

YUNG KONG GALVANISING INDUSTRIES BERHAD (Company No. 032939-U)
UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 31 MARCH 2008

NOTES TO THE ACCOUNTS:-

1 *Basis of Preparation*

The interim financial report has been prepared in accordance with Financial Reporting Standard (FRS) 134₂₀₀₄, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statement provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

2 *Changes in Accounting Policies*

The significant accounting policies adopted in the interim financial report are consistent with those of adopted in the most recent available annual audited financial statements for the year ended 31 December 2007 and in the previous quarter.

3 *Declaration of audit qualification*

The annual financial statements of the Group for the year ended 31 December 2007 were reported on without any qualification.

4 *Seasonality or Cyclicity of interim operations*

The Group’s operations are not subject to seasonal or cyclical factors.

5 *Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence*

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.

6 *Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, which give a material effect in the current interim period*

There were no changes in estimates that have had material effect in the current quarter’s results.

7 *Issuances, cancellations, repurchases, resale and repayments of debt and equity securities*

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the interim period under review.

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8 *Dividends*

An interim tax exempt dividend of 3 sen per share in respect of the year ended 31 December 2007 was paid on 4 February 2008.

9 *Segmental reporting*

Segmental reporting is not necessary as the Group is principally involved in manufacturing and sale of steel related products in Malaysia.

10 *Valuation of property, plant and equipment*

The valuation of land and buildings was brought forward without amendment from the previous annual report.

11 *Material events subsequent to the end of the interim period*

There were no material events subsequent to the end of the interim period.

12 *Changes in composition of the Group*

There was no change in the composition of the Group for the current quarter under review.

13 *Changes in contingent liabilities or contingent assets*

There are no contingent liabilities or assets for the current financial year to date.

14 *Review of performance*

The Group's total revenue for the quarter under review increased by 23% to RM121.4 million as compared to RM98.5 million (restated) in the corresponding period of the preceding year. The improvement was due to increase in the volume of sale by about 22%. Group's profit before tax was RM6.61 million, 382% higher as compared to the RM1.37 million pre-tax profits reported in the corresponding period of the previous year.

15 *Variation of results against preceding quarter*

For the quarter under review, the Group recorded a profit before tax of RM6.61 million as compared to RM6.37 million achieved in the previous quarter. The higher profit was the result of cost savings in administrative and interest expenses during the current quarter under review.

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16 Current Year Prospects

- (a) The current unprecedented surge in steel prices caused mainly by high crude oil price and the raw materials of iron ore and coking coke, coupled with the government's announcement that some major projects would be delayed, the liquidity of fund may be hampered in the building and construction sectors. We are cautious in managing and monitoring the situation optimistically.
- (b) There were no announcements or disclosures published in a public document of any revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

17 Statement of the Board of Directors' opinion on achievement of forecast

Not applicable to the Group as no announcements or disclosures were published in a public document of any revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

18 Profit forecast

Not applicable as no profit forecast was published.

19 Tax expense

The taxation is derived as below:

	Current Quarter RM'000	Financial Year-To-Date RM'000
Current tax expense		
- current	572	572
	572	572
Deferred tax expense		
- current	1,093	1,093
- prior years	(8)	(8)
	1,085	1,085
Total	1,657	1,657
Effective tax rate (current year)	25.1%	25.1%

The Group's effective tax rate for the current period was lower than the statutory tax rate of 26% due to certain subsidiaries were enjoying lower tax rate of 20% for the first RM500,000 of chargeable income.

20 Unquoted investments and properties

There were no sales of unquoted investments and properties during the period under review.

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21 *Quoted investments*

There were no purchases or sales of quoted investments during the quarter under review.

Investment in quoted securities as at 31 March 2008:

	RM
Total investments at cost	42,200
Total investments at carrying value/book value (after provision for diminution in value)	23,515
Total investments at market value at end of reporting period	29,310

22 *Status of corporate proposal announced*

- (a) 1. On 31 October 2007, the Company announced the following proposals:
- (i) Proposed share split involving the subdivision of every one (1) existing issued and paid-up share capital of RM1.00 each in the Company into two (2) ordinary shares of RM0.50 each.
 - (ii) Proposed renounceable two-call rights issue of up to 65,178,300 ordinary shares of RM0.50 each together with 65,178,300 free detachable warrants on the basis of one (1) new ordinary share with one (1) free warrant for every two (2) existing ordinary shares held in the Company. The proposed rights issue will be effected via two (2) call portions:
 - First call of RM0.35 per share, payable in cash;
 - Second call of RM0.15 per share, payable by way of capitalization of RM5,400,000 from the Company's revaluation reserve account and the remaining balance from its retained earnings.
 - (iii) Proposed amendments to the memorandum and articles of association of the Company.
2. On 28 February 2008, the Company announced that the Company and Star Shine Marketing Sdn Bhd ("SSM"), a 65% owned subsidiary of YKGI, are proposing to provide corporate guarantees up to RM29.5 million in favour of SSM, Star Shine Steel Products Sdn Bhd, Star Shine Global Trading Sdn Bhd and Star Shine Industries Sdn Bhd.

The Company has obtained Shareholders approval on the above proposals in an Extraordinary General Meeting held on 25 April 2008, and will implement the proposals in accordance to the timeframe set up in the proposals.

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- (b) There were no proceeds raised from any previous corporate proposal and the current proposals are still pending completion.

23 *Borrowing and debt securities*

As at 31 March 2008	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	32,003	33,946
Unsecured	106,001	80,344
Denominated in US Dollar		
Unsecured	65,820	-
Total	203,824	114,290

24 *Off balance sheet financial instruments*

The Group uses financial derivative instruments to hedge foreign exchange risks associated with certain purchase transactions. However, there were no outstanding forward foreign exchange contract and any other contracts involving off balance sheet financial instruments as at 31 March 2008.

25 *Changes in material litigation*

There are no material litigations during the period under review.

26 *Proposed Dividend*

The Board of Directors has not recommended any interim dividend for the financial quarter ended 31 March 2008.

27 *Earnings per share*

	Quarter ended 31 Mar		Year ended 31 Mar	
	2008	2007	2008	2007
<i>Basic earnings per ordinary share</i>				
Net profit attributable to the equity holders of the company (RM'000)	4,413	736	4,413	736
Weighted average number of ordinary shares in issue ('000)	65,178.3	65,178.3	65,178.3	65,178.3
Basic earnings per ordinary Share (sen)	<u>6.77</u>	<u>1.13</u>	<u>6.77</u>	<u>1.13</u>

There were no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at the end of the reporting period.

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Effect of proposed share split and rights issue

Had the proposed share split and proposed rights issue (insofar as it relates to the call involving capitalization of reserves) as mentioned in Note 22 been effected on 31 March 2008, the effect on the earnings per ordinary share would be as follows:

	Quarter ended 31 Mar		Year ended 31 Mar	
	2008	2007	2008	2007
Profit attributable to ordinary shareholders (RM'000)	4,413	736	4,413	736
Pro-forma weighted average number of ordinary shares				
Weighted average number of shares at 1 January ('000)	65,178.3	65,178.3	65,178.3	65,178.3
Effect of proposed share split ('000)	65,178.3	65,178.3	65,178.3	65,178.3
Effect of capitalization of reserves for proposed rights issue ('000)	9,776.7	9,776.7	9,776.7	9,776.7
Pro-forma number of ordinary shares at 31 Mar ('000)	140,133.3	140,133.3	140,133.3	140,133.3
Pro-forma earnings per ordinary Share (sen)	3.15	0.53	3.15	0.53