

**YUNG KONG GALVANISING INDUSTRIES BERHAD (Company No. 032939-U)**  
**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL**  
**QUARTER ENDED 30 SEPTEMBER 2008**

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**NOTES TO THE ACCOUNTS:-**

**1 *Basis of Preparation***

The interim financial report has been prepared in accordance with Financial Reporting Standard (FRS) 134<sub>2004</sub>, *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***

During the quarter under review, the Company has allotted 65,178,300 new ordinary shares of RM0.50 each together with 65,178,300 free detachable warrants at an issue price of RM0.50 per share under the Two-Call Rights Issue Exercise, of which the first call of RM0.35 was paid in cash and the second call of RM0.15 was capitalized from the

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Company's Revaluation Reserve Account and Retained Profit Account. The new shares and the detached warrants were listed in Bursa on 14 July 2008.

**8 *Dividends***

There was no dividend paid during the interim period under review.

**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 13% to M133.3 million as compared to RM117.8 million (restated) in the corresponding period of the preceding year. The improvement was mainly due to partial pass-on of the high cost of raw materials factored in the selling price of the group's products. Group's profit before tax was RM0.72 million as compared to the RM6.01 million pre-tax profits reported in the corresponding period of the previous year due to effectively higher cost of raw materials.

**15 *Variation of results against preceding quarter***

For the quarter under review, the Group recorded a profit before tax of RM0.72 million as compared to RM17.05 million achieved in the previous quarter. The drastic drop in profit was resulted from higher cost of raw materials and spin off effect caused by the high energy costs creating overall inflationary impact taking the toll.

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**16 Current Year Prospects**

- (a) The financial turmoil currently experienced globally has greatly deteriorated the confidence of the consumers at large thus a weakening economic growth is expected. The steel price, after reaching its record high in early of the year, is now adjusting sharply lower with very weak response. Demand on steel is expected to be low as buyers are having a “wait and see” attitude and only buy what is needed. Recognising the challenges ahead, the management is very cautious in managing and monitoring the situation to minimize the impact to the Group.
- (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	465	2,910
	465	2,910
Deferred tax expense		
- current	(254)	3,262
- prior years	(8)	(24)
	(262)	3,238
Total	203	6,148
Effective tax rate (current year)	28.3%	25.2%

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**

During the quarter under review, the Group had disposed off three units of properties held for sale with profit of RM155,000. Save as disclosed above, there were no other sales of unquoted investments and properties for the nine months ended 30 September 2008.

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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 30 September 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	21,550

**22 *Status of corporate proposal announced***

- (a) There were no corporate proposal announced and pending completion.
- (b) The proceeds raised from the two-call rights issue exercise amounting to RM22.812 million had been used to defray the expenses relating to the exercise and to repay the bank borrowings of the company as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation (RM'000)/ [Explanation]
Repayment of Bank Borrowings	22,112	22,292	12 months	180 [Saving from lower expenses used to repay bank borrowings]
Estimated expenses for the Share Split and Rights Issue with Warrants	700	520	1 month	(180) [Lower expenses incurred]
<b>Total</b>	<b>22,812</b>	<b>22,812</b>		<b>0</b>

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**23 Borrowing and debt securities**

As at 30 September 2008	Short Term Borrowing RM'000	Long Term Borrowing RM'000
<b>Denominated in Ringgit Malaysia</b>		
Secured	28,505	38,737
Unsecured	92,061	80,344
<b>Denominated in US Dollar</b>		
Unsecured	91,946	-
<b>Total</b>	<b>212,512</b>	<b>119,081</b>

**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 30 September 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 30 September 2008.

**27 Earnings per share**

	Quarter ended 30 Sept		Year ended 30 Sept	
	2008	2007	2008	2007
<b>Basic earnings per ordinary share</b>				
Net profit attributable to the equity holders of the company (RM'000)	494	4,243	15,980	9,468
Weighted average number of ordinary shares in issue ('000)	130,356.6	130,356.6	130,356.6	130,356.6
Basic earnings per ordinary Share (sen)	0.38	3.26	12.26	7.26

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