0	0	0	(3,401,676)	(3,401,676)
Issue of shares - exercise of share options		956,000	956,000	1,262,089	0	0	2,218,089
Exchange fluctuation differences arising in the financial year		0	0	0	3,392	0	3,392
Net gain not recognised in income statement		0	0	0	3,392	0	3,392
At 31 March 2003		62,742,000	62,742,000	1,597,060	1,846,906	68,217,220	134,403,186

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2003

		Issued and fully paid ordinary shares of RM1 each	Non- distributable	Distributable		
	Note	Number of shares	Nominal value RM	Share premium RM	Retained earnings RM	Total RM
At 1 April 2001						
As previously reported		61,250,000	61,250,000	11,511	1,130,399	62,391,910
Prior year adjustment	31	0	0	0	1,543,500	1,543,500
As restated		61,250,000	61,250,000	11,511	2,673,899	63,935,410
Net profit for the financial year		0	0	0	2,152,043	2,152,043
Dividend for the financial year ended 31 March 2001		0	0	0	(1,544,911)	(1,544,911)
Issue of shares						
- exercise of share options		536,000	536,000	323,460	0	859,460
At 31 March 2002		61,786,000	61,786,000	334,971	3,281,031	65,402,002
At 1 April 2002						
As previously reported		61,786,000	61,786,000	334,971	1,056,735	63,177,706
Prior year adjustment	31	0	0	0	2,224,296	2,224,296
As restated		61,786,000	61,786,000	334,971	3,281,031	65,402,002
Net profit for the financial year		0	0	0	31,818,197	31,818,197
Dividend for the financial year ended 31 March 2002	12	0	0	0	(2,240,964)	(2,240,964)
Special interim dividend for the financial year ended 31 March 2003	12	0	0	0	(3,401,676)	(3,401,676)
Issue of share						
- exercise of share options		956,000	956,000	1,262,089	0	2,218,089
At 31 March 2003		62,742,000	62,742,000	1,597,060	29,456,588	93,795,648

## CASH FLOW STATEMENTS

for the financial year ended 31 March 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>Operating cash flows</b>					
Cash flows from/(used in) operations	27	54,682,008	22,578,759	20,899,987	8,836,401
Taxation paid		(12,127,203)	(4,848,640)	(12,417,181)	(1,060,369)
Interest paid		(2,369)	(46,079)	0	0
Interest received		698,541	184,769	409,123	122,770
		(11,431,031)	(4,709,950)	(12,008,058)	(937,599)
Net operating cash flows		43,250,977	17,868,809	8,891,929	7,898,802
<b>Investing cash flows</b>					
Proceeds from disposal of property, plant and equipment		188,895	96,000	0	0
Purchase of property, plant and equipment		(10,968,708)	(7,180,809)	0	0
Net investing cash flows		(10,779,813)	(7,084,809)	0	0
<b>Financing cash flows</b>					
Proceeds from short term borrowings		0	1,339,476	0	0
Repayment of short term borrowings		(382,195)	0	0	0
Repayment of hire-purchase liabilities		(280,272)	(237,156)	0	0
Repayment of term loans		(3,844,743)	(1,144,684)	0	0
Dividend paid		(2,240,964)	(1,544,911)	(2,240,964)	(1,544,911)
Net proceeds from issuance of ordinary shares		2,218,089	859,460	2,218,089	859,460
Net financing cash flows		(4,530,085)	(727,815)	(22,875)	(685,451)
Effect of exchange rate changes on cash and cash equivalents		3,392	(242)	0	0
Net changes in cash and cash equivalents during the financial year		27,944,471	10,055,943	8,869,054	7,213,351
Cash and cash equivalents at the beginning of the financial year		17,722,466	7,666,523	11,893,236	4,679,885
Cash and cash equivalents at the end of the financial year	28	45,666,937	17,722,466	20,762,290	11,893,236

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2003

### 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.

The Group had 301 (2002: 318) 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 Kuala Lumpur Stock Exchange.

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

71-A, Jalan Jelutong  
11600 Pulau Pinang  
Malaysia

### 2 Financial risk management objectives and policies

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

#### (a) Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiary companies in currencies other than their functional currency. The Group's main currency exposure is United States Dollar. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

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

#### (c) Credit risk

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

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

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

### 3 Basis of preparation of the financial statements

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

### 4 Significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year except as otherwise stated. The new applicable approved accounting standards adopted in these financial statements are as follows:

#### (a) Retrospective application

The following are the new MASB Standards that have been applied retrospectively:

- MASB Standard 19: "Events After the Balance Sheet Date"
- MASB Standard 20: "Provisions, Contingent Liabilities and Contingent Assets"
- MASB Standard 22: "Segmental Reporting"

#### (b) Prospective application from 1 April 2002

The following are the new MASB Standards that have been applied prospectively:

- MASB Standard 21: "Business Combinations"
- MASB Standard 23: "Impairment of Assets"
- MASB Standard 24: "Financial Instruments: Disclosure and Presentation"

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 4 Significant accounting policies (continued)

#### (b) Prospective application from 1 April 2002 (continued)

With the exception of MASB Standard 19 (see note 31), there are no changes in accounting policy that affect the net profit for the financial year as a result of the adoption of the above standards in these financial statements as the Group was already following the recognition and measurement principles in those standards.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 31 March 2003. 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.

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

The subsidiary companies are consolidated using the merger method of accounting except for a subsidiary company which is consolidated using the acquisition method of accounting in accordance with Malaysian Accounting Standard No. 2 "Accounting for Acquisitions and Mergers".

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 written off against the capital reserves and retained earnings 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.

#### Currency translations

The Group's foreign entities are those operations that are not an integral part of the operations of the Company. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the period and the balance sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings that hedge such investments are taken to the exchange fluctuation reserve in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 4 Significant accounting policies (continued)

#### Currency translations (continued)

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

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

Foreign currency	2003 RM	2002 RM
1 US Dollar	3.8000	3.8000
1 Singapore Dollar	N/A	2.0410
1 Chinese Renminbi	0.4591	0.4591
1 Euro	N/A	3.3430

#### Property, plant and equipment

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

The freehold and leasehold land and buildings have not been revalued since 1994 and 1998. The Directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS No. 16 (Revised) Property, Plant and Equipment, allowed for by the Malaysian Accounting Standards Board ("MASB"), these assets are stated at their 1994 and 1998 valuations less accumulated depreciation and any impairment.

Freehold land is not depreciated.

Leasehold land and buildings are amortised over the periods of the leases ranging from 46 to 57 years.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 4 Significant accounting policies (continued)

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

Depreciation on other property, plant and equipment is calculated so as to write off the cost or valuation on a reducing balance basis over the expected useful lives of the assets concerned. The annual rates are:

	%
Buildings	2
Plant, machinery and equipment	10 - 33.3
Motor vehicles	20
Furniture and fittings	5 - 10
Office equipment	10 - 25

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the results from operations.

