



YLI HOLDINGS BERHAD
Co. No. 367249-A

**diversification and
expansion**



2008

Annual Report

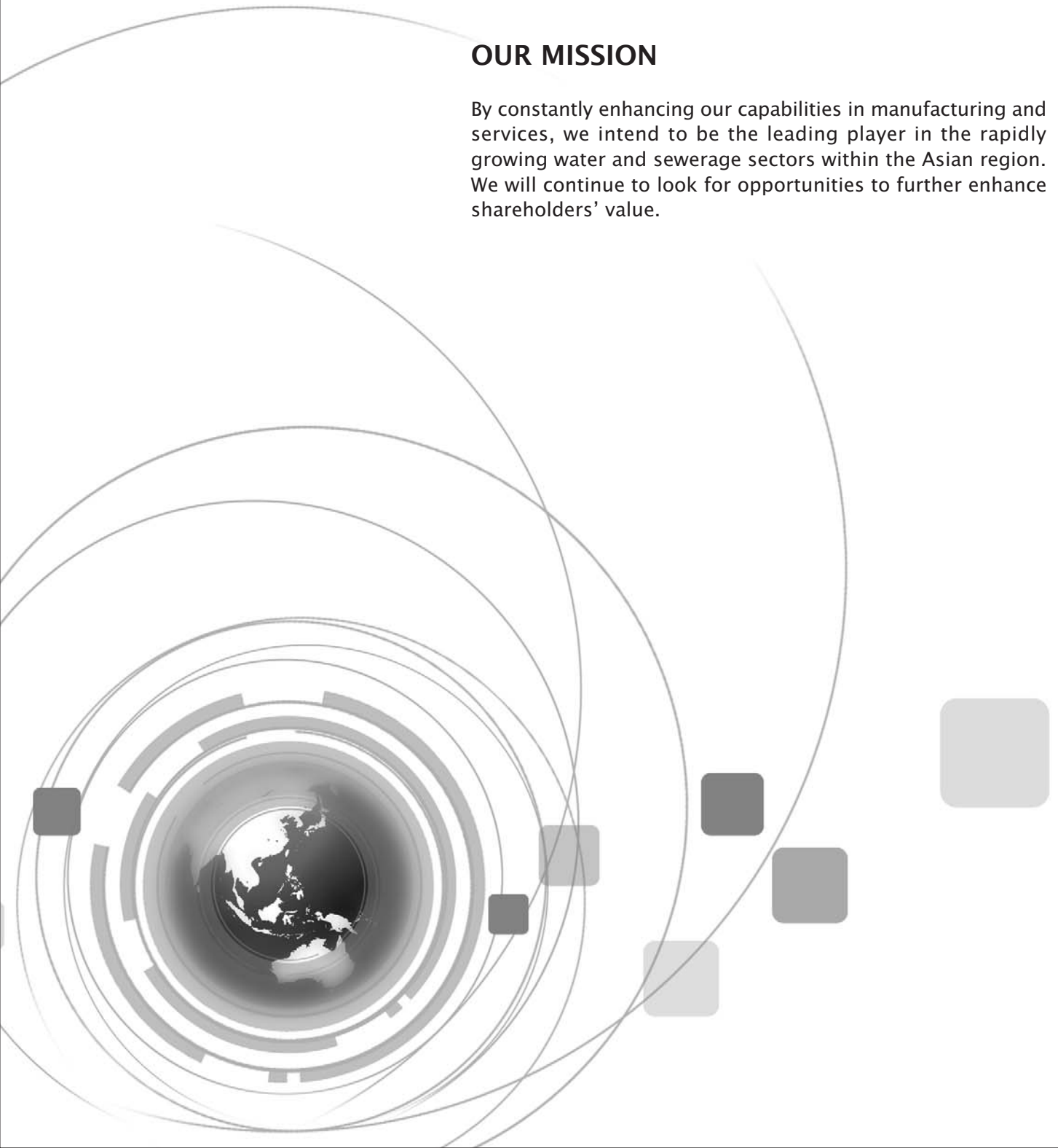
2008

OUR VISION

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

OUR MISSION


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





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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Samsuri Bin Rahmat
-Managing Director

Ali Sabri Bin Ahmad
-Executive Director

Independent Non-Executive Directors
Dato' Ir. Syed Muhammad Shahabudin
Ab Gani Bin Haron
Mohammad Khayat Bin Idris

COMPANY SECRETARY

Molly Gunn Chit Geok
MAICSA 0673097

BOARD COMMITTEES

Audit Committee

Ab Gani Bin Haron
-Chairman

Dato' Ir. Syed Muhammad Shahabudin
Mohammad Khayat Bin Idris

Remuneration Committee

Mohammad Khayat Bin Idris
-Chairman

Ab Gani Bin Haron
Samsuri Bin Rahmat

Nomination Committee

Dato' Ir. Syed Muhammad Shahabudin
-Chairman

Ab Gani Bin Haron
Mohammad Khayat Bin Idris

REGISTERED OFFICE

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

AUDITORS

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

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

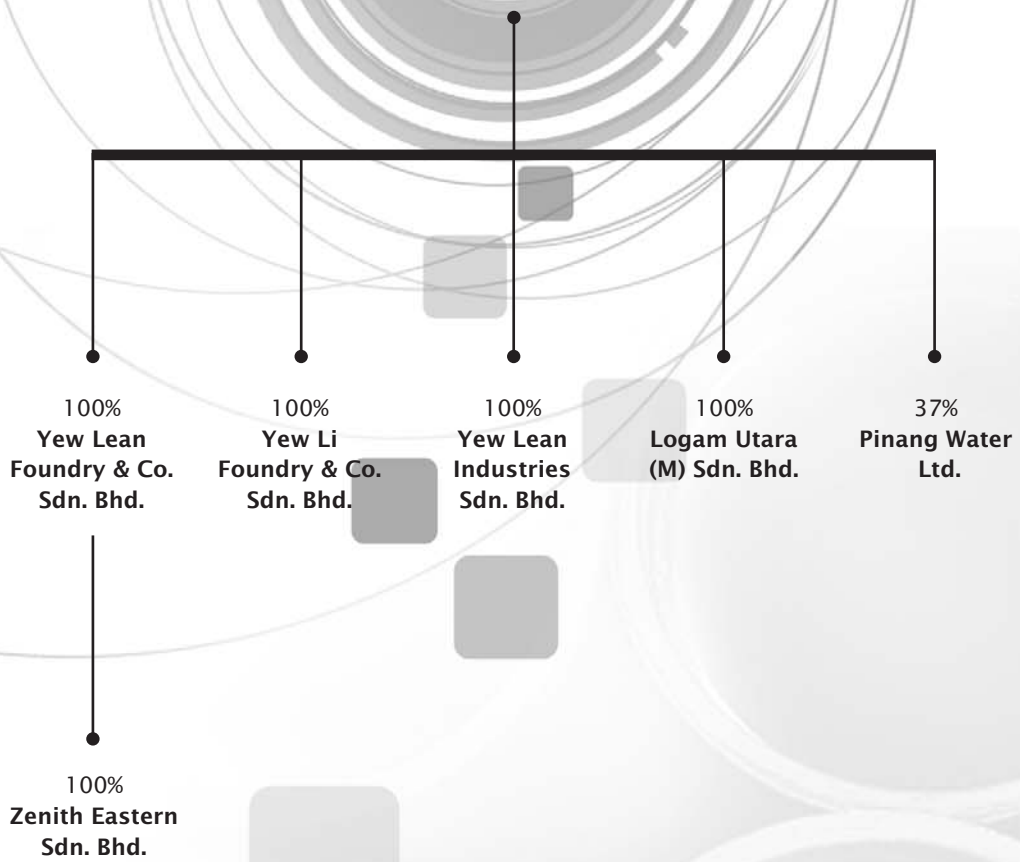
STOCK EXCHANGE LISTING

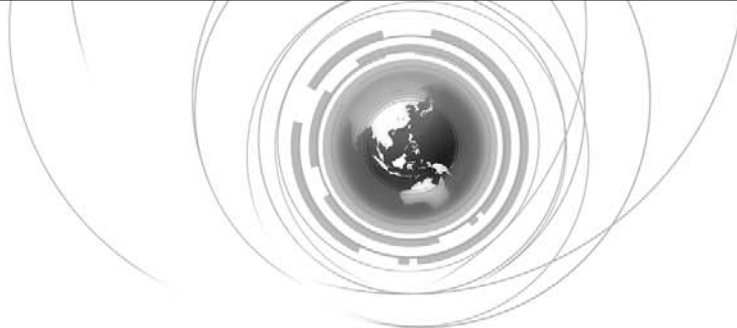
The Main Board of Bursa Malaysia Securities Berhad
Sector : Industrial Products
Stock Name : YLI
Stock Code : 7014

CORPORATE STRUCTURE



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





CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of YLI Holdings Berhad, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 March 2008. The Group had a challenging year as the past year was marked with rising raw material and energy costs, unstable political environment and lacklustre conditions in both domestic and export markets.

Financial Performance

Despite the difficult environment, the Group's shareholders' funds continue to increase by 2.7% to RM194.2 million as at 31 March 2008. The Group's net cash position further improved by a significant 32.8% to RM61.2 million, which places the Group in a position to explore business diversification or expansion should such opportunity arise.

Amidst a challenging operating environment, the Group ended the year with a group revenue of RM99.1 million, which represents a decline of 19.8% as compared to RM123.6 million recorded in the previous year. The lower revenue achieved was mainly attributed to declining demand for the Group's Ductile Iron ("DI") pipes in both local and export markets.

The Group achieved a pre-tax profit of RM12.7 million, a decline of 34.5% over the previous year while profit after tax declined by 22.1% to RM10.9 million. The declining profitability was mainly due to margin squeeze arising from higher costs of raw materials, energy and other factors of production.

Operation highlights and Corporate Developments

Although the operating environment for the past year remained challenging for the Group, we believe that new opportunities will emerge as the Government intensifies its efforts to reduce the percentage of Non-Revenue Water to 20% by year 2015. The Group is confident that it will continue to perform satisfactorily given the Group's expertise, brand quality and proven track record.

Management has since taken proactive actions to improve production efficiency and mitigate the impact of rising costs. In particular, vigorous efforts are made in ensuring optimum production output with least production cost via closely monitored production planning, regularly scheduled maintenance and minimum production yield loss. Meanwhile, the Company has also taken measures to ensure raw materials are sourced from most competitive suppliers.

In line with its plan to focus on its core business and to enhance shareholders' value via further diversification within the waterworks pipes industry wherein the Group's expertise lies, the Group had made announcements on its corporate developments as follow:

- 1) On 10 August 2007, YLI Holdings Berhad entered into two Share Sale Agreements with Euro Materials Limited ("EM") to dispose to EM its entire equity interests in its wholly-owned subsidiaries, YLI Corporation Limited and Zhangzhou YLI Electro-Metallurgy Co., Ltd. for an aggregate cash consideration of USD1,741,217.00 (approximately RM6,027,441.00).

The above disposal was completed upon the receipt of the total sale consideration by the Group on 21 January 2008.

- 2) On 13 August 2007, the Group announced that subject to approval from the shareholders of YLI Holdings Berhad being obtained, its wholly-owned subsidiary companies, Yew Li Foundry & Co. Sdn. Bhd. and Yew Lean Foundry & Co. Sdn. Bhd. (as the "Vendors") will enter into two separate Sale and Purchase Agreements with Loh Eng Kim Co. Sdn. Bhd. (as the "Purchaser") for the sale of Lots 128, 140, 141 & 499, Section 9W, Town of Georgetown, NED, Penang owned by Yew Li Foundry & Co. Sdn. Bhd. and Lots 126, 127, 129 & 130, Section 9W, Town of Georgetown, NED, Penang owned by Yew Lean Foundry & Co. Sdn. Bhd. ("Proposed Disposal") at RM1,164,342.28 and RM1,680,674.82 respectively based on the net book values of the properties as at 31 March 2007.

The shareholders' approval was obtained in the Twelfth Annual General Meeting held on 26 September 2007. The above disposal was completed on 6 June 2008 upon the receipt of the total sale consideration.

