YUNG KONG GALVANISING INDUSTRIES BERHAD

(Company No. 032939-U)

ANNUAL REPORT 2008

FINANCIAL HIGHLIGHTS

(RM'000)	2004	2005	2006	2007	2008
Revenue	269,190	287,501	377,107	461,882	479,278
Profit before tax	15,798	1,233	2,439	20,556	4,800
Profit after tax and MI	10,106	620	1,127	14,427	1,230
Issued and paid-up capital	64,579	65,178	65,178	65,178	97,767
Shareholders' funds	101,373	100,638	101,114	123,752	145,930
Total Assets	336,482	414,186	418,597	507,803	461,414

DIVIDENDS

Rate	3% TE	1% TE	1% TE	5% TE	2% Taxed
Net Amount (RM'000)	1,937.4	651.8	651.8	3,258.9	1,466.5

Basic earnings per share (sen) - restated	+7	#1	@1	* 10	^1
Net assets per share of RM0.50 (sen) - restated	78	77	78	95	75

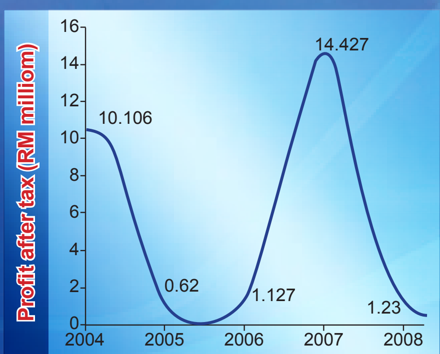
+ *The EPS for the year ended 31 December 2004 has been calculated based on the net profit after tax and MI of RM10,106,324 and the weighted average number of ordinary shares of RM0.50 each during the year of 148,120,824 adjusted for the share split and rights issue during year 2008.*

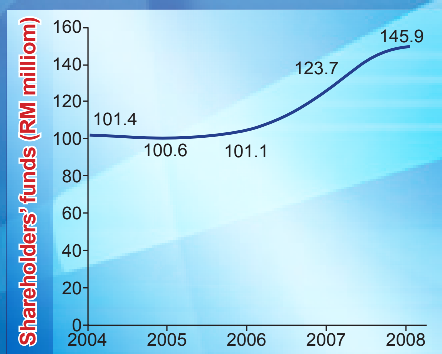
The EPS for the year ended 31 December 2005 has been calculated based on the net profit after tax and MI of RM620,044 and the weighted average number of ordinary shares of RM0.50 each during the year of 149,693,540 adjusted for the share split and rights issue during year 2008.

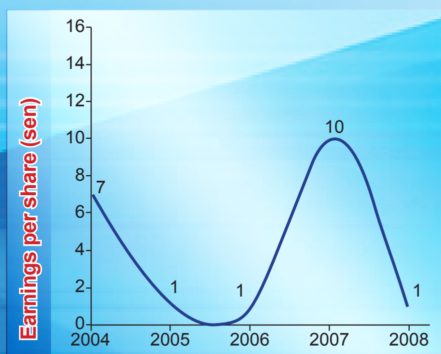
@ *The EPS for the year ended 31 December 2006 has been calculated based on the net profit after tax and MI of RM1,127,394 and the weighted average number of ordinary shares of RM0.50 each during the year of 149,910,090 adjusted for the share split and rights issue during year 2008.*

* *The EPS for the year ended 31 December 2007 has been calculated based on the net profit after tax and MI of RM14,427,286 and the weighted average number of ordinary shares of RM0.50 each during the year of 149,910,090 adjusted for the share split and rights issue during year 2008.*

^ *The EPS for the year ended 31 December 2008 has been calculated based on the net profit after tax and MI of RM1,230,246 and the weighted average number of ordinary shares of RM0.50 each during the year of 172,722,495 adjusted for the share split and rights issue during year 2008.*







YUNG KONG GALVANISING INDUSTRIES BERHAD
(Company No. 032939-U)

CONTENTS

Chairman's Statement

PERFORMANCE

Speculations and artificially inflated strong demands coupled with positive predictions and credible forecasts by many analysts had led many countries' economy, from food to steel industries, to forge ahead into a wild run without paying any heed to sustainability.

The eventual meltdown of the United States financial system initiated by the sub-prime problems caused its economy to eventually collapse and crumble into a recession. This resulted into a domino effect which gradually spilled over globally, culminating an event never expected in recent history.

Yung Kong Galvanising Industries Berhad (YKGI) experienced a year of unavoidable and unpredictable norm with an unprecedented steep rise and followed by the deepest slump in prices for most commodities, including our raw materials and products. This happened so abruptly and sharply. Normal market principles become invalid and inapplicable during this plunge, and economies and markets crashed of tsunami scale. Massive consolidation occurred and everyone is rushing to cash out faster than the others.


DATO' DR HII WI SING

The great expectation of a bumper year for 2008 for our operations was abruptly terminated much earlier than the management's anticipation, thus reversing most of our Group's record pretax profit (PBT) of RM23.66 million achieved in the first half of the year to RM4.80 million for our financial year ended 31 December 2008. This is a stark comparison to RM20.56 million achieved in 2007. The weak result was due to a writedown (RM10.70 million) of inventory to their net realizable value and provision for doubtful debts of RM1.74 million. Our profit was further dampened by FOREX loss amounting to RM5.80 million caused mainly by the unexpected strengthening of the US dollar against the trend of most economists and professionals' general consensus and predictions.

Despite a very weak fourth quarter, YKGI Group recorded a turnover of RM479.28 million for the year and which was slightly higher than the turnover of RM461.88 million achieved in 2007.

DIVIDEND

Your Directors are recommending a first and final dividend of 2% per share less income tax at 25% for the financial year ended 31 December 2008 for your approval at the forthcoming Annual General Meeting, and if approved, it will be paid on 29 May 2009.

INDUSTRY TREND

The global economy is currently going through a period of great uncertainties with most of the importing countries suffering a credit crunch from the financial crisis and resulting in an overall weak consumer confidence.

Steel consumption dropped drastically since September 2008 and there are no signs of any strong demand in the near future.

As stimulus packages had been announced by Governments to revitalize the weak economies in each country, including Malaysia, we would take the opportunity to be proactive in meeting the demand of our steel products in our domestic market by taking full advantage of the potential business spinning off from these public spending.