#### Investments in subsidiary companies

Investments in subsidiary companies are stated at cost. Allowance for diminution in the value of an investment is made where in the opinion of the Directors, there has been a decline other than temporary in the value of the investment. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

#### Trade receivables

Trade receivables are carried at anticipated realisable values.

Known bad debts are written off and specific allowance is made for any considered to be doubtful of collection based on a review of all outstanding amounts at the financial year end. Doubtful debts which have subsequently become bad and for which allowance has been made are written off against the allowance.

#### Hire-purchase liabilities

Property, plant and equipment acquired under hire-purchase agreements are capitalised and depreciated in accordance with the depreciation policy set out in the accounting policy on property, plant and equipment. Outstanding obligations due under hire-purchase are included as liabilities in the financial statements. Finance charges arising from hire-purchase are allocated to the income statements so as to give a constant periodic rate of interest on the outstanding liabilities at the end of each accounting period.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 4 Significant accounting policies (continued)

#### Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, obsolete or slow-moving inventories. Cost is determined using the first in, first out method. The cost of raw materials includes all costs in bringing the inventory to their present location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation.

#### Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts 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.

#### Deferred taxation

Deferred taxation is provided for all timing differences, using the liability method for the different treatment in accounting and tax bases of assets and liabilities. In accounting for timing differences, deferred tax debits are not accounted for unless their realisation is beyond reasonable doubt.

#### Revenue recognition

Sales are recognised upon shipment of products, net of sales tax, trade discounts and allowances.

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

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

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

#### Dividends

In previous financial years, dividends were accrued as a liability when proposed by the Directors. The Company has now changed this accounting policy to recognise dividends in the shareholders' equity in the period in which the obligation to pay is established in accordance with MASB Standard 19 "Events After the Balance Sheet Date". Therefore, final dividends are now accrued as a liability after approval by the shareholders at the Annual General Meeting of the Company.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

for the financial year ended 31 March 2003

**4 Significant accounting policies** (continued)

The Company has applied MASB Standard 19 retrospectively in the financial year ended 31 March 2003 as required by the standard. As such, certain comparative figures have been adjusted or extended to conform with changes in presentation due to the requirements of this new standard. The impact of applying this standard in the current financial year is as set out in Note 31 to the financial statements.

**Financial instruments****Financial instruments recognised on the balance sheet**

The accounting policies and recognition methods adopted for financial instruments recognised on the balance sheet are separately disclosed in the policy statements of the respective item.

**Fair value estimation for disclosure purposes**

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

**Comparatives**

For financial instruments, comparatives are not disclosed upon first application of MASB Standard 24, "Financial Instruments: Disclosure and Presentation", as permitted by the standard.

**5 Revenue**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Sales of goods	113,346,089	92,002,646	0	0
Interest income	409,123	122,770	551,623	264,294
Dividend income	0	0	44,050,928	3,091,260
	<u>113,755,212</u>	<u>92,125,416</u>	<u>44,602,551</u>	<u>3,355,554</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 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	
	2003	2002
	RM	RM
Amounts due from subsidiary companies (note 17) (non-trade) :		
- Yew Lean Foundry & Co. Sdn. Bhd.	48,762,620	30,909,623
- Yew Li Foundry & Co. Sdn. Bhd.	7,206,000	2,206,000
- Logam Utara (M) Sdn. Bhd.	50,000	50,000
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	2,203,797	2,049,337
	<u>58,222,417</u>	<u>35,214,960</u>

Included in the amount due from Yew Lean Foundry & Co. Sdn. Bhd. are dividends receivable amounting to RM31,700,000 (2002: RM2,224,296).

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

	Company
	2003
	RM
Ringgit Malaysia	56,018,620
US Dollar	2,203,797
	<u>58,222,417</u>

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

	Group	
	2003	2002
	RM	RM
Sales of goods to Pakar Sains Sdn. Bhd.	<u>9,415,157</u>	<u>12,245,762</u>

Pakar Sains Sdn. Bhd., a company incorporated in Malaysia, is a company in which Datin Khairah binti Tahir was the Managing Director and the major shareholder with a direct shareholding of 33.33%. She has no interest (direct or indirect) in the Company apart from her position as a Non-Executive Director in the Company. Datin Khairah binti Tahir ceased to be a Director on 1 April 2003 pursuant to Paragraph 15.05 (1) of the listing requirement.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

for the financial year ended 31 March 2003

**6 Significant party balances and transactions** (continued)

	Company	
	2003	2002
	RM	RM
Gross dividend income from a subsidiary company:		
- Yew Lean Foundry & Co. Sdn. Bhd.	44,050,928	3,091,260
Interest income from a subsidiary company:		
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	<u>142,500</u>	<u>141,524</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 Profit from operations**

Profit from operations is stated after charging:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audit	65,283	48,950	25,000	25,000
- other services	11,300	17,800	5,300	10,700
Depreciation of property, plant and equipment	6,019,891	5,934,176	0	0
Rental of land and building	47,358	53,443	0	0
Property, plant and equipment written off	1,675,254	2,540,431	0	0
Bad debts written off	0	56,852	0	0
Foreign exchange loss (realised)	11,563	0	0	0
Staff costs	<u>8,080,213</u>	<u>8,017,119</u>	<u>0</u>	<u>0</u>
and crediting:				
Interest income from licensed banks and finance companies	698,541	184,769	409,123	122,770
Rental income	51,520	18,840	0	0
Profit on disposal of property, plant and equipment	<u>24,486</u>	<u>34,524</u>	<u>0</u>	<u>0</u>

Staff costs include other emoluments paid and payable to Executive Directors amounting to RM1,429,461 (2002: RM1,096,227).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 8 Directors' remuneration

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Fees	199,000	181,000	129,000	111,000
Other emoluments	1,429,461	1,096,227	0	0
Estimated money value of benefit-in-kind	39,125	51,521	0	0
	<u>1,667,586</u>	<u>1,328,748</u>	<u>129,000</u>	<u>111,000</u>

The options over ordinary shares of the Company granted to Executive Directors of the Company during the financial year and their respective unexercised options at balance sheet date are as follows:

	Granted during the financial year		Unexercised options	
	2003	2002	2003	2002
Loh Toa Thau @ Loh Eng Kim	200,000	0	299,000	300,000
Loh Yok Yeong	180,000	0	672,000	492,000
Lee Then Wah	108,000	0	340,000	290,000
	<u>488,000</u>	<u>0</u>	<u>1,311,000</u>	<u>1,082,000</u>

The share options were given to these Directors on the same terms and conditions as those offered to other employees of the Company in accordance with the By-Laws of the ESOS.