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



CHAIRMAN'S STATEMENT

(CONTINUED)

Operation highlights and Corporate Developments (continued)

The above acquisition is part of strategic decisions taken by the Board to diversify the Group's business within the waterworks pipes industry which is considered the core business of the Group. Given the Government's plan to improve the water supply sector under the Ninth Malaysia Plan, the proposed acquisition would further enhance the Group's competitiveness in securing waterworks projects under the Ninth Malaysia Plan especially in the Klang Valley area. This would also strengthen the Group's position as leading manufacturer of pipes and fittings within Malaysia.

Dividend

The Group has always been prudent to maintain its healthy and strong financial position. Our strong balance sheet continues to be our advantage in challenging operation conditions which have persisted in the past years.

In view of the Group's healthy financial position, the Board is recommending a first and final dividend of 7% per share less tax of 25% for the financial year ended 31 March 2008 subject to the approval of shareholders at the forthcoming annual general meeting.

Corporate Governance

The Statement on Corporate Governance is set out on page 12 to page 16. The Board will also ensure the requirements of Bursa Malaysia's listing requirements are applied and adhered to by the Company.

Industry Outlook

Under the Ninth Malaysia Plan, the Government has allocated more than RM12 billion for water supply and sewerage projects. Based on the latest publication by the Malaysia Water Association, the Malaysia Water Industry Guide 2006, this amount does not include investments from the private water companies as both the Government and private sectors work in tandem to improve the water quality and efficiency of existing water supply and sewerage systems in all states in Malaysia.

Despite the above, the local waterworks projects had been slow in its execution in past few years. In order to achieve the objective of improving water supply and sewerage systems, the waterworks projects will eventually be carried out in the second half of the Ninth Malaysia Plan. The Board is of the view that the Group stands to benefit as the leading DI pipes supplier when the demand for its products eventually improves.

Corporate Social Responsibility

As we strive to increase stakeholder value through our core business, we recognize our responsibility to our employees, business associates and the communities within which we conduct business as well as the environment we operate in.

Recognizing that employees are important assets, the Group has always endeavored to secure the welfare of all its employees. The Group has a Safety Committee which ensures that the working conditions are in compliance with the Occupational Safety and Health Act 1994 (OSHA) requirements. Employees were also provided with necessary training on an ongoing basis to enable them to cope with the changing business requirements.

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

Board Changes and Appreciation

On behalf of the Board, I would like to record my heartfelt appreciation and gratitude to Mr. Loh Yok Yeong, Mr. Lee Then Wah, Mr. Tan Hock Hin, Mr. Foong Kai Choong and Mr. Ng Chong Wee, who had resigned from the Board on 9 June 2008. The Group had certainly benefited tremendously from their prudent management and has remained as the leading ductile iron pipe manufacturer in Malaysia till today.

At the same time, I would like to welcome Encik Samsuri Rahmat, Encik Ali Sabri Ahmad, Encik Ab Gani Haron and Encik Mohammad Khayat Idris to the Board of YLI Holdings Berhad and I believe they would make invaluable contributions to the Group.

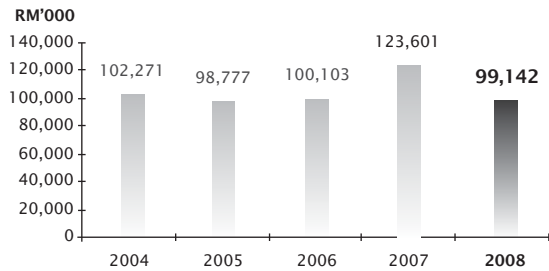
I would like to thank all our employees for their perseverance, commitment and substantial contribution to the Group for the past year. My sincere gratitude also goes to the management team, valued clients and business associates for their support. Last but not least, my heartfelt thanks to all our shareholders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

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
Chairman

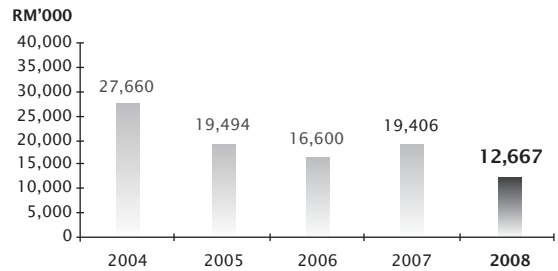


FINANCIAL HIGHLIGHTS

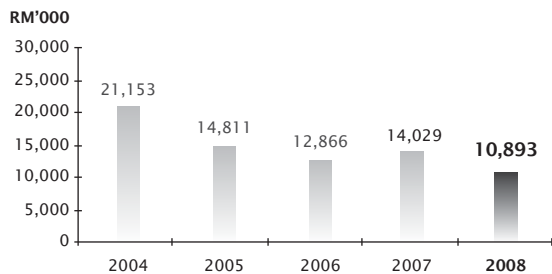
Revenue



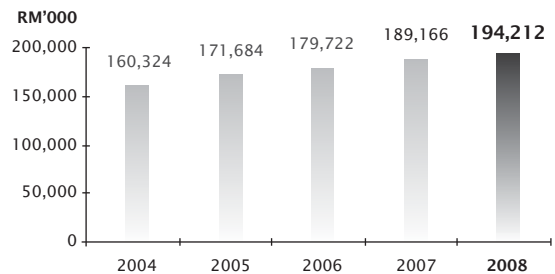
Profit Before Taxation



Profit After Taxation



Shareholders' Funds



FINANCIAL CALENDAR

FINANCIAL YEAR END

31 March 2008

ANNUAL GENERAL MEETING

28 August 2008

ANNOUNCEMENT OF RESULTS

First Quarter 28 August 2007
 Second Quarter 27 November 2007
 Third Quarter 26 February 2008
 Fourth Quarter 20 May 2008

ANNUAL REPORT

Date of Issuance 6 August 2008

DIVIDEND

First & Final

Recommendation 20 May 2008
 Payment date 17 November 2008
 (if approved)



FINANCIAL TRACK RECORD

	Financial Year Ended 31 March				
	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
Revenue	99,142	123,601	100,103	98,777	102,271
Profit Before Taxation	12,667	19,406	16,600*	19,494	27,660
Profit After Taxation Attributable to Shareholders	10,893	14,029	12,866	14,811	21,153
Shareholders' Funds	194,212	189,166	179,722	171,684	160,324
Total Assets Employed	210,913	205,272	197,053	187,854	173,537
Profit After Taxation as a Percentage of Shareholders' Funds	5.6	7.4	7.2	8.6	13.2
Basic Earnings Per Share (sen)	11.05	14.23	13.05	15.06	21.90
Diluted Earnings Per Share (sen)	N/A	N/A	N/A	N/A	21.84
Net Tangible Assets Per Share (RM)	1.97	1.92	1.82	1.74	1.64
No. of Shares in Issue	98,560	98,560	98,560	98,560	97,957

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

OUR PERFORMANCE

		2008 RM'000	2007 RM'000	% Change	
INCOME STATEMENT	Revenue	99,142	123,601	(19.79)	
	Profit Before Taxation	12,667	19,406	(34.72)	
	Profit After Taxation	10,893	14,029	(22.35)	
BALANCE SHEET	Shareholders' Funds	194,212	189,166	2.67	
	Total Assets Employed	210,913	205,272	2.75	
RATIOS	Current Ratio	times	17.19	17.38	(1.09)
	Interest Coverage	times	59,748.80	1618.17	36.92
	Return On Equity	%	5.61	7.61	(26.28)
	Return On Total Assets	%	5.16	6.97	(25.97)
	Financial Leverage Ratio	times	0.00	0.00	0.00
	Basic Earnings Per Share	sen	11.05	14.23	(22.35)
	Net Tangible Assets Per Share	RM	1.97	1.92	2.64
31st March Closing Price	RM	1.41	2.19	(35.62)	



PROFILE OF DIRECTORS

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir

Malaysian, aged 60

Non-Independent Non-Executive Chairman

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

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

He is not related to any director and/or other major shareholder of YLI and does not have any conflict of interest with the Company. Since his appointment on 15 August 2007 Tan Sri Syed Yusof has attended all five Board Meetings for the financial year ended 31 March 2008.

Encik Samsuri Rahmat

Malaysian, aged 53,

Managing Director

Non-Independent Executive Director

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

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

As the Managing Director, he is mainly responsible for the Group's strategic direction as well as its business and corporate development. He also sits on the Board of various subsidiaries of the YLI Group. He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since he has only been appointed the Managing Director on 9 June 2008, he did not attend any Board Meetings held in the financial year ended 31 March 2008.



PROFILE OF DIRECTORS

(CONTINUED)

Encik Ali Sabri Ahmad

Malaysian, aged 51

Non-Independent Executive Director

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

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

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since he has only been appointed as the Executive Director on 9 June 2008, he did not attend any Board Meetings held in the financial year ended 31 March 2008.

Dato' Ir. Syed Muhammad Shahabudin

Malaysian, aged 72

Independent Non-Executive Director

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

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

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

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

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

He has been involved in a number of NGO activities and is currently the Chairman of Malaysian Water Partnership (MyWP). He is the Past President of the Malaysian Water Association (MWA) and is a board member on Selangor Water Management Board (LUAS), which is responsible for water resources in the state.

He is currently a Board Member of the newly formed National Water Services Commission (SPAN), Malaysia.

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



PROFILE OF DIRECTORS

(CONTINUED)

Encik Ab Gani Haron

Malaysian, aged 56

Independent Non-Executive Director

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

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

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

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since he has only been appointed as the Independent Non-Executive Director on 9 June 2008, he did not attend any Board Meetings held in the financial year ended 31 March 2008.

Encik Mohammad Khayat Idris

Malaysian, aged 55

Independent Non-Executive Director

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

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

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

He is not related to any director and/or any major shareholder of the Group and does not have any conflict of interest with the Company. Since he has only been appointed as the Independent Non-Executive Director on 9 June 2008, he did not attend any Board Meetings held in the financial year ended 31 March 2008.



STATEMENT ON CORPORATE GOVERNANCE

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

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

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

The statement below sets out how the Group has applied the principles and the extent of its compliance with the best practices throughout the financial year ended 31 March 2008.

THE BOARD OF DIRECTORS

The Board

The Board which is responsible for the control and proper management of the Company comprises members with a wide range of experience in fields such as accounting, marketing, engineering, legal, corporate planning and restructuring and construction. The Board has delegated specific responsibilities to three main committees namely the Audit, Remuneration and Nomination Committees, which operate within approved terms of reference. These Committees have the authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however lies with the entire Board.

(i) Board Composition

The Group is led and controlled by an experienced Board, many of whom have intimate knowledge of the business and industry. The current Board consists of two Executive Directors and four Non-Executive Directors, of whom three are independent. The Independent Non-Executive Directors are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. Together they play an important part in the process of deliberating and examining business strategies proposed by the Management taking into account the long term interest of the Company, its shareholders, employees, customers and other stakeholders.

There is a clear division of responsibility between the Chairman and the Group Managing Director. The management of the Group's business and implementation of policies and day-to-day running of the business is delegated to the Executive Directors.

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

(ii) Board meetings

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

STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

THE BOARD OF DIRECTORS (continued)

The Board (continued)

(ii) Board meetings (continued)

During the financial year ended 31 March 2008, six (6) Board Meetings were held. The attendance record of each Director is as follows:-

Board of Directors' Meeting		May'07	Aug'07	Nov'07	Nov'07	Jan'08	Feb'08	Total	%
Directors	Position	Attendance						Total	%
1 Tan Sri Syed Mohd Yusof bin Tun Syed Nasir <i>[Appointed w.e.f. 15 August 2007]</i>	Non-Executive Chairman	N/A	•	•	•	•	•	5/5	100
2 Loh Yok Yeong	Group Managing Director	•	•	•	•	•	•	6/6	100
3 Lee Then Wah	Group Executive Director	•	•	•	•	•	•	6/6	100
4 Dato' Ir Syed Muhammad Shahabudin	Director	•	×	•	×	•	•	4/6	66.67
5 Foong Kai Choong	Director	×	•	•	•	×	•	4/6	66.67
6 Ng Chong Wee	Director	•	•	•	•	•	•	6/6	100
7 Tan Hock Hin	Director	•	•	•	•	•	•	6/6	100
8 Dato' Loh Toa Thau @ Loh Eng Kim <i>[Resigned w.e.f. 15 August 2007]</i>	Executive Chairman	•	N/A	N/A	N/A	N/A	N/A	1/1	100
Total number of meetings held:							6		

(iii) Supply of Information

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

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

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

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



STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

THE BOARD OF DIRECTORS (continued)

The Board (continued)

(iv) Appointments to the Board

The present Nomination Committee comprises Dato' Ir Syed Muhammad Shahabudin (Independent Non-Executive Director) who is the Chairman, Encik Ab Gani bin Haron (Independent Non-Executive Director) and Encik Mohammad Khayat bin Idris (Independent Non-Executive Director).