DEVELOPMENT/PROSPECTS

Early in the year 2008, Star Shine Marketing Sdn Bhd (SSM) and its Group of Companies relocated their operations to a new premise situated at Lot 6472, Lorong Sg. Puluh, Batu 6, Jalan Kapar, Klang, a location in the proximity of YKGI, Klang (YK2). This will definitely enhance our effectiveness in coordinating our manufacturing and marketing operations.

Chairman's Statement [cont'd]

On 9 May 2008, after our AGM, we celebrated the 25th anniversary of the signing of the Joint Venture Agreement between Yung Kong Co. Bhd, Sarawak and Marubeni Corporation (MISI), Japan for the operation of YKGI in 1983.

The launching of our Klang's operation was held on 10 October 2008, thus signifying the completion of the current phase of development in making YKGI an integrated steel coil coating company in Malaysia.

We started on cost-cutting initiatives by downsizing Kuching's manufacturing activities in rationalizing the economy of scale of YK2's operations. Reducing duplication and redundancies in our operations certainly enhances the cost-efficiency of our production. YKGI Kuching shall remain as our administrative and financial Head Office while Magic Network Sdn. Bhd. will continue to concentrate on effective marketing and distribution of our products in Sabah and Sarawak.

We shall take every opportunity to enhance our capability wherever possible in areas of our concern for our business progression, cash generation, broaden our revenue base, become more innovative in diversifying or consolidating our products and expanding our market arenas with a short term view and a long term perspective.

We are thus cautious and very optimistic in managing YKGI Group by effectively countering any recession situation and preparing ourselves for better business opportunities when the economy gradually rebounds.

APPRECIATION

On behalf of the Directors, allow me to express my appreciation to our management team and our employees for enduring the current difficult business environment with their commitment, ownership and contribution discharged with full responsibility in carrying out their duties.

I wish to express my gratitude to our shareholders, our bankers and financiers, customers, suppliers, business associates and government authorities as our valued stakeholders, for your continued confidence, business and cooperation. Strategically, we are all partners in this business venture.

Thank you.

Dato' Dr Hii Wi Sing
Board Chairman

1 April 2009

Corporate Information

BOARD OF DIRECTORS

Dato' Dr Hii Wi Sing DIMP
Executive Chairman/Managing Director /Group Chief Executive Officer

Mr Arthur Hii Lu Choon
Deputy Managing Director

Ir Michael Hii Ee Sing
Group Executive Director/Secretary

Mr Victor Hii Lu Thian
Executive Director

Mr Tadashi Hamada
Executive Director

Ms Huong Hie Hee
Senior Independent Director

Mr Jee Hee Teck
Independent Director

Mr Philip Anak Dreba @ Philip Aso Dreba
Independent Director

Mr Francis Hii Lu Sheng
Non-Independent Non-Executive Director

ALTERNATE DIRECTORS

Mr Alexander Hii Lu Kwong
(to Mr Arthur Hii Lu Choon)

Mr Yoshinori Kubo
(to Mr Tadashi Hamada)

COMPANY SECRETARIES

Ms Voon Jan Moi

Ir Michael Hii Ee Sing

BURSA LINK AGENT

Tengis Corporate Services Sdn Bhd

INCORPORATION

Incorporated on 29 April 1977

in Malaysia under the Companies Act, 1965

LISTING

Listed on Main Board
of Bursa Malaysia Securities Berhad
Sector: Industrial Products
Stock Code: ***7020***
Stock Name: ***YUNKONG***

CERTIFICATES

ISO 9001:2000
EN ISO 9001:2000
BS EN ISO 9001:2000
MS ISO 9001:2000

AUDIT COMMITTEE

Ms Huong Hie Hee
Senior Independent Director (Chairperson)

Mr Jee Hee Teck
Independent Director

Mr Philip Anak Dreba @ Philip Aso Dreba
Independent Director

BANKERS

Alliance Bank Malaysia Berhad
CIMB Bank Berhad
EON Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

MERCHANT BANKERS

AmInvestment Bank Berhad
Kenanga Investment Bank Berhad

LEGAL ADVISORS

Alvin Chong & Partners, Advocates
Lim & Teo Advocates
J.M. Chong, Vincent Chee & Co.
Tang & Partners, Advocates

AUDITORS

KPMG (AF: 0758)

