

YUNG KONG GALVANISING INDUSTRIES BERHAD (Company No. 032939-U)
UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 30 JUNE 2009

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 2008. 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 2008.

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 2008 and in the previous quarter.

3 *Declaration of audit qualification*

The annual financial statements of the Group for the year ended 31 December 2008 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 was no issuance, cancellation, repurchase, resale and repayments of debt and equity securities during the interim period under review.

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8 *Dividends*

The proposed final dividend of 1 sen per ordinary share of RM0.50 each less tax at 25% in respect of the year ended 31 December 2008 was approved by shareholders on 8 May 2009 and was paid to the shareholders on 29 May 2009.

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 decreased by 42% to RM82 million as compared to RM142 million in the corresponding period of the preceding year. The reduction in revenue was mainly due to lower selling price and weak market demand on steel products. The Group reported a pre-tax profit of RM2.74 million as compared to RM17.05 million reported in the corresponding period of the previous year, mainly due to lower sales in volume and lower selling price in the current quarter against the steel price hike in the corresponding period of the preceding year.

15 *Variation of results against preceding quarter*

For the quarter under review, the Group recorded a profit before tax of RM2.74 million as compared to RM6.88 million pre-tax loss recorded in the previous quarter. The improved performance was resulted from higher revenue with more reflective selling prices and cheaper cost of input in the current quarter under review.

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16 Current Year Prospects

- (a) The steel industry has shown sign of recovery with increasing demand and improved prices. Barring unforeseen circumstances, the Board of Directors is cautiously optimistic to post positive result in the second half of the year.
- (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	179	353
- prior years	-	784
	179	1,137
Deferred tax expense		
- current	643	(335)
- prior years	-	-
	643	(335)
Total	822	802

The Group's effective tax rate was higher than the statutory tax rate applicable for the current financial year due to certain expenses that are not deductible for tax purpose.

20 Unquoted investments and properties

During the quarter under review, the Group had disposed off one unit of property held for sale at its carrying amount. Save as disclosed above, 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 30 June 2009:

	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	20,950

22 Status of corporate proposal announced

- (a) There were no corporate proposal announced and pending completion.
- (b) There were no proceeds raised from any corporate proposal during the quarter under review.

23 Borrowing and debt securities

As at 30 June 2009

	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	32,303	34,145
Unsecured	81,301	67,914
Denominated in US Dollar		
Unsecured	32,919	-
Total	146,523	102,059

24 Off balance sheet financial instruments

The Group uses financial derivative instruments to hedge foreign exchange risks associated with certain purchase transactions. The contracted principal amount of the derivatives and the corresponding fair value adjustments not recognized in the balance sheet as at 30 June 2009 are analysed below:

	Contracted amount RM	Fair value adjustment (unfavourable) RM
Forward foreign exchange contract falling due within a year	14,251,750	3,473

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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 June 2009.

27 *Earnings per share*

	Quarter ended 30 Jun		Year ended 30 Jun	
	2009	2008	2009	2008
<i>Basic earnings per ordinary share</i>				
Net profit/(loss) attributable to the equity holders of the company (RM'000)	2,196	11,074	(4,018)	15,486
Number of ordinary shares in issue as at beginning of period	195,534.9	65,178.3	195,534.9	65,178.3
Share split	-	65,178.3	-	65,178.3
Non-cash portion of rights issue	-	19,553.5	-	19,553.5
Weighted average number of ordinary shares in issue	195,534.9	149,910.1	195,534.9	149,910.1
Basic earnings/(loss) per ordinary share (sen)	1.12	7.39	(2.05)	10.33
<i>Diluted earnings per share</i>				
Net profit/(loss) attributable to ordinary shareholders (RM'000)	2,196	11,074	(4,018)	15,486
Weighted average number of ordinary shares in issue	195,534.9	149,910.1	195,534.9	149,910.1
Effect of warrants	65,178.3	-	65,178.3	-
Weighted average number of ordinary shares	260,713.2	149,910.1	260,713.2	149,910.1
Diluted earnings/(loss) per ordinary share (sen)	0.84	7.39	(1.54)	10.33