The Nomination Committee assists the Board on the following functions:

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

(v) Re-election of Directors

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

The names of Directors who are standing for re-election at the Thirteenth Annual General Meeting of the Company to be held on 28 August 2008 are contained in the Statement Accompanying Notice of Annual General Meeting.

(vi) Directors' Training

As required under the Listing Requirements of Bursa Malaysia Securities Berhad, all the former Directors have attended the Directors' Mandatory Accreditation Programme ("MAP"). The new Directors who have not yet attended the MAP will be doing so within the stipulated time frame.

The Directors will continue to attend various professional programmes necessary to enhance their professionalism in the discharge of their duties. For the financial year, the Directors had attended seminars and other training programmes which covered topics on amendments to the Companies Act, 1965, Effective Chairmanship and Implementing The Balanced Scorecard Management System For Mapping Business Strategy. In addition, the Directors are kept abreast of any changes in relevant laws and regulations by the Company Secretary.

DIRECTORS' REMUNERATION

(i) Remuneration Committee

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

(ii) Remuneration Policy

The Remuneration Committee recommends to the Board for approval the remuneration package of Executive Directors. The remuneration system takes into account individual performance, comparison of the Company's actual performance relative to other companies in the same sector and additional responsibilities of the Directors. The fees of the Directors are subject to shareholders' approval at the Annual General Meeting.



STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

DIRECTORS' REMUNERATION (continued)

(iii) Details of the Directors' remuneration

The aggregate remuneration of the Directors during the financial year ended 31 March 2008 is set out below:-

A. Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fees	80,375	30,000
Salaries	675,300	-
Bonus	94,377	-
Benefits in kind	41,665	8,050
Other benefits	124,342	308,548

B. Band (RM)

Band (RM)	Executive Directors	Non-Executive Directors	Total
0 - 50,000	-	4	4
150,001 - 200,000	1	-	1
200,001 - 250,000	1	-	1
250,001 - 300,000	-	1	1
550,001 - 600,000	1	-	1

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

RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

Shareholders and members of the public are invited to access the Group's website at www.yli.com.my to obtain the latest information on the Group.

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



STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

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

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

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 24 of this Annual Report.

(ii) Relationship with the External Auditors

The Board has established and maintains a close and transparent professional relationship with the external auditors of the Company. As disclosed on pages 18 to 22 the Audit Committee is the independent channel of communication for the external and internal auditors. It also reviews the activities of the internal audit function as well as the effectiveness of the system of internal control.



ADDITIONAL COMPLIANCE INFORMATION

Non-audit fees

For the financial year, the amount of non-audit fees incurred for services rendered to the Company or its subsidiaries by its external auditors or a firm or company affiliated to the said auditors was RM20,100.

Options, warrants or convertible securities exercised

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

During the financial year:

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

Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPT”)

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



AUDIT COMMITTEE REPORT

Chairman

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

Ng Chong Wee* (*Resigned w.e.f. 9 June 2008*)
Independent Non-Executive Director

Members

Dato' Ir Syed Muhammad Shahabudin
Independent Non-Executive Director

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

Tan Hock Hin* (*Resigned w.e.f. 9 June 2008*)
Independent Non-Executive Director

Loh Yok Yeong (*Resigned w.e.f. 9 June 2008*)
Group Managing Director

*Members of MIA

Terms of Reference

1. MEMBERSHIP

- 1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-
- (a) the Committee must be composed of no fewer than 3 members, a majority of whom must be independent directors;
 - (b) all members of the Audit Committee shall be non-executive directors and should be financially literate; and
 - (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- 1.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.
- 1.3 No alternate director should be appointed as a member of the Committee.



AUDIT COMMITTEE REPORT

(CONTINUED)

Terms of Reference (continued)

1. MEMBERSHIP (continued)

- 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. MEETINGS

2.1 Frequency

- 2.1.1 Meetings shall be held not less than four times a year.
- 2.1.2 Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

2.2 Quorum

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

2.3 Secretary

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

2.4 Attendance

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

2.5 Reporting Procedure

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



AUDIT COMMITTEE REPORT

(CONTINUED)

2. MEETINGS (continued)

2.6 Meeting Procedure

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

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

3. RIGHTS

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

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

4. FUNCTIONS

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

4.1 To review:-

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

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



AUDIT COMMITTEE REPORT

(CONTINUED)

4. FUNCTIONS (continued)

4.3 In respect of the appointment of external auditors:

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

4.4 In respect of the internal audit function:

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

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

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

Details of attendance of members at Audit Committee Meetings

For the financial year ended 31 March 2008, eight (8) Audit Committee meetings were held.

The attendance of each member is as set out below:

Committee Members	Position	#01	#02	#03	#04	#05	#06	#07	#08	Total	%
		Attendance									
Ng Chong Wee	Chairman	•	•	•	•	•	•	•	•	8/8	100
Loh Yok Yeong	Member	•	•	•	•	•	•	•	•	8/8	100
Tan Hock Hin	Member	•	•	•	•	•	•	•	•	8/8	100

Activities of the Audit Committee

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

- a. Reviewed the Group's unaudited quarterly results and announcements and audited year end financial statements, prior to recommending to the Board of Directors for approval.
- b. Reviewed with the external auditor the audit plan, audit report and the audit approach.
- c. Considered and recommended the reappointment and remuneration of the external auditors.



AUDIT COMMITTEE REPORT

(CONTINUED)

Activities of the Audit Committee (continued)

- d. Reviewed and approved the internal auditor's annual audit plan, audit findings and reports and assessed his performance, adequacy of resources and approved his remuneration.
- e. Reviewed and approved the risk management framework and assessed the adequacy of the internal control system.
- f. Reviewed the Audit Committee report and Statement on Internal Control for inclusion in the Annual Report.
- g. Reviewed the external auditor's management letter and management's response where applicable or issued.
- h. Held two meetings with the external auditors without the presence of management.

Activities of the Internal Audit Department

The Group's Internal audit function is an independent department which overlooks the overall internal audit activities of the Group. Its activities are mainly carried out in accordance with the annual audit plan that has been tabled to the Audit Committee for its review and approval and selected ad-hoc audits on management's requests. The audit plan uses a risk based approach and focuses on financial, operational, compliance with applicable laws and assesses the adequacy of internal controls as well as the effectiveness of risk management framework for key operating companies within the Group. The Internal Auditor reports directly to the Audit Committee and assists the Audit Committee to monitor and manage risks and provides the Committee with independent views on the effectiveness of the system of internal control after its reviews. The internal audit findings and recommendations are reviewed quarterly by the Audit Committee and its recommendations for improvements on control and minutes of Audit Committee meetings are circulated to the Board.

Further information on the internal audit activities of the Group is set out under the Statement of Internal Control on pages 23 and 24.



STATEMENT OF INTERNAL CONTROL

INTRODUCTION

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

BOARD’S RESPONSIBILITY

The Board acknowledges its responsibility for the Group’s system of internal control and for reviewing its effectiveness in terms of adequacy and integrity. The objective of the system of internal control is to enhance the value of shareholders’ investments and safeguard Company’s assets. The Board through its various committees has continuously reviewed the adequacy and effectiveness of the system on the operational and financial aspects of the Group.

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

KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

Risk Management Framework

There is in place a formal and on-going process to identify, evaluate and manage key risks faced by the Group. This process entails the establishment of an appropriate risk management framework to embed risk management precepts in the processes and activities of the Group. This includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and taking preventive measures to manage significant risks. The framework is continuously monitored and reviewed as risks faced by the Group may change over time. Members of staff from operating levels are involved in identifying, evaluating and managing risks in the course of their day to day duties. The risk profile and control measures are raised to senior management and the Audit Committee which assists the Board in reviewing the controls in place to manage risks. Strategies to mitigate risks are then communicated to operating levels. The internal audit findings and recommendations are reviewed quarterly by the Audit Committee and its recommendation and minutes of Audit Committee meetings are circulated to the Board.

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

Internal Audit Function

The Group has in place a group internal audit function which assists the Audit Committee with assessment on the adequacy and integrity of the systems of internal control. Internal Audit reports directly to the Audit Committee and conducts independent reviews on the internal control system of the Group and the effectiveness of the processes that have been put in place to identify, manage and report risks. Periodic reviews are conducted on the Group’s core activities in accordance with the annual audit plan approved by the Audit Committee. Control measures are in place to resolve any weaknesses (if any) identified in the internal audit reports. Internal Audit also monitors compliance with procedures issued by the Company and highlights any significant findings in respect of non-compliance for action accordingly, if any. In addition, Internal Audit also assists to audit the efficient use of resources within the Group.



STATEMENT OF INTERNAL CONTROL

(CONTINUED)

Other components of internal control include organisational structure with formally defined responsibility lines and delegation of authority and operational procedures which are continuously reviewed and updated. Senior management also conducts regular visits to the Group's operating units.

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

Effects of the Internal Control

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

This statement has been seen and approved by the Board of Directors at the meeting held on 20 May 2008.

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

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF ANNUAL AUDITED ACCOUNTS

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

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



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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

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 2008.

Principal activities

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

Financial results

	Group RM	Company RM
Net profit for the financial year	<u>10,893,418</u>	<u>9,611,498</u>

Dividend

Dividend proposed, declared or paid since 31 March 2007 is as follows:

In respect of the financial year ended 31 March 2007 as reported in the Directors' report of that financial year:

- a first and final dividend of 7.0 sen, less tax at 27%, paid on 16 November 2007.

RM

5,036,416

The Directors now recommend the payment of a first and final dividend of 7.0 sen (2007: 7.0 sen) less tax at 25% (2007: 27%) amounting to RM5,174,400 (2007: RM5,036,416) in respect of the financial year ended 31 March 2008 subject to the approval of members at the forthcoming Annual General Meeting of the Company.

Share capital

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

Reserves and provisions

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

Directors

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

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir	(appointed on 15 August 2007)
Dato' Ir. Syed Muhammad Shahabudin	
Samsuri Bin Rahmat	(appointed on 9 June 2008)
Ali Sabri Bin Ahmad	(appointed on 9 June 2008)
Mohammad Khayat Bin Idris	(appointed on 9 June 2008)
Ab Gani Bin Haron	(appointed on 9 June 2008)
Dato' Loh Toa Thau @ Loh Eng Kim	(resigned on 15 August 2007)
Loh Yok Yeong	(resigned on 9 June 2008)
Lee Then Wah	(resigned on 9 June 2008)



DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

Directors (continued)

Foong Kai Choong	(resigned on 9 June 2008)
Ng Chong Wee	(resigned on 9 June 2008)
Tan Hock Hin	(resigned on 9 June 2008)

Directors' interests

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

	Number of ordinary shares of RM1 each			As at 31 March 2008
	As at 1 April 2007	Bought	Sold	
YLI Holdings Berhad				
Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir				
Direct	0	29,568,000	0	29,568,000
Loh Yok Yeong				
Direct	196,000	0	0	196,000
Indirect	39,498,206	0	29,568,000	9,930,206
Lee Then Wah				
Direct	155,000	0	129,000	26,000

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

Directors' benefits

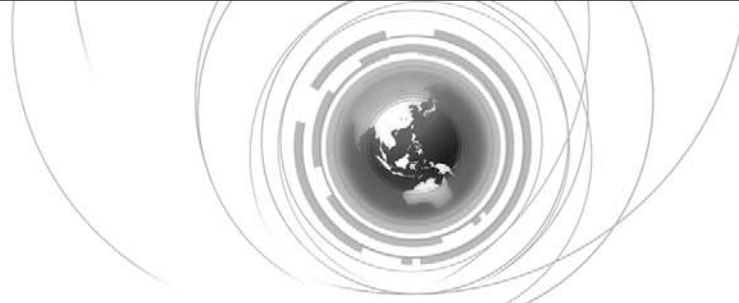
Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest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

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

Other statutory information

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

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



DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

Other statutory information (continued)

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

- (a) the results of the Group and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 4 July 2008.