### 9 Finance costs

	Group	
	2003	2002
	RM	RM
Hire-purchase interest	(35,242)	(30,329)
Term loan interest	(117,560)	(302,272)
Bank overdraft interest	(2,369)	(46,079)
	<u>(155,171)</u>	<u>(378,680)</u>

### 10 Taxation

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Malaysian income taxation:				
Taxation based on the profit for the financial year	(8,248,093)	(7,479,118)	(12,473,348)	(917,000)
Deferred taxation (note 22)	(1,042,106)	(303,336)	0	0
	<u>(9,290,199)</u>	<u>(7,782,454)</u>	<u>(12,473,348)</u>	<u>(917,000)</u>
Underprovision in respect of prior financial years	(6,675)	0	(6,675)	0
	<u>(9,296,874)</u>	<u>(7,782,454)</u>	<u>(12,480,023)</u>	<u>(917,000)</u>

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

for the financial year ended 31 March 2003

**10 Taxation** (continued)

The effective rate of taxation of the Company for the current financial year is higher than the statutory rate due to certain expenses which are not deductible for taxation purposes.

The effective rate of taxation of the Group for the current financial year is lower than the statutory rate due to the utilisation of reinvestment allowances in a subsidiary company which resulted in tax savings of approximately RM1,530,000.

**11 Earnings per share****(i) Basic earnings per share**

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

	2003 RM	2002 RM
Net profit after taxation (RM)	26,870,795	19,574,227
Weighted average number of ordinary shares in issue	62,235,192	61,354,953
Basic earnings per share (sen)	43.18	31.90

**(ii) Diluted earnings per share**

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 11 Earnings per share (continued)

	2003	2002
	RM	RM
Net profit after taxation (RM)	26,870,795	19,574,227
Weighted average number of ordinary shares in issue	62,235,192	61,354,953
Adjustment for share options	643,958	723,534
Weighted average number of ordinary shares for diluted earnings per share	62,879,150	62,078,487
Diluted earnings per share (sen)	42.73	31.53

### 12 Dividend

	Group and Company	
	2003	2002
	RM	RM
Special interim dividend of 7.5% (2002: Nil) less tax at 28%	3,401,676	0
Proposed first and final dividend of 5% (2002: 5%) less tax 28%	2,258,712	2,224,296
Dividend on ordinary shares in respect of financial year ended 31 March 2002 exercised under ESOS previously not accounted for	0	16,668
	5,660,388	2,240,964

In previous financial years, dividends were accrued as a liability when proposed by the Directors. The Company has now changed this accounting policy to recognise dividends in shareholders' equity in the period in which the obligation to pay is established in accordance with MASB Standard 19 "Events After the Balance Sheet Date". Therefore, final dividends are now accrued as a liability after approval by the shareholders at the Annual General Meeting of the Company.

The Company has applied MASB Standard 19 retrospectively in the financial year ended 31 March 2003 as required by the standard. As such, certain comparative figures have been adjusted or extended to conform with changes in presentation due to the requirements of this new standard. The impact of applying this standard in the current financial year is as set out in Note 31 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 13 Property, plant and equipment

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

Group only

2003	Land and	Plant,	Motor	Furniture	Office	Total
	buildings	machinery	vehicles	and	equipment	
	RM	and	RM	fittings	RM	RM
	At cost /	equipment	At cost	RM	At cost	At cost /
Cost or valuation	valuation	RM	At cost	At cost	At cost	valuation
At 1 April	35,788,231	48,677,835	4,164,958	292,014	750,444	89,673,482
Additions	1,036,387	9,501,106	253,059	9,910	168,246	10,968,708
Disposals	(118,268)	0	(209,403)	0	0	(327,671)
Write offs	0	(3,354,204)	0	0	(4,540)	(3,358,744)
At 31 March	36,706,350	54,824,737	4,208,614	301,924	914,150	96,955,775
Accumulated depreciation						
At 1 April	2,851,953	15,121,951	1,779,278	59,004	256,687	20,068,873
Charge for the financial year	671,279	4,726,208	517,581	13,057	91,766	6,019,891
Disposals	(4,683)	0	(158,579)	0	0	(163,262)
Write offs	0	(1,680,450)	0	0	(3,040)	(1,683,490)
At 31 March	3,518,549	18,167,709	2,138,280	72,061	345,413	24,242,012
Net book value						
31 March 2003	33,187,801	36,657,028	2,070,334	229,863	568,737	72,713,763
31 March 2002	32,936,278	33,555,884	2,385,680	233,010	493,757	69,604,609

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

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

The Group's land and buildings comprise of:

2003	At 1 April RM	Additions RM	Disposals RM	At 31 March RM
Cost or valuation				
Freehold land, at valuation	1,841,166	0	0	1,841,166
Long term leasehold land, at valuation	2,550,000	0	0	2,550,000
Building, at valuation	141,155	0	0	141,155
Short term leasehold land and building, at valuation	6,324,260	0	0	6,324,260
Freehold land and building, at cost	2,304,864	726,974	(118,268)	2,913,570
Long term leasehold building, at cost	1,973,160	0	0	1,973,160
Long term leasehold flats, at cost	188,200	0	0	188,200
Short term leasehold land and building, at cost	18,613,421	214,295	0	18,827,716
Renovation, at cost	294,355	40,301	0	334,656
Factory building at cost	1,557,650	54,817	0	1,612,467
<b>Total</b>	<b>35,788,231</b>	<b>1,036,387</b>	<b>(118,268)</b>	<b>36,706,350</b>

2003	At 1 April RM	Depreciation charge for the financial year RM	Disposals RM	At 31 March RM
Accumulated depreciation				
Long term leasehold land, at valuation	299,844	45,921	0	345,765
Building, at valuation	22,932	2,365	0	25,297
Short term leasehold land and building, at valuation	977,391	99,790	0	1,077,181
Freehold land and building, at cost	106,112	24,385	(4,683)	125,814
Long term leasehold building, at cost	202,105	35,421	0	237,526
Long term leasehold flats, at cost	21,485	3,333	0	24,818
Short term leasehold land and building, at cost	1,132,579	402,225	0	1,534,804
Renovation, at cost	74,323	26,033	0	100,356
Factory building, at cost	15,182	31,806	0	46,988
<b>Total</b>	<b>2,851,953</b>	<b>671,279</b>	<b>(4,683)</b>	<b>3,518,549</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

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

	2003	2002
	Net book value	Net book value
	RM	RM
Freehold land, at valuation	1,841,166	1,841,166
Long term leasehold land, at valuation	2,204,235	2,250,156
Building, at valuation	115,858	118,223
Short term leasehold land and building, at valuation	5,247,079	5,346,869
Freehold land and building, at cost	2,787,756	2,198,752
Long term leasehold building, at cost	1,735,634	1,771,055
Long term leasehold flats, at cost	163,382	166,715
Short term leasehold land and building, at cost	17,292,912	17,480,842
Renovation, at cost	234,300	220,032
Factory building, at cost	1,565,479	1,542,468
	<u>33,187,801</u>	<u>32,936,278</u>

The Company's long term leasehold land and short term leasehold land and buildings were revalued by a firm of independent professional valuers in 1994 and 1998 using the open market value basis. Subsequent additions are stated at cost.