INTERNAL AUDITORS

Ernst & Young Advisory Services Sdn Bhd

SHARE REGISTRAR

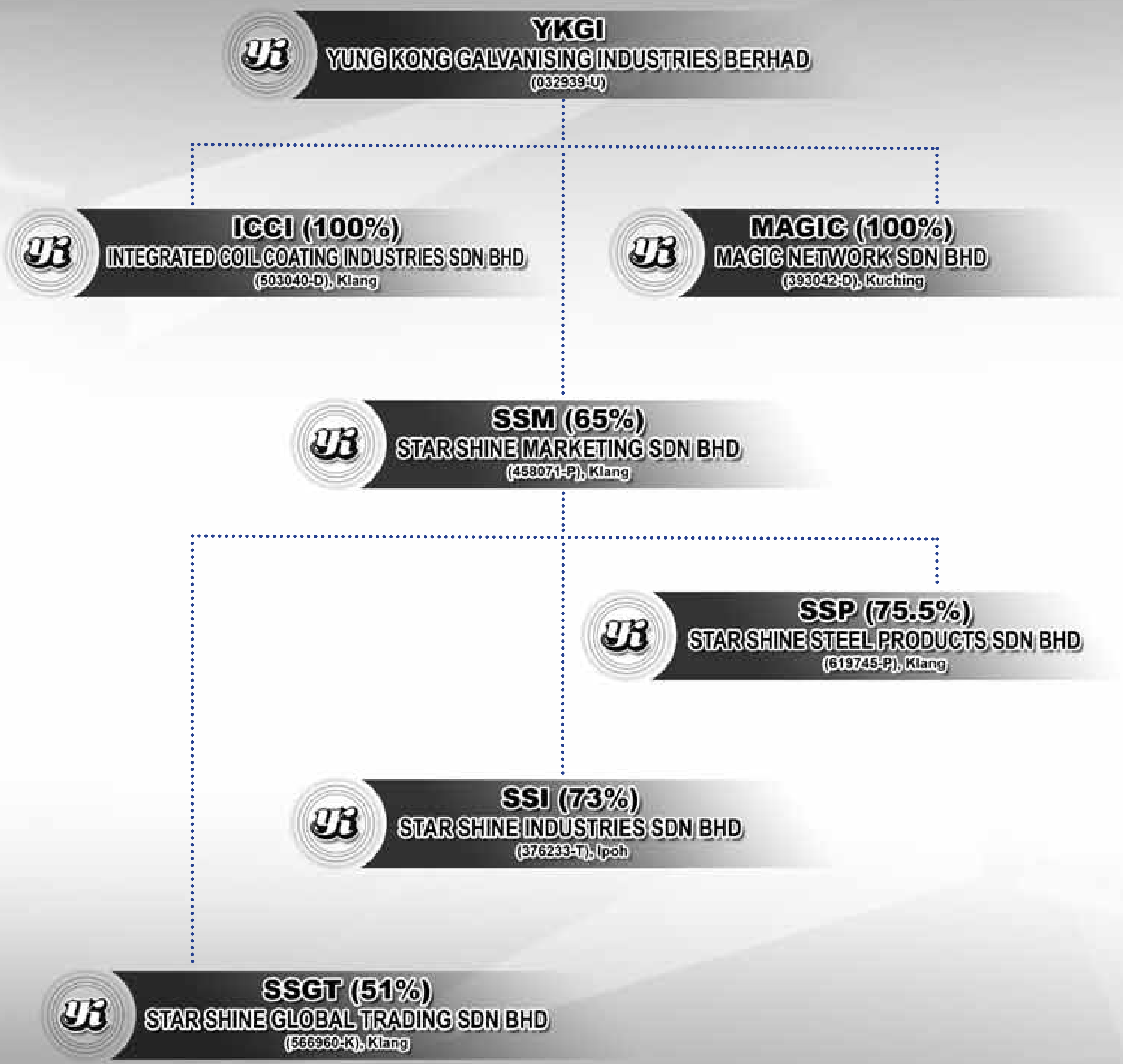
Tenaga Koperat Sdn Bhd
Level 17 The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Phone : +60 3 2264 3883
Fax : +60 3 2282 1886

REGISTERED ADDRESS

Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching, Sarawak, Malaysia
Phone : +60 82 433 888
Fax : +60 82 433 889

*Email : **ykgi@ykgi.com.my***
*Web Site : **http://www.ykgi.com.my***

Corporate Structure



Directors' Profile

DATO' DR HII WI SING *DIMP*

59 Malaysian
Executive Chairman / Managing Director / Group Chief Executive Officer

Dato' Dr Hii was appointed to the Board on 10 April 1980 and was subsequently appointed as the Executive Chairman on 8 January 2008. He is the Chairman of the Strategic Management Committee, Risk Management Committee and is also a member of Employee Retirement Scheme Committee, all of which report to the Board. He studied Biochemistry from Swinburne Institute of Technology, Australia. He also holds the Bachelor of Commerce degree from University of Commerce, India and obtained his Doctor of Philosophy (PhD) in Commerce for Business Administration from the International University, USA. He also sits on the Boards of Yung Kong Co Bhd, Yung Kong Holdings Bhd and Yung Lieng Bhd. He is a member of Yayasan Pengurusan Malaysia (MMIM) and a fellow member of the Chartered Management Institute (FCMI).

Dato' Dr Hii has more than 30 years' experience in the steel industries since the early 1970s. He is the pioneer in Steel Sheet Galvanising in East Malaysia. Dato' Dr Hii is innovative and creative in the advancement of Galvanising and Coated Steel Sheet Markets in Malaysia.

He has attended all the eight (8) Board meetings held in the financial year ended 31 December 2008. As at 18 March 2009, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	17,418,448	8.91	62,510,781*	31.97
Star Shine Marketing Sdn Bhd ("SSM")	420,000	3.00	9,940,000#	71.00
Star Shine Global Trading Sdn Bhd ("SSGT")	80,000	4.00	1,140,000@	57.00
Star Shine Steel Products Sdn Bhd ("SSP")	280,000	6.36	3,343,000@	75.98
Star Shine Industries Sdn Bhd ("SSI")	180,000	3.00	4,461,000@	74.35

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and the interests of his spouse and children in the Company.*
\# *Deemed interested by virtue of his family's substantial interests in YKGI and the interests of his children in SSM.*
@ *Deemed interested by virtue of his substantial interests in SSM through YKGI and the interests of his children in SSGT, SSP and SSI.*

Dato' Dr Hii has attended the Risk Assessment Workshop during the financial year ended 31 December 2008.

Dato' Dr Hii Wi Sing is a brother of Dato' Hii Ngo Sing (major shareholder of YKGI) and Ir Michael Hii Ee Sing, and the father to Arthur Hii Lu Choon and Victor Hii Lu Thian, and uncle of Mr Francis Hii Lu Sheng all of whom are also Directors and major shareholders of the Company. He is deemed interested in recurrent related party transactions, of which shareholders' mandate had been obtained in the Thirty-First Annual General Meeting ("AGM") held on 9 May 2008. Details pertaining to these transactions are disclosed in Note 28 of the Notes to the Financial Statements.

ARTHUR HII LU CHOON

37 Malaysian
Deputy Managing Director

Mr Arthur Hii was first appointed to the Board on 6 December 1999. He is a Professional Accountant with special interests in marketing. He is also the named successor of the Chief Executive Officer of YKGI Group and the Managing Director of Integrated Coil Coating Industries Sdn Bhd since 22 February 2001. Arthur was appointed as the Deputy Managing Director of the Company on 22 October 2003. He is a member of the Malaysian Institute of Accountants (MIA) and the Institute of Chartered Accountants of New Zealand (ICANZ). He does not hold any directorship in other public company.

During the financial year, he has attended six (6) out of eight (8) Board meetings. He is the member of the Strategic Management Committee and Risk Management Committee.