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
Director

Samsuri Bin Rahmat
Director



REPORT OF THE AUDITORS

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of YLI Holdings Berhad, which comprise the balance sheets as at 31 March 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 31 to 72.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2008 and of their financial performance and cash flows for the financial year then ended.



REPORT OF THE AUDITORS

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 17 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

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

PricewaterhouseCoopers
[AF:1146]
Chartered Accountants

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

Penang

4 July 2008



INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	5	99,142,006	123,601,158	12,088,680	7,642,737
Cost of sales		(79,837,014)	(93,406,311)	0	0
Gross profit		19,304,992	30,194,847	12,088,680	7,642,737
Other operating income		1,406,323	1,209,877	48,545	51,410
Selling and distribution costs		(2,665,845)	(4,361,368)	0	0
Administrative expenses		(5,936,615)	(6,512,831)	(620,265)	(284,149)
Other operating expenses		(33,496)	(509,796)	0	(267,912)
Finance costs	7	(212)	(11,893)	0	0
Share of results of a jointly controlled entity	18	591,386	(602,776)	0	0
Profit before taxation	8	12,666,533	19,406,060	11,516,960	7,142,086
Income tax expense	11	(1,773,115)	(5,377,208)	(1,905,462)	(2,036,103)
Net profit for the financial year		10,893,418	14,028,852	9,611,498	5,105,983
Net profit for the financial year					
- continuing operations	36	10,685,777	12,891,108		
- discontinued operations	36	207,641	1,137,744		
		10,893,418	14,028,852		
Earnings per share (sen)					
- basic	12	11.05	14.23		
- diluted	12	N/A*	N/A*		
Dividend per share (sen)					
- proposed first and final dividend	13	7.0	7.0	7.0	7.0

* N/A - Not applicable

BALANCE SHEETS

AS AT 31 MARCH 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Non current assets					
Investment properties	14	0	951,149	0	0
Property, plant and equipment	15	54,285,436	60,861,463	0	0
Prepaid land leases	16	12,454,933	13,234,162	0	0
Subsidiary companies	17	0	0	16,406,000	18,355,350
Jointly controlled entity	18	784,811	1,190,362	141	141
		<u>67,525,180</u>	<u>76,237,136</u>	<u>16,406,141</u>	<u>18,355,491</u>
Current assets					
Inventories	19	31,113,381	33,668,562	0	0
Receivables	20	39,415,714	37,480,997	29,737	67,194
Amounts due from subsidiary companies	21	0	0	52,081,232	56,781,631
Amount due from a jointly controlled entity	22	8,103,161	8,097,564	8,064,928	8,064,928
Tax recoverable		546,679	182,429	90,906	56,791
Short term investments	23	3,000,000	3,511,604	3,000,000	3,511,604
Deposits, cash and bank balances	24	61,208,603	46,093,248	33,055,262	21,341,929
		<u>143,387,538</u>	<u>129,034,404</u>	<u>96,322,065</u>	<u>89,824,077</u>
Less: Current liabilities					
Payables	25	8,339,533	6,004,702	143,197	169,641
Provision for taxation		780	1,439,928	0	0
		<u>8,340,313</u>	<u>7,444,630</u>	<u>143,197</u>	<u>169,641</u>
Net current assets		<u>135,047,225</u>	<u>121,589,774</u>	<u>96,178,868</u>	<u>89,654,436</u>
Less: Non current liability					
Deferred taxation	26	8,360,354	8,660,612	0	0
		<u>194,212,051</u>	<u>189,166,298</u>	<u>112,585,009</u>	<u>108,009,927</u>
Capital and reserves					
Share capital	27	98,560,000	98,560,000	98,560,000	98,560,000
Share premium	28	7,208,014	7,208,014	7,208,014	7,208,014
Revaluation and other reserves	29	1,032,412	1,843,661	0	0
Retained earnings	30	87,411,625	81,554,623	6,816,995	2,241,913
Shareholders' equity		<u>194,212,051</u>	<u>189,166,298</u>	<u>112,585,009</u>	<u>108,009,927</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

	Note	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	Total RM
		Number of shares	Nominal value RM	Share premium RM	Revaluation and other reserves RM	Retained earnings RM	
At 1 April 2006		98,560,000	98,560,000	7,208,014	1,460,449	72,493,195	179,721,658
Reversal of capital gains tax	26,29	0	0	0	79,845	0	79,845
Effect of change in income tax rate on revaluation surplus	26,29	0	0	0	122,212	0	122,212
Exchange fluctuation differences arising during the financial year	29	0	0	0	181,155	0	181,155
Net gain recognised in equity		0	0	0	383,212	0	383,212
Net profit for the financial year		0	0	0	0	14,028,852	14,028,852
Total recognised income for the financial year		0	0	0	383,212	14,028,852	14,412,064
Dividend for the financial year ended - 31 March 2006		0	0	0	0	(4,967,424)	(4,967,424)
At 31 March 2007		98,560,000	98,560,000	7,208,014	1,843,661	81,554,623	189,166,298
At 1 April 2007		98,560,000	98,560,000	7,208,014	1,843,661	81,554,623	189,166,298
Effect of change in income tax rate on revaluation surplus	26,29	0	0	0	43,005	0	43,005
Realisation of deferred tax upon disposal of revalued assets	26,29	0	0	0	16,629	0	16,629
Exchange fluctuation differences arising during the financial year	29	0	0	0	(856,680)	0	(856,680)
Realisation of exchange fluctuation reserve upon disposal of subsidiary companies	29	0	0	0	(14,203)	0	(14,203)
Net loss recognised in equity		0	0	0	(811,249)	0	(811,249)
Net profit for the financial year		0	0	0	0	10,893,418	10,893,418
Total recognised income for the financial year		0	0	0	(811,249)	10,893,418	10,082,169
Dividend for the financial year ended - 31 March 2007	13	0	0	0	0	(5,036,416)	(5,036,416)
At 31 March 2008		98,560,000	98,560,000	7,208,014	1,032,412	87,411,625	194,212,051

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

	Note	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total RM
		Number of shares	Nominal value RM	Share premium RM	Retained earnings RM	
At 1 April 2006		98,560,000	98,560,000	7,208,014	2,103,354	107,871,368
Net profit for the financial year		0	0	0	5,105,983	5,105,983
Dividend for the financial year ended 31 March 2006		0	0	0	(4,967,424)	(4,967,424)
At 31 March 2007		<u>98,560,000</u>	<u>98,560,000</u>	<u>7,208,014</u>	<u>2,241,913</u>	<u>108,009,927</u>
At 1 April 2007		98,560,000	98,560,000	7,208,014	2,241,913	108,009,927
Net profit for the financial year		0	0	0	9,611,498	9,611,498
Dividend for the financial year ended 31 March 2007	13	0	0	0	(5,036,416)	(5,036,416)
At 31 March 2008		<u>98,560,000</u>	<u>98,560,000</u>	<u>7,208,014</u>	<u>6,816,995</u>	<u>112,585,009</u>

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Operating cash flows					
Cash receipts from customers		96,615,823	120,477,106	0	0
Cash paid to suppliers and employees		(77,010,925)	(103,847,594)	(582,515)	(326,579)
Cash flows generated from/(used in) operations	31	19,604,898	16,629,512	(582,515)	(326,579)
Dividends received from:					
- a subsidiary company		0	0	5,036,416	4,967,424
- marketable securities		0	29,130	0	29,130
Taxation paid		(4,826,695)	(5,032,636)	(117,000)	(169,662)
Taxation refund		1,009,558	0	40,207	0
Interest paid		(212)	(11,893)	0	0
Interest received		888,343	963,182	430,036	523,745
		(2,929,006)	(4,052,217)	5,389,659	5,350,637
Net operating cash flow		16,675,892	12,577,295	4,807,144	5,024,058
Investing cash flows					
Income from short term investments		812,698	292,558	491,284	178,159
Incorporation of subsidiary companies		0	(4)	0	0
Proceeds from compulsory acquisition by Government of freehold land		0	222,000	0	0
Proceeds from disposal of investment properties		951,149	0	0	0
Proceeds from disposal of property, plant and equipment		379,102	160	0	0
Downpayment received from disposal of property, plant and equipment	15	168,067	0	0	0
Purchase of property, plant and equipment		(2,518,192)	(2,236,511)	0	0
Proceeds from disposal of investments:					
- subsidiary companies	36	2,951,279	0	6,038,541	0
- marketable securities		663,836	0	663,836	0
Proceed from disposal of prepaid land lease		73,537	0	0	0
Net investing cash flow		3,481,476	(1,721,797)	7,193,661	178,159



CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

Note	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Financing cash flows				
Advances to subsidiary companies	0	0	(1,250,000)	(5,928,000)
Advances to a jointly controlled entity	(5,597)	(901,090)	0	(899,942)
Repayment of advances by subsidiary companies	0	0	5,998,944	8,717,975
Dividends paid	(5,036,416)	(4,967,424)	(5,036,416)	(4,967,424)
Net financing cash flow	(5,042,013)	(5,868,514)	(287,472)	(3,077,391)
Net change in cash and cash equivalents during the financial year	15,115,355	4,986,984	11,713,333	2,124,826
Effect of exchange rate changes on cash and cash equivalents	0	948	0	0
Cash and cash equivalents at the beginning of the financial year	46,093,248	41,105,316	21,341,929	19,217,103
Cash and cash equivalents at the end of the financial year	24 61,208,603	46,093,248	33,055,262	21,341,929

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM2,661,298 (2007: RM2,257,868) of which RM143,106 (2007: RM21,357) was included in other payables at balance sheet date. Cash payments of RM2,518,192 (2007: RM2,236,511) were made to purchase these property, plant and equipment.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

1 General information

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

The Group has 295 (2007: 384) employees at the end of the financial year. The Company does not have any employee at the end of the current and previous financial year.

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

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

2579, Lorong Perusahaan 10
Prai Industrial Estate
13600 Prai
Penang

2 Financial risk management objectives and policies

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

(a) Foreign currency exchange risk

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

(b) Interest rate risk

The Group's 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

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

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 payments from customers. The Group considers the risk of material loss in the event of non-performance by a financial counter party to be unlikely.

(d) Liquidity and cash flow risk

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

(e) Market risk

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

3 Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies below and comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

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

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

The new accounting standard effective for the Group's financial year ended 31 March 2008 and applicable to the Group is as follows:

- FRS 124 Related Party Disclosures

The adoption of the above standard did not result in substantial changes to the Group's accounting policies except for additional disclosures for the current and previous financial year as set out in note 6 to the financial statements.

- FRS 117 Leases

The Group had chosen to early adopt FRS 117 Leases in the financial year ended 31 March 2007.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

3 Basis of preparation (continued)

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

The new and revised standards that are mandatory for the Group's financial period beginning on or after 1 April 2008, or later periods, but which the Group has not early adopted, are as follows:

- FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group will apply this standard from financial periods beginning 1 April 2008.
- FRS 121 Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a foreign operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of profit or loss regardless of the currency in which these items are denominated in. The Group will apply this standard from financial periods beginning 1 April 2008.
- The following revised standards effective for accounting periods beginning on or after 1 July 2007 that have no significant changes as compared to the original standards:
 - FRS 107 Cash Flow Statements
 - FRS 118 Revenue
 - FRS 134 Interim Financial Reporting
 - FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.
- With the exception of FRS 139, the amendments to published standards and interpretations are not expected to have a material impact on the financial statements.

(c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant for the Group's operations

- FRS 111 Construction Contracts (effective for accounting periods beginning on or after 1 July 2007).
- FRS 120 Accounting for Government Grant and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

3 Basis of preparation (continued)

(c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant for the Group's operations (continued)

- IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 7 Applying the Restatement Approach under FRS 129 (2004) Financial Reporting in Hyperinflationary Economies – Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007).
- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007).

4 Summary of significant accounting policies

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 31 March 2008.

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

The Group has taken advantage of the exemption provided by FRS 3 Business Combinations to apply this standard prospectively. Accordingly, business combinations entered into prior to 1 January 2006 have not been restated to comply with this standard.

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

4 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

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

(b) Property, plant and equipment

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

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

4 Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

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

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

(c) Investment properties

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

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

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

(d) Impairment of assets

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

4 Summary of significant accounting policies (continued)

(e) Investments in subsidiary companies

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Investments in subsidiary companies are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy note 4 (d) to the financial statement on impairment of assets.