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

	2003	2002
	RM	RM
Valuation in 1994 on the Open Market Value basis	8,306,581	8,306,581
Valuation in 1998 on the Open Market Value basis	2,550,000	2,550,000
	<u>10,856,581</u>	<u>10,856,581</u>
Net book value	<u>9,408,334</u>	<u>9,556,414</u>
Net book value - had the above been carried at historical cost	<u>1,612,377</u>	<u>1,644,112</u>

The tax effect in connection with the surplus arising on the revaluation of land and buildings is not disclosed as it is the Directors' intention not to dispose of these properties in the foreseeable future.

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

	Cost	Accumulated depreciation	Net book value
	RM	RM	RM
2003			
Motor vehicles	<u>700,000</u>	<u>(275,040)</u>	<u>424,960</u>
2002			
Motor vehicles	<u>700,000</u>	<u>(168,800)</u>	<u>531,200</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

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

- (c) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM10,968,708 (2002: RM7,700,809) of which RM Nil (2002: RM520,000) was acquired by means of hire purchase agreements. Cash payments of RM10,968,708 (2002: RM7,180,809) were made to purchase property, plant and equipment.

### 14 Subsidiary companies

	Company	
	2003 RM	2002 RM
Unquoted shares, at cost	18,306,448	18,306,448

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Company		Interest in equity held by a subsidiary company		Principal activities
		2003 %	2002 %	2003 %	2002 %	
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 other steel products as well as trading of UPVC pipes and fittings, sanitary fittings, brass fittings and related products.
Zhangzhou YLI Electro-Metallurgy Co. Ltd.*	The People's Republic of China	100	100	0	0	Manufacture of raw materials for foundry use.
Zenith Eastern (M) Sdn. Bhd.*	Malaysia	0	0	100	100	Property investment holding.

\*These subsidiary companies are audited by a firm of auditors other than PricewaterhouseCoopers, Malaysia.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

for the financial year ended 31 March 2003

**15 Inventories**

	<u>Group</u>	
	2003	2002
	RM	RM
At cost:		
Raw materials	4,745,649	3,369,155
Work in progress	412,385	410,668
Finished goods	6,354,111	9,596,703
	<u>11,512,145</u>	<u>13,376,526</u>

**16 Trade and other receivables**

	<u>Group</u>		<u>Company</u>	
	2003	2002	2003	2002
	RM	RM	RM	RM
Trade receivables	19,265,381	26,388,371	0	0
Other receivables	353,146	303,777	0	0
Deposits	193,506	583,667	4,350	4,350
Prepayments	288,060	1,341,056	0	7,507
	<u>20,100,093</u>	<u>28,616,871</u>	<u>4,350</u>	<u>11,857</u>

The currency exposure profile for trade receivables of the Group is as follows:

	<u>Group</u>
	2003
	RM
Ringgit Malaysia	18,872,398
US Dollar	204,858
Chinese Renminbi	188,125
	<u>19,265,381</u>

The credit terms of trade receivables of the Group ranged from 60 to 120 days.

**17 Amounts due from subsidiary companies**

The fair value of amounts due from subsidiary companies approximate the book value.

Amounts due from subsidiary companies are primarily interest free advances with no fixed repayment terms except for RM2,061,297 (2002:RM1,904,495) due from a subsidiary company where interest was charged at 7.5% (2002:7.5%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 18 Deposits, bank and cash balances

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Fixed deposits with:				
Licensed banks	24,366,771	11,188,598	13,968,732	9,302,997
Licensed finance companies	18,899,087	2,851,081	6,430,355	2,452,206
	43,265,858	14,039,679	20,399,087	11,755,203
Cash and bank balances	2,401,079	3,787,655	363,203	138,033
	45,666,937	17,827,334	20,762,290	11,893,236

The weighted average interest rate of the Group's and of the Company's fixed deposits at balance sheet date was 3.2% per annum.

The Group's and the Company's fixed deposits have an average maturity of 60 days and 30 days respectively at the end of the financial year.

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

	Group	Company
	2003	2003
	RM	RM
Ringgit Malaysia	45,179,967	20,762,290
US Dollar	426,319	0
Chinese Renminbi	60,651	0
	45,666,937	20,762,290

### 19 Trade and other payables

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Trade payables	1,089,877	1,990,947	0	0
Bills payable	0	107,000	0	0
Other payables	2,360,724	442,562	5,617	12,727
Other accruals	2,233,892	2,138,093	157,830	139,880
	5,684,493	4,678,602	163,447	152,607

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

for the financial year ended 31 March 2003

**19 Trade and other payables** (continued)

The currency exposure profile for trade and other payables is as follows:

	<u>Group</u>	<u>Company</u>
	2003	2003
	RM	RM
Ringgit Malaysia	4,832,904	161,617
US Dollar	145,004	1,830
Chinese Renminbi	706,585	0
	<u>5,684,493</u>	<u>163,447</u>

The credit terms of trade payables granted to the Group ranged from 60 to 90 days.

**20 Borrowings**

	<u>Group</u>	
	2003	2002
	RM	RM
Current		
Bank overdrafts (unsecured)	0	104,868
Revolving credits (unsecured)	957,281	1,339,476
Term loans (unsecured)	0	767,183
	<u>957,281</u>	<u>2,211,527</u>
Non-current		
Term loans (unsecured)	0	2,960,000
	<u>957,281</u>	<u>5,171,527</u>
Maturity of term loans:		
- not later than 1 year	0	767,183
- later than 1 year and not later than 2 years	0	720,000
- later than 2 years and not later than 5 years	0	2,240,000
	<u>0</u>	<u>3,727,183</u>
Term loans		
Loan I	0	47,183
Loan II	0	3,680,000
	<u>0</u>	<u>3,727,183</u>

The term loans were fully settled during the financial year.

The interest rates applicable for the financial year up to the full settlement of the above loans ranged between 3.18% (2002: 5.45%) and 7.80% (2002: 7.80%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 21 Hire-purchase liabilities

	Group	
	2003	2002
	RM	RM
Minimum hire-purchase payments:		
- not later than 1 year	223,047	280,272
- later than 1 year but not later than 2 years	27,047	223,047
- later than 2 years but not later than 5 years	0	27,047
	<u>250,094</u>	<u>530,366</u>
Future finance charges on hire-purchase liabilities	(31,954)	(67,196)
Present value of hire-purchase liabilities	<u>218,140</u>	<u>463,170</u>
Representing hire-purchase liabilities:		
- current	194,551	245,030
- non-current	23,589	218,140
	<u>218,140</u>	<u>463,170</u>
Present value of hire-purchase liabilities		
- not later than 1 year	194,551	245,030
- later than 1 year but not later than 2 years	23,589	194,551
- later than 2 years but not later than 5 years	0	23,589
	<u>218,140</u>	<u>463,170</u>

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

The average effective interest rate applicable to the hire-purchase liabilities is 9.54% per annum.