Directors' Profile [cont'd]

As at 18 March 2009, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	1,497,100	0.77	57,215,191*	29.26
Star Shine Marketing Sdn Bhd	420,000	3.00	9,100,000#	65.00
Star Shine Global Trading Sdn Bhd	40,000	2.00	1,020,000@	51.00
Star Shine Steel Products Sdn Bhd	7,000	0.16	3,322,000@	75.50
Star Shine Industries Sdn Bhd	27,000	0.45	4,380,000@	73.00

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.*

\# *Deemed interested by virtue of his family's substantial interests in YKGI.*

@ *Deemed interested by virtue of his substantial interests in SSM through YKGI.*

Mr Arthur Hii has attended the seminar on Effective Performance Implementors and the Risk Assessment Workshop during the financial year ended 31 December 2008.

Mr Arthur Hii Lu Choon is a son of Dato' Dr Hii Wi Sing and a brother of Victor Hii Lu Thian, both are Directors and major shareholders of the Company. He is deemed interested in recurrent related party transactions, of which shareholders' mandate had been obtained at the AGM held on 9 May 2008. Details pertaining to these transactions are disclosed in Note 28 of the Notes to the Financial Statements.

IR MICHAEL HII EE SING

54 Malaysian

Group Executive Director / Company Secretary

Ir Michael Hii was first appointed to the Board on 9 March 1983. A Civil Engineer by profession, Ir Hii is a corporate member of the Institute of Engineers Malaysia and a registered member of Lembaga Jurutera Malaysia. He holds degrees in Bachelor of Engineering (Civil) and Master of Engineering (Civil) from the University of Auckland, New Zealand. Ir Michael Hii is a licensed company secretary. He also serves as director on the Boards of Yung Kong Co Bhd, Yung Lieng Bhd and Yung Kong Holdings Bhd.

During the financial year, he has attended all the eight (8) Board meetings held. He is a member and secretary of the Strategic Management Committee, Risk Management Committee and Employee Retirement Scheme Committee and also acts as the secretary of the Audit, Nomination and Remuneration Committees.

As at 18 March 2009, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	138,100	0.07	60,864,391*	31.13
Star Shine Marketing Sdn Bhd	-	-	9,660,000#	69.00
Star Shine Global Trading Sdn Bhd	100,000	5.00	1,020,000@	51.00
Star Shine Steel Products Sdn Bhd	220,000	5.00	3,322,000@	75.50
Star Shine Industries Sdn Bhd	180,000	3.00	4,380,000@	73.00

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.*

\# *Deemed interested by virtue of his family's substantial interests in YKGI and Mt Sungai Sdn Bhd.*

@ *Deemed interested by virtue of his substantial interests in SSM through YKGI.*

During the financial year ended 31 December 2008, Ir Michael Hii has attended seminar / workshop on The Revised (2007) Malaysian Code on Corporate Governance, Company Secretaries Conference 2008, A Professional Presentations Workshop for Engineers and the Risk Assessment Workshop.

Ir Michael Hii Ee Sing is a brother of Dato' Hii Ngo Sing (major shareholder of YKGI) and Dato' Dr Hii Wi Sing, and an uncle to Arthur Hii Lu Choon, Victor Hii Lu Thian and Francis Hii Lu Sheng, all of whom are Directors and major shareholders of the Company. He is also deemed interested in recurrent related party transactions, of which shareholders' mandate had been obtained in the Thirty-First AGM held on 9 May 2008. Details pertaining to these transactions are disclosed in Note 28 of the Notes to the Financial Statements.

VICTOR HII LU THIAN

33 Malaysian
Executive Director

Mr Victor Hii joined the Board on 27 February 2006. He holds qualifications of Master of Business Administration in Management and Bachelor of Business Administration in Management. He sits on the Boards of Yung Kong Holdings Bhd, Yung Lieng Bhd and Yung Kong Co. Bhd. He is a member of the Strategic Management and Risk Management Committees.

He attended seven (7) out of eight (8) Board meetings held during the financial year. As at 18 March 2009, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	985,000	0.50	57,187,791*	29.25
Star Shine Marketing Sdn Bhd	420,000	3.00	9,100,000#	65.00
Star Shine Global Trading Sdn Bhd	40,000	2.00	1,020,000@	51.00
Star Shine Steel Products Sdn Bhd	7,000	0.16	3,322,000@	75.50
Star Shine Industries Sdn Bhd	27,000	0.45	4,380,000@	73.00

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.*

\# *Deemed interested by virtue of his family's substantial interests in YKGI.*

@ *Deemed interested by virtue of his substantial interests in SSM through YKGI.*

During the financial year ended 31 December 2008, Mr Victor Hii has attended the seminar on EQ for Enhanced Performance at work and at home, Advanced QMS Auditor and the Risk Assessment Workshop.

Mr Victor Hii Lu Thian is a son of Dato' Dr Hii Wi Sing and brother of Arthur Hii Lu Choon, both are Directors and major shareholders of the Company. He is deemed interested in recurrent related party transactions, of which shareholders' mandate had been obtained at the AGM held on 9 May 2008. Details pertaining to these transactions are disclosed in Note 28 of the Notes to the Financial Statements.

TADASHI HAMADA

61 Japanese
Executive Director

Mr Hamada was appointed to the Board on 14 September 2001. He is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He holds a Degree in Economics from Keio University, Tokyo, Japan and has worked with Marubeni-Itochu Steel Inc. since 1970. He does not hold any directorship in other public company.

Mr Hamada did not attend any training course during the financial year ended 31 December 2008 because of his heavy travelling and work schedules, and the timing of courses offered did not fit in with his schedules. He will attend the training courses this year.

He has attended all the eight (8) Board meetings held during the financial year. As at 18 March 2009, he does not have any direct or indirect shareholdings in the Company and Group. Mr Tadashi Hamada has no family relationship with any Directors or major shareholders of the Company. He is also deemed interested in recurrent related party transactions, of which shareholders' mandate had been obtained at the AGM held on 9 May 2008. Details pertaining to these transactions are disclosed in Note 28 of the Notes to the Financial Statements.

Directors' Profile [cont'd]

FRANCIS HII LU SHENG
46 Malaysian
Non-Independent Non-Executive Director

Mr Francis Hii was appointed to the Board as a Non-Independent Non Executive Director on 8 January 2008. He has qualification of Bachelor of Science (Second Class Honours) Engineering (Mechanical). He is a member of the Institution of Mechanical Engineering, UK and the Institution of Engineers, Malaysia. He holds directorships in Yung Kong Co. Bhd. and Group, and Yung Kong Credit Corporation Bhd. He is also a member of the Nomination Committee.