(f) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is agreed control by the Group with one or more parties. The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements by the equity method of accounting.

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

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

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

(g) Operating leases/prepaid land leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases/prepaid land leases. Payments made under operating leases/prepaid land leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the period of the respective leases that range from 45 to 60 years, which expire from 2041 and 2051.

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

(h) Inventories

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

4 Summary of significant accounting policies (continued)

(i) Trade receivables

Trade receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables based on a review of all outstanding amounts at the financial year end. Bad debts are written off in the period in which they are identified.

(j) Income tax

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

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

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

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

(k) Short term investments

Marketable securities/unit trusts

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

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

(l) Share capital

(i) Classification

Ordinary shares are classified as equity.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

4 Summary of significant accounting policies (continued)

(l) Share capital (continued)

(ii) Dividends to shareholders of the Company

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

(m) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

4 Summary of significant accounting policies (continued)

(n) Revenue recognition

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

(i) Sale of goods

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

(ii) Dividend income

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

(iii) Interest income

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

(iv) Rental income

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

(o) Finance costs

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

(p) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

4 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

(ii) Defined contribution plan (continued)

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

(r) Financial instruments

(i) Description

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

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

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

(ii) Financial instruments recognised on the balance sheet

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

(iii) Fair value estimation for disclosure purposes

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

4 Summary of significant accounting policies (continued)

(s) Critical accounting estimates and assumptions

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

5 Revenue

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Sales of goods	97,980,940	122,857,621	0	0
Interest income from licensed banks and finance companies	456,773	527,948	456,773	527,948
Dividend income from:				
- a subsidiary company	0	0	6,899,200	6,899,200
- marketable securities	0	37,430	0	37,430
Income from short term investments	491,284	178,159	491,284	178,159
Gain on disposal of investments:				
- subsidiary companies	60,777	0	4,089,191	0
- marketable securities	152,232	0	152,232	0
	<u>99,142,006</u>	<u>123,601,158</u>	<u>12,088,680</u>	<u>7,642,737</u>

6 Significant related party balances and transactions

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

(i) Significant related party balances

	Company	
	2008 RM	2007 RM
Amounts due from subsidiary companies (note 21) (non-trade):		
- Yew Lean Foundry & Co. Sdn. Bhd.	51,766,232	50,716,232
- Yew Li Foundry & Co. Sdn. Bhd.	315,000	2,006,000
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	0	951,699
- YLI Corporation Ltd.	0	3,107,700
	<u>52,081,232</u>	<u>56,781,631</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

6 Significant related party balances and transactions (continued)

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

	Company	
	2008 RM	2007 RM
Gross dividend income from a subsidiary company:		
- Yew Lean Foundry & Co Sdn. Bhd.	6,899,200	6,899,200
Advances to subsidiary companies:		
- Yew Lean Foundry & Co. Sdn. Bhd.	1,250,000	5,400,000
- YLI Corporation Ltd.	0	528,000
Advances to a jointly controlled entity:		
- Pinang Water Limited	0	899,942
Repayment of advances from subsidiary companies:		
- Yew Lean Foundry & Co. Sdn. Bhd.	200,000	3,150,000
- Yew Li Foundry & Co. Sdn. Bhd.	1,691,000	4,000,000
- Zhangzhou YLI Electro-Metallurgy Co. Ltd.	955,104	603,229
- YLI Corporation Ltd.	3,152,840	0
- Logam Utara (M) Sdn. Bhd.	0	1,000,000

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

(iii) Key management personnel compensation

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Salaries and other short term employee benefits	772,118	835,577	34,000	34,000
Defined contribution retirement plan	73,842	70,674	0	0
	<u>845,960</u>	<u>906,251</u>	<u>34,000</u>	<u>34,000</u>

7 Finance costs

	Group	
	2008 RM	2007 RM
Interest expense on:		
- revolving credit / bankers acceptance	0	(6,859)
- bank overdraft	(212)	(5,034)
	<u>(212)</u>	<u>(11,893)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

8 Profit before taxation

(i) Expenses by nature

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Changes in inventories of finished goods and work in progress	(206,057)	2,410,215	0	0
Purchases of raw materials	(50,812,238)	(60,494,287)	0	0
Auditors' remuneration:				
- statutory audit	(78,671)	(96,606)	(35,000)	(35,000)
- other services	(4,200)	(4,200)	(3,800)	(3,800)
Depreciation of property, plant and equipment (note 15)	(4,800,978)	(5,162,499)	0	0
Amortisation of prepaid land Leases (note 16)	(331,169)	(333,254)	0	0
Depreciation of investment properties (note 14)	0	(5,692)	0	0
Rental of land and building	(37,060)	(48,205)	0	0
Property, plant and equipment written off	(2,868)	(404,050)	0	0
Loss on disposal of property, plant and equipment	0	(437)	0	0
Foreign exchange loss				
- realised	(218,264)	(207,687)	0	(39,978)
- unrealised	(5,877)	(293,931)	0	(227,934)
Employee benefits cost (note 9)	(9,231,410)	(10,388,534)	0	0
Directors' fee (note 10)	(110,375)	(172,000)	(70,375)	(122,000)
Non-Executive Directors' other benefits (note 10)	(308,548)	0	(308,548)	0
Bad debts written off	(5,580)	0	(5,580)	0
Utilities	(8,570,923)	(13,104,566)	0	0
Repairs and maintenance	(1,746,409)	(2,492,170)	0	0
Transportation	(3,989,512)	(5,965,347)	0	0
Insurance	(336,934)	(375,835)	(19,461)	(21,955)
Product consumables	(2,266,187)	(1,968,324)	0	0
Other expenses	(5,409,710)	(5,682,897)	(177,501)	(101,394)
Total cost of sales, selling and distribution costs, administrative expenses and other operating expenses	<u>(88,472,970)</u>	<u>(104,790,306)</u>	<u>(620,265)</u>	<u>(552,061)</u>

Direct operating expenses from investment properties that generated rental income of the Group during the period amounted to RM Nil (2007: RM11,748).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

8 Profit before taxation (continued)

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest income from licensed banks and finance companies	915,080	967,385	456,773	527,948
Rental income	262,000	322,000	0	0
Gain on disposal of property, plant and equipment	18,726	0	0	0
Gain on compulsory acquisition by Government of freehold land	0	76,688	0	0
Dividend income from marketable securities	0	37,430	0	37,430
Foreign exchange gain				
- realised	48,544	19,644	48,544	0
- unrealised	151,388	36,554	0	0
Allowance for diminution in value for investment no longer required	0	51,410	0	51,410
Income from short term investments	812,698	292,558	491,284	178,159
Gain on disposal of investments				
- subsidiary companies (note 36)	60,777	0	4,089,191	0
- marketable securities	152,232	0	152,232	0
	152,232	0	152,232	0

9 Employee benefits cost

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

	Group	
	2008 RM	2007 RM
Wages, salaries and bonuses	7,058,870	7,968,211
Defined contribution plan	701,355	717,022
Other employee benefits	1,471,185	1,703,301
	9,231,410	10,388,534

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

10 Directors' remuneration

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

Non-Executive Directors

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir (appointed on 15 August 2007)
 Dato' Ir. Syed Muhammad Shahabudin
 Foong Kai Choong
 Ng Chong Wee
 Tan Hock Hin

Executive Directors

Loh Yok Yeong
 Lee Then Wah
 Dato' Loh Toa Thau @ Loh Eng Kim (resigned on 15 August 2007)

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-Executive Directors				
- fees	30,000	71,000	30,000	71,000
- other benefits	308,548	0	308,548	0
- estimated money value of benefits-in-kind	8,050	0	0	0
	346,598	71,000	338,548	71,000
Executive Directors:				
- fees	80,375	101,000	40,375	51,000
- salaries and bonuses	769,677	1,152,074	0	0
- defined contribution plan	94,542	138,294	0	0
- other employee benefits	29,800	64,300	0	0
- estimated money value of benefits-in-kind	41,665	51,331	0	0
	1,016,059	1,506,999	40,375	51,000
	1,362,657	1,577,999	378,923	122,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

11 Income tax expense

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Malaysian taxation:				
- current taxation	(2,931,074)	(5,212,694)	(1,858,207)	(1,988,492)
- deferred taxation (note 26)	242,188	495,622	0	0
	<u>(2,688,886)</u>	<u>(4,717,072)</u>	<u>(1,858,207)</u>	<u>(1,988,492)</u>
Over/(under) accrual in prior financial year:				
- current taxation	917,335	(122,697)	(47,255)	(47,611)
- deferred taxation (note 26)	(1,564)	(537,439)	0	0
	<u>(1,773,115)</u>	<u>(5,377,208)</u>	<u>(1,905,462)</u>	<u>(2,036,103)</u>

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before taxation	<u>12,666,533</u>	<u>19,406,060</u>	<u>11,516,960</u>	<u>7,142,086</u>
Tax calculated at the Malaysian income tax rate of 26% (2007: 27%)	(3,293,299)	(5,239,636)	(2,994,410)	(1,928,363)
Tax effects of:				
Share of results of jointly controlled entities	153,760	(162,750)	0	0
Difference in foreign income tax rate	7,102	11,969	0	0
Change in income tax rate	270,609	545,995	0	0
Expenses not deductible for income tax purposes	(414,087)	(462,664)	(146,367)	(122,112)
Expenses allowable for double deductions for income tax purposes	11,279	19,448	0	0
Income not subject to tax	420,404	307,156	1,282,570	61,983
Utilisation of reinvestment allowances	114,311	201,938	0	0
Difference in income tax rate for the first RM500,000 (2007:RM500,000) of taxable income of Malaysian subsidiaries	51,361	77,471	0	0
Current financial year's tax loss not recognised	(12,273)	(15,999)	0	0
Temporary differences not recognised	1,947	0	0	0
Over/(under) accrual in prior financial year:				
- current taxation	917,335	(122,697)	(47,255)	(47,611)
- deferred taxation	(1,564)	(537,439)	0	0
	<u>(1,773,115)</u>	<u>(5,377,208)</u>	<u>(1,905,462)</u>	<u>(2,036,103)</u>

As gazetted in the Finance Act 2007, the income tax rate is 26% for the Year of Assessment 2008 (2007: 27%) and for the Year of Assessment 2009 onwards, the income tax rate will be 25%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

12 Earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit after taxation for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	2008	2007
Net profit after taxation (RM)	10,893,418	14,028,852
Weighted average number of ordinary shares in issue	98,560,000	98,560,000
Basic earnings per share (sen)	11.05	14.23

The diluted earnings per share is adjusted for the effects of all dilutive potential ordinary shares. There is no dilutive potential ordinary share as at end of the financial year (2007: Nil).

13 Dividend per share

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

	Group and Company	
	2008	2007
	RM	RM
Proposed first and final dividend of 7.0 sen (2007: 7.0 sen) less income tax at 25% (2007: 27%)	5,174,400	5,036,416

The proposed first and final dividend of 7.0 sen (2007: 7.0 sen) less income tax at 25% (2007: 27%) amounting to RM5,174,400 (2007: RM5,036,416) in respect of the financial year ended 31 March 2008 will be accrued as a liability after approval by the shareholders at the Annual General Meeting of the Company.

14 Investment properties

	Group	
	2008	2007
	RM	RM
Net book value		
As at 1 April	951,149	956,841
Depreciation for the financial year	0	(5,692)
Disposals	(951,149)	0
As at 31 March	0	951,149
Cost	0	970,212
Accumulated depreciation	0	(19,063)
Net book value	0	951,149

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

14 Investment properties (continued)

The freehold land at 31 March 2007 was last revalued on November 3, 1994 by Henry Butcher, Lim & Long (North) Sdn. Bhd., an independent qualified valuer using the open market value basis.

Analysis of freehold land that is stated at valuation:

	Group	
	2008 RM	2007 RM
Net book value	0	672,246

15 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

15 Property, plant and equipment (continued)

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

During the financial year, Yew Lean Foundry & Co. Sdn. Bhd. ("Yew Lean") a subsidiary company of the Company entered into a Sale and Purchase agreements with Loh Eng Kim & Co. Sdn. Bhd. ("Purchaser") for the sale of land known as Lots 126, 127, 129 & 130 Section 9W, Town of Georgetown, NED, Penang together with the respective buildings erected thereon for cash consideration of RM1,680,675.