### 22 Deferred taxation

Deferred tax liability provided for in the financial statements:

	Group	
	2003	2002
	RM	RM
At 1 April	3,855,432	3,552,096
Transfer from income statement (note 10)	1,042,106	303,336
At 31 March	<u>4,897,538</u>	<u>3,855,432</u>

The deferred taxation represents excess of capital allowances over depreciation.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

for the financial year ended 31 March 2003

**23 Share capital**

	Company	
	2003	2002
	RM	RM
Authorised:		
Ordinary shares of RM1 each	<u>100,000,000</u>	<u>100,000,000</u>
Movements on issued share capital are as follows:		
At 1 April	61,786,000	61,250,000
Options exercised	<u>956,000</u>	<u>536,000</u>
At 31 March	<u>62,742,000</u>	<u>61,786,000</u>

During the financial year, the issued and fully paid up share capital of the Company was increased from 61,786,000 ordinary shares of RM1 each to 62,742,000 ordinary shares of RM1 each by way of an issue of 956,000 ordinary shares of RM1 each for cash at the respective option prices by virtue of the exercise of the options granted under the ESOS.

The newly issued ordinary shares rank *pari passu* in all respects with the existing issued ordinary shares of the Company.

As at 31 March 2003, options to subscribe for 316,000, 6,000, 1,236,000, 17,000, 2,000 and 1,365,000 ordinary shares of RM1 each can be exercised at the respective option prices of RM1.36, RM1.37, RM2.65, RM2.38, RM2.60 and RM3.90 per share. These options remain unexercised as at 31 March 2003. The consideration is payable in full on application.

The other features of ESOS are as follows:

- (a) Eligible persons are Malaysian citizens who are all full time employees of the Group (including Executive Chairman and Executive Directors) who have been confirmed and have attained the age of eighteen years. The eligible persons must have served at least one year of continuous service.
- (b) Eligible employees of the Group who have accepted the offer to participate in other employees' share option scheme implemented by any other company within the Group which is in force for the time being shall not be eligible to participate in the ESOS.
- (c) The total number of shares to be offered shall not exceed 10% of the issued and paid up share capital of the Company at any time during the existence of the ESOS.
- (d) No option shall be granted for less than 1,000 shares nor more than 500,000 shares and shall always be in multiples of 1,000 shares.
- (e) The option price shall be the average of the mean market quotation as shown in the daily official list issued by the Kuala Lumpur Stock Exchange ("KLSE") for the five (5) market days preceding the date of offer, provided that the option price shall not be less than the last transacted market price of the shares at the date preceding the date of offer or the par value of the shares.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 23 Share capital (continued)

- (f) The ESOS remains in force until 29 November 2004.
- (g) The number of shares comprised in the option price or the maximum number of shares and/or percentage of the total YLI Holdings Berhad's shares comprised in the option that may be executed in a particular financial year so far as the options remain unexercised, shall be adjusted following any alterations in capital structures of the Company by ways of capitalisation of profits or reserves, rights issues, reduction, subdivision, consolidation of capital or otherwise howsoever taking place.
- (h) The new shares to be allotted upon any exercise of an option will rank *pari passu* in all respects with the then existing ordinary shares of the Company save and except that the new shares will not be entitled to any dividends, rights, allotments or distributions which entitlement date precedes the relevant exercise date of the option.
- (i) Subject to the approval of the relevant authorities, the terms and conditions of the ESOS may from time to time be modified and/or amended by a resolution of the Board of Directors or Options Committee without the prior approval of the Company's shareholders in a general meeting provided that no such amendment shall be made which would either prejudice the rights then accrued to any option holder without the consent or sanction of that option holder or alter to the advantage of any option holder.

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

Date of expiry	Balance at 1 April 2002	Granted and accepted	Exercised	Lapsed	Balance at 31 March 2003
29 November 2004	2,544,000	1,377,000	(956,000)	(23,000)	2,942,000

The lapsed amounts are attributed to employees' resignations.

### 24 Share premium

	Group and Company	
	2003 RM	2002 RM
At 1 April	334,971	11,511
Premium arising from ESOS exercised in respect of 956,000 (2002: 536,000) ordinary shares	1,262,089	323,460
At 31 March	<u>1,597,060</u>	<u>334,971</u>

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

for the financial year ended 31 March 2003

**25 Revaluation and other reserves**

	Group	
	2003	2002
	RM	RM
Revaluation/capital reserve	1,846,911	1,856,911
Exchange fluctuation reserve	(5)	(3,397)
	<u>1,846,906</u>	<u>1,853,514</u>

The movements in each category of reserves are as follows:

	Group	
	2003	2002
	RM	RM
Revaluation/capital reserve		
At 1 April	1,856,911	1,856,911
Reclassification *	(10,000)	0
At 31 March	<u>1,846,911</u>	<u>1,856,911</u>
Exchange fluctuation reserve		
At 1 April	(3,397)	(3,155)
Arising in the financial year	3,392	(242)
At 31 March	<u>(5)</u>	<u>(3,397)</u>

\* The reclassification amounting to RM10,000 was in respect of gain on disposal of property, plant and equipment previously classified as capital reserve now reclassified to retained earnings.

**26 Retained earnings**

The Company has, subject to confirmation with Inland Revenue Board, sufficient tax credits to frank the payment of net dividends out of all its retained earnings as at 31 March 2003 without incurring additional taxation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 27 Cash flows from/(used in) operations

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Net profit after taxation	26,870,795	19,574,227	31,818,197	2,152,043
Adjustments for:				
Taxation	9,296,874	7,782,454	12,480,023	917,000
Depreciation of property, plant and equipment	6,019,891	5,934,176	0	0
Profit on disposal of property, plant and equipment	(24,486)	(34,524)	0	0
Property, plant and equipment written off	1,675,254	2,540,431	0	0
Interest expense	155,171	378,680	0	0
Interest income	(698,541)	(184,769)	(551,623)	(264,294)
	<u>16,424,163</u>	<u>16,416,448</u>	<u>11,928,400</u>	<u>652,706</u>
	43,294,958	35,990,675	43,746,597	2,804,749
Changes in working capital:				
Inventories	1,864,381	(2,316,983)	0	0
Trade and other receivables	8,516,778	(11,819,837)	7,507	(5,382)
Intercompany balances	0	0	(22,864,957)	6,012,934
Trade and other payables	1,005,891	724,904	10,840	24,100
	<u>11,387,050</u>	<u>(13,411,916)</u>	<u>(22,846,610)</u>	<u>6,031,652</u>
	<u>54,682,008</u>	<u>22,578,759</u>	<u>20,899,987</u>	<u>8,836,401</u>