He attended all the seven (7) Board meetings applicable to him, which were held during the financial year. As at 18 March 2009, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	274,300	0.14	57,338,191*	29.32
Star Shine Marketing Sdn Bhd	-	-	9,100,000#	65.00
Star Shine Global Trading Sdn Bhd	-	-	1,020,000@	51.00
Star Shine Steel Products Sdn Bhd	-	-	3,322,000@	75.50
Star Shine Industries Sdn Bhd	-	-	4,380,000@	73.00

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd, and the interests of his spouse in the Company.*
\# *Deemed interested by virtue of his family's substantial interests in YKGI.*
@ *Deemed interested by virtue of his substantial interests in SSM through YKGI.*

Mr Francis has attended the Mandatory Accreditation Programme within the stipulated period.

Francis Hii is a son of Dato' Hii Ngo Sing (major shareholder of YKGI), and nephew of Dato' Dr Hii Wi Sing and Ir Michael Hii Ee Sing, and a cousin to Arthur Hii Lu Choon and Victor Hii Lu Thian, all of whom are Directors and major shareholders of the Company. He is also deemed interested in recurrent related party transactions, of which shareholders' mandate had been obtained in the AGM held on 9 May 2008. Details pertaining to these transactions are disclosed in Note 28 of the Notes to the Financial Statements.

HUONG HIE HEE
41 Malaysian
Senior Independent Director

Ms Huong was appointed to the Board on 18 May 2001. She is a Chartered Accountant and is a member of Malaysian Institute of Accountants. Ms Huong does not hold directorship in any other public company.

She has attended seven (7) out of eight (8) Board meetings held during the financial year ended 31 December 2008. Ms Huong is the Chairperson of the Audit and Remuneration Committees and is also a member of the Nomination Committee.

Ms Huong Hie Hee has no family relationship with the Directors and major shareholders of the Company. She does not have any conflict of interest with the Company. As at 18 March 2009, her shareholdings in the Company are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	142,000	0.07	89,000*	0.05

* *Deemed interested by virtue of the interest of her spouse in the Company.*

During the financial year ended 31 December 2008, Ms Huong has attended courses on the Revised (2007) Malaysian Code on Corporate Governance and the Asia Pacific Audit & Governance Summit 2008.

Directors' Profile [cont'd]

JEE HEE TECK

59 Malaysian
Independent Director

Mr Jee joined the Board on 20 April 2005. He has qualification in Senior Cambridge, Basic, Preliminary and Advanced Course in Taxation. In the year 1968 Mr Jee joined Inland Revenue Department [now known as Inland Revenue Board ("IRB")], Kuching and has served with the Account Sections, Employment, Business, Company and Prosecution Sections. He continued to serve with IRB after corporatisation in March 1996 until April 2005. He does not hold any directorship in other public company.

He is the Chairman of the Nomination Committee and is also a member of the Audit and Remuneration Committees. During the financial year ended 31 December 2008, he has attended all the eight (8) Board meetings.

Mr Jee Hee Teck owns no share in the Company and has no family relationship with any of the Directors or major shareholders of the Company. He has no conflict of interest with the Company.

During the financial year ended 31 December 2008, Mr Jee has attended courses on the Revised (2007) Malaysian Code on Corporate Governance and the Asia Pacific Audit & Governance Summit 2008.

PHILIP ANAK DREBA @ PHILIP ASO DREBA

58 Malaysian
Independent Director

Mr Philip joined the Board on 7 December 2006. He has qualification in Senior Cambridge, Basic, Preliminary and Advanced Course in Taxation. He joined Inland Revenue Department [now known as Inland Revenue Board ("IRB")], Kuching in the year 1969 and has served with the Salary Sections, Business, Prosecution and Investigation and Intelligence Sections. He continued to serve with IRB after corporatisation in March 1996 until June 2006. He does not hold any directorship in other public company.

During the financial year ended 31 December 2008, he has attended all the eight (8) Board meetings. He is a member of the Audit, Nomination, Remuneration and Employee Retirement Scheme Committees.

Mr Philip Aso Dreba owns no share in the Company and has no family relationship with any of the Directors or major shareholders of the Company. He has no conflict of interest with the Company.

Mr Philip had attended courses on the Revised (2007) Malaysian Code on Corporate Governance, the Asia Pacific Audit & Governance Summit 2008, How to Survive Tax Audit and Investigation and National Seminar on Taxation 2008, during the financial year ended 31 December 2008.

Additional Information:-

All the Directors of the Company have no convictions for any offence within the past ten (10) years other than traffic offences (if any).

Contacts of YKGI Group of Companies

Yung Kong Galvanising Industries Berhad (032939-U)

Head Office & Factory 1
Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +6082 433 888 Fax: +6082 433 889

Klang Office & Factory 2 (YK2)
Lot 6479 Lorong Sg. Puluh Batu 6 Jalan Kapar
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +603 3291 5189 Fax: +603 3291 6193

Website: http://www.ykgi.com.my
E-mail: ykgi@ykgi.com.my

Subsidiary (Manufacturing - West Malaysia)

Integrated Coil Coating Industries Sdn Bhd (503040-D)
Lot 6479 Lorong Sg. Puluh Batu 6 Jalan Kapar
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +603 3291 5189 Fax: +603 3291 6193
E-mail: ykgi@ykgi.com.my

Subsidiary (Marketing - East Malaysia)

Magic Network Sdn Bhd (393042-D)
Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +6082 433 888 Fax: +6082 433 833
E-mail: ykgi@ykgi.com.my

Subsidiaries (Manufacturing/Marketing & Export - West Malaysia)

Star Shine Marketing Sdn Bhd (458071-P)
Star Shine Global Trading Sdn Bhd (566960-K)
Star Shine Steel Products Sdn Bhd (619745-P)
Star Shine Industries Sdn Bhd (376233-T)
Wisma Star Shine
Lot 6472 Lorong Sungai Puloh/KU06
Kawasan Perindustrian Sungai Puloh
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +603 3297 5555 Fax: +603 3297 5678
E-mail: sales@starshinegroup.com

Southern Branch

144/1 Kompleks Munshi Abdullah Jalan Munshi Abdullah
75100 Melaka Malaysia
Tel: +606 288 3130 Fax: +606 288 3136

Statement on Corporate Governance

The Board of Directors of the Company ("the Board") recognises the importance of Corporate Governance in increasing investors' confidence, enhancing stakeholders' values and establishing customers' trust while maintaining the stability and continuity of the Group.