As at the balance sheet date, a downpayment amounting to RM168,067 has been received. The disposal of properties is pending the delivery of vacant possession to the purchaser, which took place on 31 May 2008.

The Group's land and buildings comprise of:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

15 Property, plant and equipment (continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

15 Property, plant and equipment (continued)

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

	2008 RM	2007 RM
Net book value		
Freehold land, at valuation	1,023,608	1,023,608
Building on freehold land, at valuation	104,727	106,864
Building on short term leasehold land, at valuation	3,153,598	3,200,559
Freehold land and building, at cost	4,817,865	4,979,242
Long term leasehold flats, at cost	147,081	150,083
Buildings on short term leasehold land, at cost	11,593,292	11,549,165
Renovation, at cost	158,289	175,877
Factory building, at cost	0	1,587,289
	20,998,460	22,772,687

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

Subsequent additions are stated at cost.

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

	2008 RM	2007 RM
Valuation in 1994 on the Open Market Value basis	5,231,397	5,231,397
Net book value	4,281,933	4,331,031
Net book value - had the above been carried at historical cost	566,539	576,827

16 Prepaid land leases

	Group	
	2008 RM	2007 RM
As at 1 April	13,234,162	13,567,416
Amortisation for the financial year	(331,169)	(333,254)
Disposal	(73,537)	0
Disposal of subsidiary companies	(374,523)	0
As at 31 March	12,454,933	13,234,162
Cost/valuation	15,592,132	16,068,391
Accumulated amortisation	(3,137,199)	(2,834,229)
Total prepaid land leases	12,454,933	13,234,162

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

17 Subsidiary companies

Company	
2008	2007
RM	RM
16,406,000	18,355,350

Unquoted shares, at cost

Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Held by the Company		Held by subsidiary companies		Principal activities
		2008 %	2007 %	2008 %	2007 %	
Yew Lean Foundry & Co. Sdn. Bhd.	Malaysia	100	100	0	0	Manufacturing and marketing of ductile iron pipes and fittings and other related products.
Yew Li Foundry & Co. Sdn. Bhd.*	Malaysia	100	100	0	0	Manufacturing and marketing of cast iron fittings, saddles and manhole covers and fabrication of pipes.
Logam Utara (M) Sdn. Bhd.*	Malaysia	100	100	0	0	Manufacturing and coating of LUSAN™ (Rilsan) on couplings, tapping sleeves, water tanks and marketing of specialised imported products for water works.
Zenith Eastern (M) Sdn. Bhd.*	Malaysia	0	0	100	100	Property investment holding.
Yew Lean Industries Sdn. Bhd. *	Malaysia	100	100	0	0	Marketing and distribution of pipes and fittings to waterworks and others.
YLI Corporation Ltd *	Hong Kong	0	100	0	0	Investment holding.
Zhangzhou YLI Electro-Metallurgy Co. Ltd.*	The People's Republic of China	0	100	0	0	Manufacturing of raw materials for foundry use.
Zhangzhou Xinyli Materials Co. Ltd.*	The People's Republic of China	0	0	0	100	Presently dormant. Intended activity is manufacturing of raw materials for foundry use.
Muller International Ltd. *	British Virgin Islands	0	0	0	100	Trading of finished goods and investment holding.

* Audited by firm other than PricewaterhouseCoopers, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

18 Jointly controlled entity

	2008 RM	2007 RM
Group		
Share of net assets of the jointly controlled entity	<u>784,811</u>	<u>1,190,362</u>
Company		
Unquoted shares, at cost	<u>141</u>	<u>141</u>

Details of the jointly controlled entity are as follows:

Name of company	Country of incorporation	Held by the Company		Principal activities
		2008 %	2007 %	
Pinang Water Limited*	Labuan, Malaysia	37	37	Constructing water-infrastructure projects, water treatment, management and supply of treated water.

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

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

	2008 RM	2007 RM
Non current assets	9,653,587	9,788,709
Current assets	398,279	377,206
Current liabilities	(8,528,211)	(8,015,958)
Non current liabilities	(738,844)	(959,595)
Net assets	<u>784,811</u>	<u>1,190,362</u>

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

	2008 RM	2007 RM
In respect of purchase of property, plant and equipment	<u>0</u>	<u>189,852</u>

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

	2008 RM	2007 RM
In respect of purchase of property, plant and equipment	<u>1,182,150</u>	<u>1,277,610</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

18 Jointly controlled entity (continued)

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

	2008 RM	2007 RM
Revenue	724,570	186,989
Cost of sales	<u>(532,554)</u>	<u>(173,859)</u>
Gross profit	192,016	13,130
Other income	632,948	4,117
Expenses excluding taxation	<u>(233,578)</u>	<u>(614,515)</u>
Profit/(loss) before taxation	591,386	(597,268)
Income tax expense	0	(5,508)
Profit/(loss) after taxation	<u>591,386</u>	<u>(602,776)</u>

19 Inventories

	<u>Group</u>	
	2008 RM	2007 RM
Raw materials	3,749,446	6,098,570
Work in progress	732,297	1,179,302
Finished goods	<u>26,631,638</u>	<u>26,390,690</u>
	<u>31,113,381</u>	<u>33,668,562</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RM53,161,362 (2007: RM59,087,336).

20 Receivables

	<u>Group</u>		<u>Company</u>	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables	38,975,969	36,479,720	0	0
Other receivables	59,604	329,040	26,737	64,194
Deposits	170,331	354,032	3,000	3,000
Prepayments	209,810	318,205	0	0
	<u>39,415,714</u>	<u>37,480,997</u>	<u>29,737</u>	<u>67,194</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

20 Receivables (continued)

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	34,864,046	30,841,266	26,737	64,194
US Dollar	335,637	3,125,195	0	0
Chinese Renminbi	0	838,233	0	0
Euro	0	2,004,066	0	0
Singapore Dollar	3,835,890	0	0	0
	<u>39,035,573</u>	<u>36,808,760</u>	<u>26,737</u>	<u>64,194</u>

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

The credit term of the receivables range from 30 days to 120 days (2007: 30 days to 120 days).

As at 31 March 2008, approximately 40% (2007: 52%) of the trade receivables balance of the Group relate to four major customers. The Group's historical record in the collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no credit risk needs to be additionally allowed for beyond the allowance for doubtful debts (if any) already made by the Group.

21 Amounts due from subsidiary companies

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

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

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

	Company	
	2008 RM	2007 RM
Ringgit Malaysia	52,081,232	52,722,232
US Dollar	0	4,059,399
	<u>52,081,232</u>	<u>56,781,631</u>

22 Amount due from a jointly controlled entity

The amount due from a jointly controlled entity is denominated in Ringgit Malaysia and interest free with no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

23 Short term investments

	Group and Company	
	2008 RM	2007 RM
Lower of cost and market value		
Quoted shares in corporations	0	511,604
Unit trusts	<u>3,000,000</u>	<u>3,000,000</u>
At 31 March	<u>3,000,000</u>	<u>3,511,604</u>
Market value		
Quoted shares in corporations	0	635,250
Unit trusts	<u>3,295,800</u>	<u>3,228,600</u>

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Deposits with licensed banks	56,060,000	40,289,551	32,850,000	21,130,697
Cash and bank balances	<u>5,148,603</u>	<u>5,803,697</u>	<u>205,262</u>	<u>211,232</u>
	<u>61,208,603</u>	<u>46,093,248</u>	<u>33,055,262</u>	<u>21,341,929</u>

The effective interest rates of the Group's and of the Company's deposits with licensed banks at balance sheet date range from 3.35% to 3.45% (2007: 3.00% to 5.02%) and 3.45% (2007: 3.45% to 4.00%) per annum respectively.

The Group's and the Company's fixed deposits with licensed banks have a weighted average maturity of 22 days and 23 days (2007: 48 days and 44 days) respectively at the end of the financial year.

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	61,176,125	42,733,436	33,055,262	21,341,929
US Dollar	32,478	2,747,032	0	0
Chinese Renminbi	0	554,750	0	0
Euro	0	47,885	0	0
Hong Kong Dollar	0	10,145	0	0
	<u>61,208,603</u>	<u>46,093,248</u>	<u>33,055,262</u>	<u>21,341,929</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

25 Payables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade payables	1,921,995	1,457,732	0	0
Other payables	2,421,438	2,293,293	23,096	10,641
Other accruals	3,996,100	2,253,677	120,101	159,000
	<u>8,339,533</u>	<u>6,004,702</u>	<u>143,197</u>	<u>169,641</u>

The currency exposure profile of payables is as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Ringgit Malaysia	7,586,053	3,875,184	143,197	169,641
US Dollar	731,132	203,668	0	0
Chinese Renminbi	0	1,918,546	0	0
Hong Kong Dollar	22,348	7,304	0	0
	<u>8,339,533</u>	<u>6,004,702</u>	<u>143,197</u>	<u>169,641</u>

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

26 Deferred taxation

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

	Group	
	2008 RM	2007 RM
Deferred tax liabilities - subject to income tax	<u>8,360,354</u>	<u>8,660,612</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

26 Deferred taxation (continued)

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

	Group	
	2008 RM	2007 RM
At 1 April	8,660,612	8,820,852
Property, plant and equipment:		
- current financial year	(312,603)	(482,514)
- under accrual in prior financial year	1,564	537,439
Accruals	20,629	4,051
Unrealised foreign exchange gain/(loss)	49,786	(17,159)
(Credited)/charged to income statement (note 11)	(240,624)	41,817
Reversal of capital gains tax	0	(79,845)
Effect of change in income tax rate on revaluation surplus	(43,005)	(122,212)
Realisation of deferred tax upon disposal of revalued assets	(16,629)	0
Charged to equity	(59,634)	(202,057)
At 31 March	8,360,354	8,660,612

	Group	
	2008 RM	2007 RM
Subject to income tax:		
Deferred tax assets (before offsetting):		
Accruals	(29,526)	(50,155)
Unrealised foreign exchange loss	0	(17,159)
	(29,526)	(67,314)
Offsetting	29,526	67,314
Deferred tax assets (after offsetting)	0	0
Deferred tax liabilities (before offsetting):		
Property, plant and equipment	8,357,253	8,727,926
Unrealised foreign exchange gain	32,627	0
Offsetting	(29,526)	(67,314)
Deferred tax liabilities (after offsetting)	8,360,354	8,660,612

27 Share capital

	Company	
	2008 RM	2007 RM
Authorised:		
Ordinary shares of RM1 each:		
At 1 April/31 March	500,000,000	500,000,000
Issued and fully paid:		
Ordinary shares of RM1 each:		
At 1 April/31 March	98,560,000	98,560,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

28 Share premium

	Group and Company	
	2008	2007
	RM	RM
At 1 April/31 March	7,208,014	7,208,014

29 Revaluation and other reserves

	Group	
	2008	2007
	RM	RM
Revaluation*/capital reserve	1,588,667	1,529,033
Exchange fluctuation reserve	(556,255)	314,628
	1,032,412	1,843,661

* Revaluation reserve is stated net of deferred taxation.

The movements in each category of reserves are as follows:

	Group	
	2008	2007
	RM	RM
Revaluation/capital reserve		
At 1 April	1,529,033	1,326,976
Reversal of capital gains tax	0	79,845
Effect of change in income tax rate on revaluation surplus	43,005	122,212
Realisation of deferred tax upon disposal of revalued assets	16,629	0
At 31 March	1,588,667	1,529,033
Exchange fluctuation reserve		
At 1 April	314,628	133,473
Exchange fluctuation differences arising during the financial year	(856,680)	181,155
Realisation of exchange fluctuation reserve upon disposal of subsidiaries companies	(14,203)	0
At 31 March	(556,255)	314,628

30 Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 Dec 2007, companies shall not be allowed to deduct tax on dividend paid, credited or distributed to its shareholders and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However there is a transitional period of six years, expiring on 31 December 2013 to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay under the single tier system. The change in tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with section 39 of the Finance Act 2007.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

30 Retained earnings

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 March 2008 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007.

The Company has, subject to confirmation by the Inland Revenue Board, sufficient tax credits and tax exempt income to frank the payment of net dividends out of all its retained earnings as at 31 March 2008 (2007: All) without incurring additional taxation.