### 28 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Fixed deposits	43,265,858	14,039,679	20,399,087	11,755,203
Cash and bank balances	2,401,079	3,787,655	363,203	138,033
	<u>45,666,937</u>	<u>17,827,334</u>	<u>20,762,290</u>	<u>11,893,236</u>
Bank overdrafts (note 20)	0	(104,868)	0	0
	<u>45,666,937</u>	<u>17,722,466</u>	<u>20,762,290</u>	<u>11,893,236</u>

### 29 Contingent liabilities (unsecured)

#### Company

The Company has given guarantees to banks on behalf of certain subsidiary companies for facilities approximating RM56,868,000 (2002:RM55,812,000) of which RM4,726,702 (2002: RM8,838,400) was utilised as at 31 March 2003.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 30 Capital commitments

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

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Contracted but not provided for	4,005,693	3,882,269	0	0
Analysed as follows:				
- Property, plant and equipment	4,005,693	3,882,269	0	0

### 31 Prior year adjustment

During the financial year, the Company changed its accounting policy with respect to the recognition of liabilities in compliance with the new MASB Standard 19 "Events After the Balance Sheet Date". In previous financial years, dividends were accrued as liability when proposed by the Directors. The Company has now changed this accounting policy to recognise dividends in shareholders' equity in the period in which the obligation to pay is established in accordance with MASB Standard 19. Therefore, final dividends are now accrued as a liability after approval by the shareholders at the Company's Annual General Meeting. This change in accounting policy has been accounted for retrospectively.

The effects of the change on the retained earnings are as follows:

Group	As	Effect of	As
	previously reported	change in policy	restated
	RM	RM	RM
At 1 April 2001			
- retained earnings	27,406,249	1,543,500	28,949,749
At 1 April 2002			
- retained earnings	44,754,769	2,224,296	46,979,065
- proposed dividend	2,224,296	(2,224,296)	0
Company			
At 1 April 2001			
- retained earnings	1,130,399	1,543,500	2,673,899
At 1 April 2002			
- retained earnings	1,056,735	2,224,296	3,281,031
- proposed dividend	2,224,296	(2,224,296)	0

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the financial year ended 31 March 2003

### 32 Significant events during the financial year

On 26 February 2003, the Board of Directors of the Company resolved to:

- (i) implement a bonus issue of up to 32,846,000 bonus shares on the basis of one (1) bonus share for every two (2) shares held on a date to be determined and announced later; and
- (ii) increase the Company's authorised share capital from RM100,000,000 comprising 100,000,000 ordinary shares of RM1 each to RM500,000,000 comprising 500,000,000 ordinary shares of RM1 each.

The bonus shares to be issued pursuant to the proposed bonus issue shall, upon allotment and issue rank pari passu in all respects with the existing issued and fully paid-up shares except that the bonus shares will not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date precedes the date of allotment of the bonus shares.

The proposed bonus issue and increase in authorised share capital are subject to the following approvals being obtained:

- (i) KLSE, for the listing of and quotation for the bonus shares;
- (ii) the shareholders of the Company at an Extraordinary General Meeting to be convened; and
- (iii) any other relevant authorities.

### 33 Segmental reporting

#### Primary reporting format - Business segments

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

#### Secondary reporting format - Geographical segments

	2003			2002		
	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	154,537,116	5,123,962	159,661,078	93,483,894	2,338,705	95,822,599
Intersegment revenue	(44,596,519)	(1,309,347)	(45,905,866)	(3,697,183)	0	(3,697,183)
External revenue	<u>109,940,597</u>	<u>3,814,615</u>	<u>113,755,212</u>	<u>89,786,711</u>	<u>2,338,705</u>	<u>92,125,416</u>

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

for the financial year ended 31 March 2003

**33 Segmental reporting** (continued)**Secondary reporting format - Geographical segments** (continued)

	2003			2002		
	Malaysia RM	The People's Republic of China RM	Total RM	Malaysia RM	The People's Republic of China RM	Total RM
Other information						
Segment assets	101,148,957	5,578,123	106,727,080	110,125,946	5,259,449	115,385,395
Unallocated assets	43,477,603	0	43,477,603	14,219,021	0	14,219,021
Total assets			<u>150,204,683</u>			<u>129,604,416</u>
Segment liabilities	8,323,428	762,741	9,086,169	4,111,134	460,468	4,571,602
Unallocated liabilities	5,758,047	957,281	6,715,328	12,739,788	1,339,476	14,079,264
Total liabilities			<u>15,801,497</u>			<u>18,650,866</u>
Capital expenditure	10,910,747	57,961	<u>10,968,708</u>	5,782,387	1,918,422	<u>7,700,809</u>
Depreciation and amortisation	5,702,815	317,076	<u>6,019,891</u>	5,743,096	191,080	<u>5,934,176</u>

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.

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 an arms length basis.

**34 Subsequent events**

On 26 June 2003, the Board of Directors announced that YLI Holdings Berhad ("YLI") has entered into a joint venture and shareholders agreement with PBA Holdings Bhd ("PBA"), a public company incorporated in Malaysia and KWI Far East Sdn Bhd ("KWI"), a company incorporated in Malaysia for the incorporation of a joint venture company. The joint venture and shareholders agreement was executed on 25 June 2003. The joint venture company is jointly owned by YLI, PBA and KWI on an equity structure of 37%, 26% and 37% respectively. The joint venture company, Pinang Water Ltd ("PWL"), was incorporated on 25 June 2003 in Wilayah Persekutuan Labuan as a private company limited by shares, will engage in the business of constructing water-infrastructure projects, water treatment, management and supply of treated water to government, industries, commercial and domestic consumers. The authorised share capital of PWL is USD13,000.00 comprising 13,000 ordinary shares of USD1.00 each, and the issued and paid-up share capital is USD100.00 comprising 100 ordinary shares of USD1.00 each.