The Board and the top management fully support the implementation of all appropriate frameworks to develop high standards of corporate governance throughout the Group.

This statement, together with the Report of Audit Committee on pages 19 to 23 and Statement on Internal Control on pages 17 to 18 of this Annual Report, set out how the Group has applied the principles and complied with the best practices as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance ("Code").

1. BOARD OF DIRECTORS

The Board recognises the overall responsibility and committed in the stewardship of its direction, effective internal control systems which include the financial, operational, compliance and the risk management controls. This will ultimately enhance long-term shareholders' value.

1.1 Board Composition, Board Size and Balance

The Board of Directors consists of nine (9) members and is balanced, with 1/3 of the Directors being independent. The details are as follows:-

- one (1) Executive Chairman / Chief Executive Officer / Managing Director
- four (4) Executive Directors
- three (3) Independent Directors
- one (1) Non-Independent Non-Executive Director

For the year under review, Dato' Dr Hii Wi Sing holds the position of Executive Chairman and the Managing Director. Although the roles of the Executive Chairman and the Managing Director are combined, the Company's succession plan for the Managing Director is in place. The appointment of Mr. Arthur Hii Lu Choon as Deputy Managing Director is part of the plan in preparing him to take up the position of Managing Director in the near future. By then, the roles of the Executive Chairman and the Managing Director will be segregated.

The Board considers that the departure from the recommended practice of segregating the roles of Executive Chairman and Managing Director is acceptable as all the major decisions and key issues are properly deliberated in the Board meetings for consideration and approval.

Independent Directors also provide unbiased and independent view, advice and judgment, after taking into consideration the interests of all its stakeholders. Concerns of shareholders may also be directly conveyed to the Senior Independent Director, Ms Huong Hie Hee.

With the combined roles implemented by YKGI via recommendation made by the Nomination Committee and together with the mix of skills and experiences of the other Board members, the Board is effective for the period under review.

Profile of the Directors, detailing their qualifications and working experiences are set out on pages 6 to 10 of this Annual Report.

1.2 Appointments and re-elections of Directors

Identification and appointment of new Directors, as well as the proposed re-appointment/re-election at the annual general meeting undergo a process led by the Nomination Committee to the Board for approval. Upon appointment, the Company provides orientation on the Company and its subsidiaries, procedures, relevant regulatory information and education programme to the new Directors to allow them to better understand the businesses and ultimately to enable them to contribute effectively at the Board meetings. All newly appointed Directors are required to attend the Mandatory Accreditation Programme within the stipulated period, if so required.

In accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the Articles of Association of the Company, 1/3 of the Directors for the time being and those newly appointed shall retire from office at the annual general meeting but shall be eligible for re-election. All Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

1.3 Board Meetings

The Directors met quarterly with additional meetings convened to deliberate on urgent and important matters in between the scheduled meetings. The Board met eight (8) times during the financial year ended 31 December 2008.

All proceedings, matters arising, deliberations, in terms of the issue discussed, and resolutions of the Board meetings are recorded in the minutes by the Company Secretary, confirmed by the Board and signed by the Chairman of the meeting. The Company Secretary attends all the Board meetings.

The notice and agenda for every Board meeting, together with the necessary reports and documents are furnished to all Directors for their perusal in advance, so that the Directors have enough time to review matters to be deliberated at the meeting for decision making by the Directors.

Upon invitation, Management representatives were present at the Board meetings to provide additional insight into matters to be discussed during the Board meetings.

The topics for deliberation and decisions, amongst others, were review of strategic corporate plan, quarterly financial results, operational performance results, related party transactions, internal audit function, financial decisions, corporate and control structure within the Group.

The Directors are regularly updated and advised by the Company Secretary on new statutory as well as applicable regulatory requirements relating to the duties and responsibilities of Directors.

In furtherance to the Board's responsibilities, the Directors have unrestricted access to the advice and services of the Company Secretary, and have the liberty to seek external professional advice, if required.

All Directors have complied with the attendance requirements in respect of the Board meetings as set out by Bursa Malaysia Securities Berhad and the Company's Articles of Association. The detail of the attendance of each individual Director is outlined in their respective profile on pages 6 to 10 of this Annual Report.

1.4 Board Committees

The Board, which is the ultimate authority in decision-making for all significant matters, delegates certain responsibilities to Board Committees to enhance business and operational efficiency.

The Board has formed several Board Committees in accordance with the best practices prescribed by the Code. Each Committee has defined function, authority and terms of reference for reporting and making necessary recommendations to the Board. Some Board Committees have no authority to act but have authority to examine issues at hand and report back to the Board with recommendations. The Chairman of the Board Committees will report to the Board the outcome of the Committee meetings and such reports are recorded in the minutes of the Board meetings. These committees are :-

a) **Audit Committee ("AC")**, formed on 25 April 1997 and is made up of three (3) Independent Directors. It is primarily responsible for the review of reporting financial information to shareholders, systems of internal control and risk management, the audit process and the related party transactions.

   The Report of the AC is set out on pages 19 to 23 of this Annual Report.

b) **Nomination Committee ("NC")**, set up on 13 March 2001, comprising three (3) Independent Directors and one (1) Non-Independent Non-Executive Director, is responsible for the assessment and recommendation of new Directors to the Board, and for the annual review of the required mix of skills and experience, qualification and other core competencies and qualities to enable the Board to function efficiently. NC also oversees the appointment, management succession planning and performance evaluation of key personnel of the Group. Assessment and appraisal processes have also been implemented and properly documented, for the evaluation of the effectiveness of the Board as a whole, committees and individual contribution of each Board member.

During the financial year, the NC held two (2) meetings.

c) **Remuneration Committee ("RC")**, formed on 13 March 2001, comprises solely of Independent Directors, is responsible for making recommendations to the Board the remuneration of Executive Directors and Key Personnel based on an acceptable framework.