31 Cash flows generated from/(used in) operations

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Net profit for the financial year	10,893,418	14,028,852	9,611,498	5,105,983
Adjustments for:				
Share of results of jointly controlled entity	(591,386)	602,776	0	0
Taxation	1,773,115	5,377,208	1,905,462	2,036,103
Depreciation of property, plant and equipment	4,800,978	5,162,499	0	0
Depreciation of investment properties	0	5,692	0	0
Amortisation of prepaid land leases	331,169	333,254	0	0
(Gain)/loss on disposal of property, plant and equipment	(18,726)	437	0	0
Gain on compulsory acquisition by Government of freehold land	0	(76,688)	0	0
Property, plant and equipment written off	2,868	404,050	0	0
Income from short term investments	(812,698)	(292,558)	(491,284)	(178,159)
Allowance for diminution in value for investment no longer required	0	(51,410)	0	(51,410)
Interest expense	212	11,893	0	0
Interest income from licensed banks and finance companies	(915,080)	(967,385)	(456,773)	(527,948)
Dividend income from:				
- a subsidiary company	0	0	(6,899,200)	(6,899,200)
- marketable securities	0	(37,430)	0	(37,430)
Foreign exchange loss				
- unrealised	5,877	293,931	0	227,934
Foreign exchange gain				
- unrealised	(151,388)	(36,554)	0	0
Gain on disposal of investments:				
- subsidiary companies	(60,777)	0	(4,089,191)	0
- marketable securities	(152,232)	0	(152,232)	0
	4,211,932	10,729,715	(10,183,218)	(5,430,110)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

31 Cash flows generated from/(used in) operations (continued)

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Changes in working capital during the financial year:				
Inventories	4,633,087	(3,817,166)	0	0
Receivables	363,278	(2,872,342)	64,194	(1,374)
Payables	(496,817)	(1,439,547)	(26,444)	10,552
Intercompany balances	0	0	(48,545)	(11,630)
	4,499,548	(8,129,055)	(10,795)	(2,452)
Cash flows generated from/(used in) operations	19,604,898	16,629,512	(582,515)	(326,579)

32 Contingent liabilities (unsecured)

Company

The Company has given guarantees to banks on behalf of certain subsidiary companies for facilities approximating RM39,410,000 (2007: RM40,750,000) of which RM2,474,282 (2007: RM4,395,937) respectively was utilised as at 31 March 2008.

Group

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

33 Commitments

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

	Group	
	2008 RM	2007 RM
Contracted but not provided for in respect of:		
- Purchase of property, plant and equipment	567,932	3,310,075

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

34 Segmental reporting

Primary reporting format – Business segments

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

Secondary reporting format – Geographical segments

	2008			2007		
	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	108,784,171	6,624,161	115,408,332	117,959,779	17,687,772	135,647,551
Intersegment revenue	(14,893,606)	(1,372,720)	(16,266,326)	(9,555,967)	(2,490,426)	(12,046,393)
External revenue	93,890,565	5,251,441	99,142,006	108,403,812	15,197,346	123,601,158
Segment results	11,831,276	244,083	12,075,359	18,622,146	1,398,583	20,020,729
Other information						
Segment assets	153,521,228	0	153,521,228	153,890,438	9,718,760	163,609,198
Unallocated assets	56,606,679	0	56,606,679	38,317,453	2,154,527	40,471,980
Jointly controlled entity			210,127,907 784,811			204,081,178 1,190,362
Total assets			210,912,718			205,271,540
Segment liabilities	8,339,533	0	8,339,533	4,022,357	1,982,345	6,004,702
Unallocated liabilities	8,361,134	0	8,361,134	9,970,974	129,566	10,100,540
Total liabilities			16,700,667			16,105,242
Capital expenditure	2,661,298	0	2,661,298	1,960,955	296,913	2,257,868
Depreciation and amortisation	5,132,147	0	5,132,147	5,248,343	253,102	5,501,445



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

34 Segmental reporting (continued)

Secondary reporting format – Geographical segments (continued)

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

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

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

35 Financial instruments

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

Forward foreign exchange contracts

As at 31 March 2008, the expected settlement dates on the forward exchange contracts range from 10 days to 60 days (2007: 2 days). The details of the foreign currency amounts to be paid and contractual exchange rate of the Group's outstanding contracts as at balance sheet date are as follows:

Hedged items	Currency to be received	Currency to be paid	RM equivalent	Contractual rate
Receivables: SGD807,635	Ringgit Malaysia	Singapore Dollar	RM1,859,030	1 SGD = RM2.30

The fair value of the outstanding forward contract of the Group as at the balance sheet date is an unfavourable net position of RM4,183 (2007: RM5,068).

36 Disposal of subsidiary companies

(a) Effect of disposal of subsidiary companies

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

36 Disposal of subsidiary companies (continued)

(a) Effect of disposal of subsidiary companies (continued)

The effect of the disposals on the financial position is as follows:

	At date of disposal RM
Current liabilities	5,725,593
Non-current assets	(4,797,787)
Current assets	<u>(6,916,392)</u>
Net assets	(5,988,586)
- Transfer of currency translation differences	14,203
- Reversal of exchange fluctuation reserve upon merger	<u>(3,381)</u>
	(5,977,764)
Total disposal proceeds	<u>6,038,541</u>
Gain on disposal of subsidiary companies	<u><u>60,777</u></u>

The net cash flow on the disposals is determined to be as follows:

Proceeds from disposals – cash consideration	6,038,541
Cash and cash equivalents of subsidiary companies disposed of	<u>(3,087,262)</u>
Net cash inflow on disposals	<u><u>2,951,279</u></u>

(b) Discontinued operations

The income and expenses directly attributable to YLI Corporation Limited and Zhangzhou YLI Electro-Metallurgy Co., Ltd. operations after taking into consideration intragroup transactions are as follows:

	2008		2007	
	Continuing operations RM	Discontinued operations RM	Continuing operations RM	Discontinued operations RM
Income Statement				
Revenue	93,890,565	5,251,441	108,403,812	15,197,346
Cost of sales	(75,674,120)	(4,162,894)	(81,159,127)	(12,247,184)
Other operating income	1,311,308	95,015	941,268	268,609
Selling and distribution cost	(2,111,897)	(553,948)	(3,504,726)	(856,642)
Administrative expenses	(5,551,084)	(385,531)	(5,717,929)	(794,902)
Other operating expenses	(33,496)	0	(341,152)	(168,644)
Finance costs	(212)	0	(11,893)	0
Share of results of a jointly controlled entity	591,386	0	(602,776)	0
Profit before taxation	<u>12,422,450</u>	<u>244,083</u>	<u>18,007,477</u>	<u>1,398,583</u>
Income tax expense	<u>(1,736,673)</u>	<u>(36,442)</u>	<u>(5,116,369)</u>	<u>(260,839)</u>
Net profit for the financial year	<u><u>10,685,777</u></u>	<u><u>207,641</u></u>	<u><u>12,891,108</u></u>	<u><u>1,137,744</u></u>
Cash flows				
Operating activities	17,216,477	(540,585)	11,526,397	1,050,898
Investing activities	3,817,037	(335,561)	(1,425,044)	(296,753)
Financing activities	<u>(5,997,182)</u>	<u>955,169</u>	<u>(5,891,209)</u>	<u>22,695</u>
Total cash flows	<u><u>15,036,332</u></u>	<u><u>79,023</u></u>	<u><u>4,210,144</u></u>	<u><u>776,840</u></u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008 (CONTINUED)

37 Comparative figures

Prepaid land leases

Prior to 1 April 2007, prepaid land leases are classified into current and non-current portion whereby the current portion is grouped under receivables. The following comparative amounts have been restated during the financial year.

Balance sheet	As previously reported	Reclassification	As reclassified
Prepaid land leases (non current) – note 16	12,900,908	333,254	13,234,162
Receivables (current) – note 20	37,814,251	(333,254)	37,480,997

38 Significant post balance sheet event

On 26 June 2008, the Company entered into a conditional Sale and Purchase Agreement ("SPA") with Encik Rahim bin Ibrahim and Dato Roslan bin Saidin to acquire a 51% equity interest in Laksana Wibawa Sdn. Bhd. (a company incorporated in Malaysia) ("Proposed Acquisition"). The proposed acquisition comprises 18,840,412 ordinary shares of RM1.00 each of which 16,109,412 and 2,731,000 ordinary shares are acquired from Encik Rahim bin Ibrahim and Dato Roslan bin Saidin respectively, on a willing-buyer willing-seller basis for a total cash consideration of RM47,943,051. The completion of the SPA is pending approval of Ministry of International Trade and Industry and Laksana Wibawa Sdn. Bhd.'s lenders.

On 2 July 2008, a supplemental agreement ("SA") was signed between the Company, Encik Rahim bin Ibrahim and Dato Roslan bin Saidin and Encik Mohamad Damahuri Bin Mohamad Tahir, the third and final shareholder of Laksana Wibawa Sdn. Bhd. Under the terms of this SA, Encik Damahuri shall sell to the Company 1,873,214 ordinary shares of Laksamana Wibawa Sdn. Bhd. In turn, Encik Rahim would reduce his disposal by the same number of ordinary shares from 16,109,412 to 14,236,198. By virtue of the SA, the provisions of the SPA shall hereafter be binding upon and enforceable by and against Encik Damahuri in all respects as if he had signed the same as an original party to the SPA on that date. Save as amended by the SA, all other terms and conditions of the Agreement shall remain in full force and effect.

39 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 4 July 2008.



STATEMENT BY DIRECTORS

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

We, Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir and Samsuri Bin Rahmat, two of the Directors of YLI Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 31 to 72 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 2008 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 4 July 2008.

Tan Sri Syed Mohd Yusof Bin Tun Syed Nasir
Director

Samsuri Bin Rahmat
Director

STATUTORY DECLARATION

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

I, Samsuri Bin Rahmat, being the Director primarily responsible for the financial management of YLI Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 72 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Samsuri Bin Rahmat

Subscribed and solemnly declared by the abovenamed Samsuri Bin Rahmat at Kuala Lumpur on 4 July 2008.

Before me

Commissioner for Oaths



PROPERTIES OF THE GROUP

DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2008 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
FACTORIES				
2432, Tingkat Perusahaan 6, Prai Industrial Estate 13600 Prai, Pulau Pinang	Land (Leasehold 60 years expiring 03.10.2042)	3.30 acres	1,538	N/A
	Main factory	76,100 sq. ft.		25
	Machine workshop	3,200 sq. ft.	3,770	17
	Canteen	2,050 sq. ft.		12
	Office building	7,949 sq. ft.		12
71-A Jalan Jelutong, 11600 Pulau Pinang	Land (Freehold)	11,373 sq. ft.	1,024	N/A
	Two-storey office block and one single storey workshop	*5,170 sq. ft.	637	36
2462, Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai Pulau Pinang	Land (Leasehold 60 years expiring 13.04.2044)	3.01 acres	4,695	N/A
	Factory Building	60,702 sq. ft.	4,686	8
2579, Lorong Perusahaan 10, Prai Industrial Estate 13600 Prai Pulau Pinang	Land (Leasehold 60 years expiring 23.01.2045)	3.02 acres	2,472	N/A
	Single Storey factory cum workshop	40,050 sq. ft.	2,326	17
	Double-storey office building	4,450 sq. ft.		19 July 1999
2604, Lorong Perusahaan Baru 2, Kawasan Perusahaan Prai, 13600 Prai, Pulau Pinang	Land (Leasehold approximately 46 years expiring 11/12/2050)	3.54510 acres	1,776	N/A
	Factory Building	24,208 sq.ft.	1,342	18
Lot No.668 and 669, Mukim 6, Daerah Seberang Perai Tengah, Pulau Pinang	Land(Freehold)	18,919 sq.metres	2,234	N/A
* <i>Approximate figures</i>				



PROPERTIES OF THE GROUP

(CONTINUED)