## STATEMENT BY DIRECTORS

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

We, Loh Toa Thau @ Loh Eng Kim and Lee Then Wah, two of the Directors of YLI Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 33 to 64 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 2003 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 June 2003

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 33 to 64 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 27 June 2003

Before me

Commissioner for Oaths

## ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2003

Class of Shares	: Ordinary Shares of RM1.00 each
Voting Right	: One vote per ordinary share
Authorised Share Capital	: RM100,000,000
Issued and Paid-up Capital	: RM 63,828,000
Number of Holders	: 1,914

### DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 30 JUNE 2003

No. of Holders	Size of Holdings	Total Holdings	% of total issued capital
8	less than 100 shares	33	0.01
244	100 to 1,000 shares	239,294	0.37
1,348	1,001 to 10,000 shares	4,652,566	7.29
265	10,001 to 100,000 shares	8,580,603	13.44
48	100,001 to less than 5% of issued shares	22,582,500	35.38
1	5% and above of issued shares	27,773,004	43.51
1,914	TOTAL	63,828,000	100.00

### THIRTY LARGEST SHAREHOLDERS AS AT 30 JUNE 2003

	NAME	SHAREHOLDINGS	% OF TOTAL ISSUED CAPITAL
1	Fuji Fusion Sdn Bhd	27,773,004	43.51
2	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For OSK-UOB Small Cap Opportunity Unit Trust (3548)	3,012,000	4.72
3	AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad For HLG Penny Stock Fund (5/4-3)	1,611,000	2.52
4	AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad For Pacific Pearl Fund (5/1-9)	1,267,900	1.99
5	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Liew Kee Sin (CEB)	1,230,000	1.93
6	Pui Cheng Wui	1,157,100	1.81
7	Ooi Geok Lim @ Loh Geok Lim	1,153,000	1.81
8	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Bumiputra-Commerce Trustee Berhad For Pacific Dana Aman (3717 TRO1)	798,900	1.25
9	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Kong Sum Mooi (KLM)	780,000	1.22
10	Tham Jooi Loon	774,000	1.21
11	Lee Cheoh Lai	716,000	1.12

**ANALYSIS OF SHAREHOLDINGS** (CONTINUED)

AS AT 30 JUNE 2003

**THIRTY LARGEST SHAREHOLDERS AS AT 30 JUNE 2003** (continued)

	NAME	SHAREHOLDINGS	% OF TOTAL ISSUED CAPITAL
12	Tan Chee Ooi	639,000	1.00
13	H'ng Bak Tee	500,000	0.78
14	Tan Chee Chia	455,000	0.71
15	BBMB Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Teak Siang	400,000	0.63
16	Kong Sum Mooi	390,000	0.61
17	Loh Toa Thau @ Loh Eng Kim	388,000	0.61
18	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Public Ittikal Fund (N14011970240)	381,000	0.60
19	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tham Jooi Loon	370,700	0.58
20	Wong Yoon Chyuan	364,000	0.57
21	Malaysia Nominees (Tempatan) Sendirian Berhad Malaysian Trustees Berhad For Alliance Vision Fund (00-10033-000)	360,000	0.56
22	Fuji Fusion Sdn Bhd	352,000	0.55
23	Employees Provident Fund Board	350,000	0.55
24	Goh Thong Beng	310,000	0.49
25	Loh Toa Thau @ Loh Eng Kim	291,000	0.46
26	Wong Yoon Tet	289,000	0.45
27	A.A. Assets Nominees (Tempatan) Sdn Bhd Goo Bak Hoo @ Goh Bak Hoe	286,000	0.45
28	Goh Eu Jim	266,000	0.42
29	Tan Chong Long @ Tan Chong Liang	255,000	0.40
30	Teh Lai Boon	251,000	0.39
		<b>47,170,604</b>	<b>73.90</b>

**ANALYSIS OF SHAREHOLDINGS** (CONTINUED)

AS AT 30 JUNE 2003

**SUBSTANTIAL SHAREHOLDERS**

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 30 June 2003 are as follows:-

Name of Shareholders	No of shares			
	Direct	%	Indirect	%
Fuji Fusion Sdn Bhd	28,125,004	44.06	-	-
Loh Eng Kim Co Sdn Bhd	70,000	0.11	@28,125,004	44.06
Loh Toa Thau @ Loh Eng Kim	679,000	1.06	#28,195,004	44.17
Loh Yok Yeong	168,000	0.26	#28,195,004	44.17
Loh Yeok Chuan	-	-	#28,195,004	44.17
Loh Yeok Cheong+	-	-	#28,195,004	44.17
HSBC Holdings plc*	3,374,000	5.29	-	-

@ 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

\* Shares held as Trustees for Unit Trust and Discretionary Investment Management

**DIRECTORS' SHAREHOLDINGS**

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 30 June 2003 are as follows:-

Name of Directors	No of shares			
	Direct	%	Indirect	%
Loh Toa Thau @ Loh Eng Kim	679,000	1.06	#28,195,004	44.17
Loh Yok Yeong	168,000	0.26	#28,195,004	44.17
Lee Then Wah	135,900	0.21	-	-
Dato' Ir Syed Muhammad Shahabudin	-	-	-	-
Dato' Haji Yahaya bin Ahmad	-	-	-	-
Chan Kok Soo	16,000	0.03	-	-
Foong Kai Choong	-	-	-	-
Ng Chong Wee	-	-	-	-

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

## PROPERTIES OF THE GROUP

FACTORIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @ 31.03.2003 RM '000	APPROX AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
2432, Tingkat Perusahaan 6, Prai Industrial Estate 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 03.10.2042)	3.30 acres	1,767	N/A	1 November 1994
	Main factory	76,100 sq. ft.	4,201	20	
	Machine workshop	3,200 sq. ft.		12	
	Canteen	2,050 sq. ft.		7	
	Office building	7,949 sq. ft.		7	
71-A Jalan Jelutong, 11600 Pulau Pinang	Land ( Freehold)	12,988 sq. ft.	1,169	N/A	25 October 1994
	Two-storey office block and one single storey workshop	*5,170 sq. ft.	749	31	
	Land (Freehold) Single storey office building	3,044 sq. ft.	83 54	N/A 4	5 August 1998 1 March 2000
Lot No. 499 9W, Georgetown North East District Pulau Pinang	Land (Leasehold expiring 23.3.2041) (front yard of Lebuh Bakau factory)	1,679 sq. ft.	82	N/A	
39, East Jelutong 11600 Pulau Pinang	Land ( Freehold) (part of Lebuh Bakau factory)	6,993 sq. ft.		N/A	25 October 1994
40, East Jelutong 11600 Pulau Pinang	Land ( Freehold) (part of Lebuh Bakau factory)	4,085 sq. ft.	672	N/A	
2462 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai Pulau Pinang	Land ( Leasehold 60 years expiring 13.04.2044)	3.01 acres	5,347	N/A	10 September 1999
	Factory Building	60,702 sq. ft.	5,173	3	14 July 2000