The RC met four (4) times during the financial year.

d) **Strategic Management Committee ("SMC")** was established on 19 October 2001. SMC gives counsel to the Chief Executive Officer on high level matters. It authored the Master Plan of the Group and oversees its implementation. The Managing Director, Dato' Dr Hii Wi Sing chairs the SMC meetings and during the financial year ended 31 December 2008, it met three (3) times.

e) **Risk Management Committee ("RMC")** was formed on 25 October 2002 to undertake the review of risks within the Group and to oversee the effective implementation of a risk management framework. During the financial year, it has met four (4) times.

f) **The Employee Retirement Scheme Committee ("ERS")**, formed on 16 July 2004 to undertake the management of retirement benefits of eligible retirees of the Company. It met once during the financial year under review.

Details of the membership to Board Committees are as follows :-

Names	Designation	AC	NC	RC	SMC	RMC	ERS
Dato' Dr Hii Wi Sing	Executive Chairman/ Managing Director/ Group Chief Executive Officer				C	C	M
Arthur Hii Lu Choon	Deputy Managing Director				M	M	
Ir Michael Hii Ee Sing	Group Executive Director				M	M	M
Victor Hii Lu Thian	Executive Director				M	M	
Tadashi Hamada	Executive Director						
Huong Hie Hee	Senior Independent Director	C	M	C			
Jee Hee Teck	Independent Director	M	C	M			
Philip Anak Dreba @ Philip Aso Dreba	Independent Director	M	M	M			M
Francis Hii Lu Sheng	Non-Independent Non–Executive Director		M				

Note: C = Chairman/Chairperson; M = Member.

2. *DIRECTORS' REMUNERATION*

The RC carries out annual reviews and recommendations are submitted to the Board on the overall remuneration packages for Directors, Chief Executive Officer and key Senior Management Personnel. This is to ensure that the levels of remuneration are sufficient to attract and retain suitable directors of the necessary caliber, qualifications, skill and experience needed to run the Group successfully. The component parts of remuneration should be structured so as to link rewards to responsibilities, individual performance and Board Committee Membership for the Executive Directors.

In the case of Non-Executive Directors, the levels of remuneration reflect the experience and levels of responsibilities undertaken by the particular Director concerned.

Each individual Director abstains from the Board discussion and decision on his own remuneration.

In line with this, the Company has adopted a remuneration structure that attempts to retain and attract the right Directors as follows :-

- The RC carries out annual reviews on the performances and recommends the remuneration of Directors and key personnel to the Board;
- The Board as a whole, determines the remuneration of the Non-Executive Directors.
- The Directors are paid annual directors' fees and attendance allowances for Board meetings that they attend.

Meetings of the RC are held at least once a year, and as and when necessary.

Contrary to the disclosure requirement as indicated in the Code, the Board of Directors is not providing details of remuneration of each Director as the Board is of the opinion that matters in relation to Directors' remuneration are of a personal nature. However, in compliance with the Listing Requirements, the remuneration paid to each Director, in aggregation and in the respective bands of RM50,000, are as outlined below:-

	Executive Directors	Non-Executive Directors
	RM	RM
Fee	209,000	146,000
Salary	1,477,440	-
Bonus	502,000	-
Allowances	179,992	68,260
Benefits-in-kind	-	-
Commissions	-	-

	Executive Directors	Non-Executive Directors
	No.	No.
RM950,001 to RM1,000,000	1	-
RM700,001 to RM750,000	1	-
RM350,001 to RM400,000	1	-
RM150,001 to RM200,000	1	-
RM100,001 to RM150,000	1	-
RM 50,001 to RM100,000	-	3
RM 50,000 and below	-	1

3. *RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS*

The Group recognises the importance of transparency and accountability to all its stakeholders, particularly its shareholders and investors.

Publications and Corporate Announcements

A key channel of communication with shareholders and investors is the annual report of the YKGI Group of Companies. The Company maintains a regular policy of disseminating information that is material for shareholders' attention.

Shareholders, investors and members of public can access to the Company's website at http://www.ykgi.com.my and Bursa Securities' website at www.bursamalaysia.com for the corporate and financial information as well as the relevant announcements and releases of Annual Reports, circular to shareholders, quarterly financial results and any other corporate announcements made through Bursa LINK.

Senior Independent Director's contact

Shareholders and the public can also convey their concerns and queries directly to the Senior Independent Director, Ms Huong Hie Hee at email address sid@ykgi.com.my.

Annual General Meeting ("AGM")/Extraordinary General Meeting ("EGM")

AGM/EGM of the Company is an important forum for communication and dialogue with shareholders where shareholders are accorded both the opportunity and time to seek clarifications and raise questions on the agenda items of the meetings.

At the AGM/EGM, the Directors welcome the opportunity to gather the views of shareholders. Notices of each meeting are issued on a timely manner to all, and in the case of special businesses, a statement explaining the effect of the proposed resolutions is provided.

Shareholders who are unable to attend are allowed to appoint proxies to attend, speak and vote on their behalf.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

Directors have implemented a quality control procedure to ensure that all financial reports have been prepared based on applicable Financial Reporting Standards, Guidelines and Policies. These financial reports also undergo a review process by the AC prior to approval by the Board.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of the Company is set out on page 35.

4.2 Internal Control

The Board understands that in order to strengthen the accountability aspect of financial reporting, the Company needs to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. Hence, the Company has developed a comprehensive system of internal control comprising of clear structures and accountabilities, well-understood policies and procedures, and budgeting and review process.

The Statement on Internal Control, which provides an overview of the state of internal control within the Group, is set out on pages 17 to 18 of the Annual Report.

4.3 Relationship With Auditors

The Board, via AC, has established an independent professional and transparent relationship with the Company's External and Internal Auditors. The AC has explicit authority to communicate directly with both the external and internal auditors.

The AC met with the External Auditors twice a year without the presence of the Executive Directors and the management. The External Auditors will present their audit plan and highlight important issues to the AC. After the final audit, the External Auditors will highlight to the AC its audit findings in respect of each year's annual statutory audit and report on the annual audited financial statements for the financial year under review.

The amount of audit/non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2008 by the Company's external auditors, KPMG, or a firm or company affiliated to KPMG are set out below:-

	RM
• Audit fees	89,000
• Non-audit fees	31,100

The arrangements with the Internal Auditors are also stated in the Report of Audit Committee on pages 22 to 23 of this Annual Report.