DESCRIPTION	LAND AREA/ BUILT-UP AREA	NET BOOK VALUE @31.03.2008 RM'000	APPROXIMATE AGE OF BUILDING YEARS	DATE OF REVALUATION/ ACQUISITION
OFFICE CUM WORKSHOP				
51, Jalan Layang-layang 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Land (Freehold) 1 1/2 storey semi-detached factory erected on it	7,201 sq. ft. 403	750 11	N/A 26 May 1997
WAREHOUSE				
No. 2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai Pulau Pinang	Land (Leasehold expiring 09.05.2051) Single storey building used as a warehouse with a small section as office	3.25 acres 10,744 sq. ft.	2,827 1,707	N/A 12 22 June 1996
GENERAL PROPERTIES				
No. 11, 12, 13, 14 Tingkat 3, Block C Taman Pelangi 13600 Prai Pulau Pinang	4 units of flats (leasehold expiring 07.11.2093) used as production workers accommodation)	700 sq. ft. each	147	12 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.	252	12 10 November 1993
HS(M)21310, PT No.18066 HS(M)28813, PT No.64243 HS(M)21312, PT No.18068 HS(M)21313, PT No.18069	Land (Freehold) Warehouse	1,200 sq.metres	610 110	N/A N/A May 2002 January 2003
Moveable Site Hostel No.2739, Mukim 6 Lorong Nagasari 5 Taman Nagasari 13600 Prai	Double Storey Steel Container	40' X 8' X 8' (4 units)	147	N/A 16 September 2002



ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2008

Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote per ordinary share
Authorised Share Capital	: RM500,000,000
Issued and Paid-up Capital	: RM98,560,000
Number of Holders	: 2,464

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 30 JUNE 2008

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
19	less than 100 shares	600	0.00
388	100 to 1,000 shares	349,953	0.35
1,568	1,001 to 10,000 shares	6,367,591	6.46
405	10,001 to 100,000 shares	13,255,200	13.45
81	100,001 to less than 5% of issued shares	32,904,750	33.39
3	5% and above of issued shares	45,681,906	46.35
2,464		98,560,000	100.00

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 JUNE 2008

Name	Shareholdings	% of Total Issued Capital
1 UOBM NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SYED MOHD YUSOF BIN TUN SYED NASIR (PIB)</i>	29,568,000	30.00
2 FUJI FUSION SDN BHD	9,332,206	9.47
3 LEMBAGA TABUNG HAJI	6,781,700	6.88
4 HLG NOMINEE (TEMPATAN) SDN BHD <i>PB TRUSTEE SERVICES BERHAD FOR HLG GROWTH FUND</i>	1,959,000	1.99
5 PERTUBUHAN KESELAMATAN SOSIAL	1,943,000	1.97
6 ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND</i>	1,608,900	1.63
7 HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR OSK-UOB SMALL CAP OPPORTUNITY UNIT TRUST (3548)</i>	1,443,700	1.46
8 AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC ISLAMIC OPPORTUNITIES FUND</i>	1,341,000	1.36
9 AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PUBLIC ISLAMIC BALANCED FUND</i>	1,308,300	1.33
10 PERMODALAN NASIONAL BERHAD	1,206,700	1.22
11 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)</i>	1,160,200	1.18



ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2008 (CONTINUED)

Name	Shareholdings	% of Total Issued Capital
12 JALUR CAHAYA SDN BHD	1,087,600	1.10
13 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)</i>	991,000	1.01
14 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MGF)</i>	928,900	0.94
15 LEMBAGA TABUNG ANGKATAN TENTERA	857,000	0.87
16 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>MERIDIAN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN ASSURANCE ALLIANCE BHD (1/154-6)</i>	786,000	0.80
17 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)</i>	731,000	0.74
18 HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE PAR)</i>	637,350	0.65
19 FUJI FUSION SDN BHD	583,000	0.59
20 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PETROLIAM NASIONAL BERHAD (TRADING PF)</i>	560,500	0.57
21 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>MALAYSIAN ASSURANCE ALLIANCE BHD FOR ANNUITY PAR (1/185-6)</i>	554,600	0.56
22 CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR PRUDENTIAL FUND MANAGEMENT BERHAD</i>	511,300	0.52
23 CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>UNI.ASIA LIFE ASSURANCE BERHAD (LIFE FUND)</i>	489,700	0.50
24 AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>PB ISLAMIC ASIA STRATEGIC SECTOR FUND</i>	485,000	0.49
25 TENGKU IDRIS SHAH IBNI SULTAN SALAHUDDIN ABDUL AZIZ SHAH	417,700	0.42
26 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>AXA AFFIN GENERAL INSURANCE BERHAD</i>	400,000	0.41
27 HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR MAAKL AL-FAID (4389)</i>	400,000	0.41
28 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MSF)</i>	371,200	0.38
29 MCIS ZURICH INSURANCE BERHAD	363,500	0.37
30 CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PETRONAS FOR PETRONAS RETIREMENT BENEFIT SCHEME</i>	339,800	0.34
	69,147,856	70.16

ANALYSIS OF SHAREHOLDINGS

AS AT 30 JUNE 2008 (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

In accordance with the Register of Substantial Shareholders, the Substantial Shareholders and their shareholdings as at 30 June 2008 are as follows:-

Name of Shareholders	No of shares			
	Direct	%	Indirect	%
Tan Sri Syed Mohd Yusof bin Tun Syed Nasir	29,568,000	30.00	-	-
Fuji Fusion Sdn. Bhd.	9,915,206	10.06	-	-
Loh Eng Kim Co. Sdn. Bhd.	15,000	0.02	@9,915,206	10.06
Dato' Loh Toa Thau @ Loh Eng Kim	90,000	0.09	#9,930,206	10.08
Loh Yok Yeong	196,000	0.20	~10,055,206	10.20
Loh Yeok Chuan	-	-	#9,930,206	10.08
Loh Yeok Cheong+	-	-	#9,930,206	10.08
Lembaga Tabung Haji	6,781,700	6.88	-	-

@ 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.

~ Deemed interest by virtue of his substantial shareholdings in Fuji Fusion Sdn. Bhd. and Loh Eng Kim Co. Sdn. Bhd. and indirect interest through his spouse.

+ Held in trust by Yeoh Phaik See

DIRECTORS AND THEIR SHAREHOLDINGS

In accordance with the Register of Directors' Shareholdings, the Directors and their shareholdings as at 30 June 2008 are as follows:-

Name of Directors	No of shares			
	Direct	%	Indirect	%
Tan Sri Syed Mohd Yusof bin Tun Syed Nasir	29,568,000	30.00	-	-
Dato' Ir Syed Muhammad Shahabudin	-	-	-	-
Samsuri bin Rahmat	-	-	-	-
Ali Sabri bin Ahmad	-	-	-	-
Ab Gani bin Haron	-	-	-	-
Mohammad Khayat bin Idris	-	-	-	-



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of YLI Holdings Berhad will be held at the Murai Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 28 August 2008 at 10.00 a.m.

AS ORDINARY BUSINESS

1. To receive the Statutory Financial Statements for the financial year ended 31 March 2008 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To sanction the declaration and payment of a first and final dividend of 7.0 sen per ordinary share less income tax at 25% for the financial year ended 31 March 2008. **(Resolution 2)**
3. To approve the Directors' fees for the financial year ended 31 March 2008. **(Resolution 3)**
4. (i) To note that Dato' Ir Syed Muhammad Shahabudin who retires in accordance with Section 129(6) of the Companies Act, 1965 has given notification that he does not wish to seek re-appointment.
- (ii) To re-elect the following Directors who retire in accordance with Article 86 of the Company's Articles of Association:-
Encik Samsuri bin Rahmat **(Resolution 4)**
Encik Ali Sabri bin Ahmad **(Resolution 5)**
Encik Ab Gani bin Haron **(Resolution 6)**
Encik Mohammad Khayat bin Idris **(Resolution 7)**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

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

Special Resolution

6. **Proposed Amendments to the Articles of Association of the Company** **(Resolution 9)**

"THAT the Proposed Amendments to the Articles of Association of the Company as set out in Appendix I of Part A of the Circular to Shareholders dated 6 August 2008 be and are hereby approved and adopted."

Ordinary Resolutions

7. **Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965** **(Resolution 10)**

"THAT, subject to the Companies Act, 1965 ("the Act"), the Articles of Association of the Company and the approvals from the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Act, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."



NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

8. Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital **(Resolution 11)**

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

- (i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital for the time being of the Company ("YLI Shares")
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the YLI Shares shall not exceed the retained earnings and share premium account of the Company amounting to RM6,816,995.00 and RM7,208,014.00 respectively as at 31 March 2008.
- (iii) the authority conferred by this resolution shall commence upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of Bursa Securities or any other relevant authority; and
- (iv) Upon completion of the purchase(s) of the YLI Shares by the Company, the Directors of the Company be hereby authorised to deal with the YLI Shares in the following manner:-
 - a. cancel the YLI Shares so purchased; or
 - b. retain the YLI Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
 - c. retain part of the YLI Shares so purchased as treasury shares and cancel the remainder;

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

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

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



NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders, the first and final dividend will be paid on 17 November 2008 to depositors registered in the Register of Depositors at the close of business on 31 October 2008.

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

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 31 October 2008 in respect of ordinary transfers.
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum dividend entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

MOLLY GUNN CHIT GEOK (MAICSA 0673097)
Company Secretary

Penang
Date: 6 August 2008

Re-appointment of Director at 13th Annual General Meeting

Dato' Ir Syed Muhammad Shahabudin has given notification that he does not wish to seek re-appointment at the 13th Annual General Meeting and hence there is no resolution for his re-appointment.

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 2579 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai, Pulau Pinang not less than 48 hours before the time set for the meeting.*
3. *Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.*
4. *The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.*
5. *A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 147 of the Companies Act, 1965.*



NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 9 – Proposed Amendments to the Articles of Association of the Company**

The proposed Special Resolution 9, if passed, will update the Articles of Association of the Company to reflect the current provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and to provide clarity to the provisions of certain existing Articles of Association.

For further information on the Proposed Amendments to the Articles of Association of the Company, please refer to the Circular to Shareholders dated 6 August 2008.

2. **Resolution 10 – Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 10, if passed, will from the date of the above meeting give the Directors of the Company authority to allot and issue ordinary shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company. The authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

3. **Resolution 11 – Proposed renewal of the authority for the purchase of the Company’s own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company’s issued and paid-up share capital**

The proposed Ordinary Resolution 11, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. For further information, please refer to the Statement to Shareholders dated 6 August 2008.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The profile and shareholdings of the Directors who are standing for re-election are set out on pages 9 to 11 and 78 respectively of the annual report.



PROXY FORM

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

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

being a member(s) of the abovenamed Company, hereby appoint _____ (name of proxy as per NRIC, in capital letters) NRIC No. _____ (new) _____ (old)

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

THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at the Murai Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Bayan Lepas, Penang on Thursday, 28 August 2008 at 10.00 a.m. and at any adjournment thereof.

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

Resolutions	For	Against
Resolution 1 - Receiving of statutory financial statements and reports of Directors and Auditors		
Resolution 2 - Declaration and payment of a first and final dividend		
Resolution 3 - Approval of Directors' fees		
Re-election of Directors:		
Resolution 4 - Encik Samsuri bin Rahmat		
Resolution 5 - Encik Ali Sabri bin Ahmad		
Resolution 6 - Encik Ab Gani bin Haron		
Resolution 7 - Encik Mohammad Khayat bin Idris		
Resolution 8 - Re-appointment of Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration		
Resolution 9 - Proposed Amendments to the Articles of Association of the Company		
Resolution 10 - Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 11 - Proposed renewal of the authority for the purchase of the Company's own ordinary shares of RM1.00 each of up to ten per centum (10%) of the Company's issued and paid-up share capital		

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

Dated this day of 2008

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

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

Signature/Common Seal of Appointer

NOTES:

- A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (who need not be members of the Company) to attend and vote on his behalf. Where a member appoints two or more proxies, the appointments shall be invalid unless the percentage of the holding to be represented by each proxy is specified.
 - Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
 - 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.
 - The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 2579 Lorong Perusahaan 10, Prai Industrial Estate, 13600 Prai, Pulau Pinang not less than 48 hours before the time set for the meeting.
 - If the space provided in the proxy form is not sufficient, an appendix attached to the proxy form duly signed by the appointer is acceptable.
 - Those proxy forms which are indicated with "v" in the spaces provided to show how the votes are to be cast will also be accepted.
- # Applicable to shares held through a nominee account.

[PLEASE FOLD ACROSS THE LINE AND CLOSE]

[STAMP]

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

[PLEASE FOLD ACROSS THE LINE AND CLOSE]

The background is a vibrant blue gradient with several white squares of varying sizes and orientations scattered across it. A network of thin white lines, including straight and curved paths, crisscrosses the background, creating a sense of connectivity and technology. The overall aesthetic is clean, modern, and professional.

YLI HOLDINGS BERHAD

Co. No. 367249-A

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