\* Approximate figures

## PROPERTIES OF THE GROUP (CONTINUED)

FACTORIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @ 31.03.2003 RM '000	APPROX. AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
2579, Lorong Perusahaan 10, Prai Industrial Estate 13600 Prai Pulau Pinang	Land ( Leasehold 60 years expiring 23.01.2045)	3.02 acres	2,806	N/A	19 July 1999
	Single Storey factory cum workshop	40,050 sq. ft.	2,339	12	19 July 1999
	Double-storey office building	4,450 sq. ft.			
Min Nam Coastal Free Trade zone, Nanjing, Zhangzhou, Fujian, People's Republic of China	Factory	33,368 sq. ft.	1,565	2	24 October 2000
	Three-storey building cum workers hostel	9,095 sq. ft.			
OFFICE CUM WORKSHOP	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @ 31.03.2003 RM '000	APPROX. AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
51, Jalan Layang-layang 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Land ( Freehold)	7,201 sq. ft.	750	N/A	26 May 1997
	1 1/2 storey semi-detached factory erected on it		409	6	
WAREHOUSE	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @ 31.03.2003 RM '000	APPROX. AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
No. 2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai Pulau Pinang	Land (Leasehold expiring 09.05.2051)	3.25 acres	3,057	N/A	22 June 1996
	Single storey building used as a warehouse with a small section as office	10,744 sq. ft	1,736	7	

## PROPERTIES OF THE GROUP (CONTINUED)

GENERAL PROPERTIES	DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @ 31.03.2003 RM '000	APPROX. AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
No. 11, 12, 13, 14 Tingkat 3, Block C Taman Pelangi 13600 Prai Pulau Pinang	4 units of flats (leasehold expiring 07.11.2093) used as production workers accommodation)	700 sq. ft. each	163	7	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.	261	7	10 November 1993
HS(M)21310, PT No.18066	Land (Freehold)	1,481 sq.metres	603	N/A	May 2002
HS(M)21311, PT No.18067					
HS(M)21312, PT No.18068	Warehouse		122	N/A	Jan 2003
HS(M)21313, PT No.18069					
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)	80	N/A	16 September 2002

### Statement on Revaluation Policy on Landed Properties

The freehold and leasehold land and buildings have not been revalued since 1994 and 1998. The Directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS No. 16 (Revised) Property, Plant and Equipment, allowed for by the Malaysian Accounting Standards Board ("MASB"), these assets are stated at their 1994 and 1998 valuations less accumulated depreciation and any impairment.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of YLI Holdings Berhad will be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 28 August 2003 at 10.00 a.m.

### BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2003 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To sanction the declaration and payment of a final dividend for the financial year ended 31 March 2003. (Resolution 2)
3. To approve the Directors' fees for the financial year ended 31 March 2003. (Resolution 3)
4. (i) To re-elect Dato' Haji Yahaya bin Ahmad who retires in accordance with Section 129(6) of the Companies Act, 1965. (Resolution 4)  
(ii) To re-elect the following Director who retires in accordance with Article 84 of the Company's Articles of Association:-  
Mr Chan Kok Soo (Resolution 5)
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration. (Resolution 6)
6. SPECIAL BUSINESS  
To consider and, if thought fit, to pass with or without modifications the following Resolutions:-  
Ordinary Resolution  
Authority to allot shares (Resolution 7)  
  
"THAT pursuant to Section 132D of the Companies Act 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being, subject always to the approval of the relevant regulatory bodies being obtained for such allotment and issue."  
  
Special Resolution  
Proposed amendments to the Articles of Association of the Company (Resolution 8)  
  
"THAT the Articles of Association of the Company be amended as follows -  
  
(i) The existing Article 97(g) of the Articles of Association of the Company be deleted in its entirety and be substituted with the following:-  
  
97(g) is absent from more than 50% of the total board of directors' meetings held during a financial year.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (ii) A new Article 110A pertaining to participation in meetings by telephone conferencing which reads as follows be inserted immediately after the existing Article 110:-

110A. All or any of the members of the Board or any committee of the Board may participate in a meeting of the Board or that committee by means of a teleconference, video conference or any communication equipment which allows all persons participating in the meeting to communicate with one another. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly."

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

### CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders, the final dividend will be paid on 8 October 2003 to depositors registered in the Register of Depositors at the close of business on 18 September 2003. The Register of Members of the Company will be closed from 19 September 2003 to 23 September 2003 (both dates inclusive) for the determination of dividend entitlements.

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

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 18 September 2003 in respect of ordinary transfers.
- (b) Shares bought on the Kuala Lumpur Stock Exchange on a cum dividend entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order of the Board

MOLLY GUNN CHIT GEOK (MAICSA 0673097)  
Company Secretary

Penang

Date: 5 August 2003

#### NOTES:

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

#### EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 7 - Authority pursuant to Section 132D of the Companies Act 1965  
The Ordinary Resolution, if passed, will renew the powers given to the Directors at the last Annual General Meeting to issue new shares not exceeding 10 per cent (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company.
2. Resolution 8 - Proposed Amendments to the Articles of Association of the Company  
The proposed amendment to Article 97(g) is to bring it in line with the Listing Requirements of the Kuala Lumpur Stock Exchange. The new Article 110A is to provide for participation in meetings by telephone conferencing or any communication equipment which allows all persons participating in the meeting to communicate with one another.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

pursuant to paragraph 8.28(2) of the Listing Requirements of Kuala Lumpur Stock Exchange

1. Directors standing for re-election are :-

- (a) Dato' Haji Yahaya bin Ahmad
- (b) Mr Chan Kok Soo

2. Details of attendance of Directors at Board Meetings

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

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

Bayan Room, Hotel Equatorial,  
No 1, Jalan Bukit Jambul,  
11900 Bayan Lepas, Penang  
On Thursday, 28 August 2003 at 10.00 a.m.

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

The profile and shareholdings of the Directors who are standing for re-election are set out on pages 11 and 68 respectively of the annual report.

# PROXY FORM

Shareholding represented by Proxy

I/We .....  
(Full Name In Capital Letters)

of .....  
(Address)

being a member/members of YLI Holdings Berhad ("the Company"), hereby appoint.....

.....  
(Full Name)

of .....

or failing him / her .....

of .....

or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the EIGHTH ANNUAL GENERAL MEETING of the Company to be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 28 August 2003 at 10.00 a.m. and at any adjournment thereof in the manner indicated:-

	FOR	AGAINST
Resolution 1 - Adoption of financial statements and reports of Directors and Auditors		
Resolution 2 - Declaration and payment of a final dividend		
Resolution 3 - Approval of Directors' fees		
<i>Re-election of Directors:</i>		
Resolution 4 - Dato' Haji Yahaya bin Ahmad		
Resolution 5 - Mr Chan Kok Soo		
Resolution 6 - Re-appointment of Messrs PricewaterhouseCoopers as Auditors and authorising the Directors to determine their remuneration		
Resolution 7 - Authority to allot shares		
Resolution 8 - Amendments to Articles of Association		

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

Dated this            day of            2003.

CDS Account Number   
Number of shares held

**Notes:**

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

.....  
Signature/Common Seal of Appointer



Please fold across the lines and close

110

100

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00



The Company Secretary

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

71 - A, Jalan Jelutong, 11600 Penang, Malaysia

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