

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

The Group plans to apply:

- (a) in the financial reporting period beginning on 1 January 2010 the following accounting standards, amendments and interpretations which have come into effective on 1 January 2010:

FRS 7, *Financial Instruments: Disclosures*

Amendments to FRS 101, *Presentation of Financial Statements*

FRS 123, *Borrowing Costs* (revised)

FRS 139 and Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*

Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*, FRS 7, *Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*

Improvements to FRSs (2009)

IC Interpretation 10, *Interim Financial Reporting and impairment*

- (b) in the financial reporting period beginning on 1 January 2011 the following accounting standards, amendments and interpretations which have come into effective on 1 July 2010:

FRS 3, *Business Combinations* (revised)

FRS 127, *Consolidated and Separate Financial Statements* (revised)

The adoption of the above financial reporting standards is not expected to have material impacts to the Group.

YUNG KONG GALVANISING INDUSTRIES BERHAD (Company No. 032939-U)
AUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS:-

3 *Declaration of audit qualification*

The annual financial statements of the Group for the year ended 31 December 2009 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.

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.

YUNG KONG GALVANISING INDUSTRIES BERHAD (Company No. 032939-U)
AUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS:-

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 improved by 14% to RM94.6 million as compared to RM82.7 million in the corresponding period of the preceding year. The Group reported RM9.55 million pre-tax profit as compared to RM19.58 million pre-tax loss reported in the corresponding period of the previous year. The increase in revenue and profit were due to much better market condition with higher demand and more reflective selling prices on steel products.

15 *Variation of results against preceding quarter*

For the quarter under review, the Group recorded a profit before tax of RM9.55 million as compared to RM10.16 million reported in the previous quarter. The lower profit was mainly due to loss on impairment of assets amounted to RM2.05 million in the current quarter under review.

16 *Prospects for the next financial year*

- (a) Barring unforeseen circumstances, we are cautiously optimistic for the steel industry in the coming year with forecasted GDP growth of 4-5% and government's enthusiasm in emphasizing towards high-income economy, we anticipate the demand of steel will be enhanced.
- (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.

YUNG KONG GALVANISING INDUSTRIES BERHAD (Company No. 032939-U)
AUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS:-

19 Tax expense

The taxation is derived as below:	Current Quarter RM'000	Financial Year-To-Date RM'000
Current tax expense		
- current	157	1,076
- prior years	(468)	316
	(311)	1,392
Deferred tax expense		
- current	2,354	3,611
- prior years	215	215
	2,569	3,826
Total	2,258	5,218

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

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

21 Quoted investments

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

Investment in quoted securities as at 31 December 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	19,135

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.

YUNG KONG GALVANISING INDUSTRIES BERHAD (Company No. 032939-U)
AUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS:-

23 Borrowing and debt securities

As at 31 December 2009	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	25,020	33,592
Unsecured	147,896	54,887
Denominated in US Dollar		
Unsecured	23,946	-
Total	196,861	88,479

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 31 December 2009 are analysed below:

	Contracted amount RM	Fair value adjustment (unfavourable) RM
Forward foreign exchange contract falling due within a year	3,514,153	17,380

25 Changes in material litigation

There are no material litigations during the period under review.

26 Proposed Dividend

The Board of Directors has recommended a final dividend of 2.5 sen per ordinary share of RM0.50 each tax exempt in respect of the year ended 31 December 2009, if approved by the shareholders at the forthcoming Annual General Meeting, to be payable on 31 May 2010 to depositors whose names appear in the Record of Depositors on 21 May 2010.

YUNG KONG GALVANISING INDUSTRIES BERHAD (Company No. 032939-U)
AUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 31 DECEMBER 2009

NOTES TO THE ACCOUNTS:-

27 Earnings per share

	Quarter ended 31 Dec		Year ended 31 Dec	
	2009	2008	2009	2008
	('000)	('000)	('000)	('000)
<i>Basic earnings per ordinary share</i>				
Net profit attributable to the equity holders of the company (RM'000)	6,810	(14,750)	9,938	1,230
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
Cash portion of rights issue	-	22,812.4	-	22,812.4
Weighted average number of ordinary shares in issue	195,534.9	172,722.5	195,534.9	172,722.5
Basic earnings per ordinary share (sen)	3.48	(8.54)	5.08	0.71

Diluted earnings per share

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

The exercise price of the outstanding warrants issued on 9 July 2008 is higher than the average market price of the ordinary shares of the Company from the date of issuance of the warrants to 31 December 2009. As the warrants are anti-dilutive in nature, they have been ignored for the purposes of the computation of the diluted earnings per share.