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments in, and the assets of, the companies. Paragraph 15.27(b) of the Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") requires directors of listed companies to include a statement in their annual reports on the state of their internal control. Bursa Malaysia's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance") provides guidance for compliance with these requirements. The Board of YKGI is pleased to present this Statement on Internal Control for the year ended 31 December 2008, which has been prepared in accordance with the Guidance.

RESPONSIBILITY

The Board of YKGI acknowledges its responsibility for the Group's system of internal control including the establishment of an appropriate control environment and framework as well as reviewing its effectiveness, adequacy and integrity. The system is designed to manage the Group's risks within acceptable limits, rather than eliminate the risks that may impede the achievement of business objectives. Accordingly, such a system by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established an on-going process to lay down the framework for identifying, evaluating and managing the principal risks of the Group. The Board, with the support of the RMC as well as the AC regularly reviews the principal risks and the actions taken to address them.

RISK MANAGEMENT

The Board affirms that an important element for a sound system of internal control is to have in place a risk management and control system to identify and assess the significant risks in the business processes of the Group and implement appropriate controls to manage such risks. The RMC is tasked to maintain, review and update the Group's risk register. Risk owners are identified for the key business processes of the Group, who will be accountable for all aspects of risk management including assessment, evaluation, monitoring and reporting of risks associated with the business processes to which they are assigned as well as implementing remedial actions therefor. The risk owners report to the RMC on all emergent risks identified.

Key performance indicators ("KPI") to monitor risks are formally identified for the respective key business processes and are compared against actual performance results. The RMC reviews the KPI quarterly and initiates action plans arising from the reviews when necessary.

During the year, Ernst & Young Advisory Services Sdn Bhd was engaged to assist with a risk assessment exercise with the primary objective of revisiting YKGI Group's risk profile from a similar exercise undertaken earlier to confirm and update the key business risks that would hinder the achievement of the Group's business objectives as well as to identify, assess and establish the risk priorities for the Group and provide the Board with a corporate risk profile to be used as a baseline for the development of an enterprise risk management framework. The output of the exercise was also used as a basis for the development of YKGI Group's internal audit plan to align the review of the system of internal control with the risk management activities of the Group.

The Group had reviewed and monitored the performance of the respective business units against the strategic plans established earlier. Corrective actions were taken as soon as possible to ensure that they did not deviate from the direction set.

The Group's risk handbook summarises the Group's governance structure, the objectives, strategies, policies and procedures of its risk management and the risk profiles associated with its businesses.

INTERNAL AUDIT FUNCTION

The Group internal audit function is outsourced from Ernst & Young Advisory Services Sdn Bhd, an independent professional service firm for a period of three years. The internal audit team undertakes independent reviews on the basis of a detailed annual audit plan developed based on the risk profiles of the major business units of the Group. Such plan is presented to the AC for approval before being carried out.

Statement on Internal Control [cont'd]

The reviews comprise risk-based financial and operational audits on the Group's operations, following which proper recommendations are made for implementation by the management. The Audit Committee considers the internal audit reports before reporting and making recommendations to the Board in strengthening the risk management, internal control and governance systems of the Group, on a quarterly basis or earlier as appropriate.

OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES

Other key elements of the Group's system of internal control include, *inter alia:*

- Organisational structures that lay down well defined delegation of responsibility and authority to each category of staff.
- Established standard operating procedures under ISO 9001:2000 Quality Management System that cover all major critical processes of the Group entities. Surveillance audits are conducted twice a year by a third party on these companies to ensure that the system is adequately implemented.
- Regular management reports received and reviewed by the Board and the respective boards of subsidiaries in the Group. In addition to monthly accounts and financial information reports, other key monitoring and progress reports on business operations are tabled to the respective department heads and management at their monthly or periodic meetings.
- Scheduled and ad-hoc meetings at the respective business unit levels to identify and resolve business and operational issues. The Board is informed of the status of resolution of any significant issues identified at these meetings.
- Proper guidelines for the hiring and termination of staff, formal training programmes, performance appraisal system and other relevant procedures to ensure staff are competent and adequately trained in carrying out their responsibilities.

BOARD REVIEW

The Board is of the view that the system of internal control is satisfactory. There were no material losses, contingencies or uncertainties during the financial year as a result of any weaknesses in internal control. The Board will continue to take active measures to strengthen the control environment taking into account the changes in the internal and external environment of the Group.

Report of Audit Committee

The Audit Committee ("Committee") of Yung Kong Galvanising Industries Berhad was formed on 25 April 1997. The Board of Directors of the Company is pleased to present the Audit Committee Report for the financial year ended 31 December 2008.

1. MEMBERSHIP AND ATTENDANCE OF EACH MEMBER

The Committee comprises solely of three (3) Independent Directors. All members of the Committee are financially literate. The Chairperson is a member of Malaysian Institute of Accountants ("MIA").

During the financial year ended 31 December 2008, the Committee met four (4) times. The details of the members and their attendance at Committee meetings held during 2008 are as follows:-

Names	Designation	Attendance
Ms Huong Hie Hee (MIA No. 18186)	Chairperson, Senior Independent Director	4/4
Mr Jee Hee Teck	Member, Independent Director	4/4
Mr Philip Anak Dreba @ Philip Aso Dreba	Member, Independent Director	4/4

The Group Chief Executive Officer, Chief Financial Officer, Group external and internal auditors attended some of these meetings upon invitation by the Chairperson of the Committee.

The Committee met once every quarter. The Chairperson of the Committee reports on the main findings and deliberations of the Committee's Meetings to the Board.

The details of training attended by each of the Committee member are set out in pages 9 to 10 of this Annual Report.

2. COMPOSITION AND TERMS OF REFERENCE

The Committee has no authority to act on behalf of the Board of Directors but shall have authority to examine all the issues at hand and to report back to the Board of Directors with recommendations. The Committee shall be governed by the following terms of reference which had been approved by the Board of Directors and which may be amended by the Board of Directors from time to time by resolution.

The terms of reference of the Committee has been revised in line with the amended Listing Requirements of Bursa Malaysia Securities Berhad and the revised Malaysian Code on Corporate Governance. The revised terms of reference as approved by the Board are as follows:-

2.1 Members

a. The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members, comprising all non-executive directors with a majority of them being Independent Directors.
b. Alternate Director shall not be eligible for appointment as member of the Committee.
c. All the Committee members should be financially literate.
d. At least one (1) member of the Committee must be a member of Malaysian Institute of Accountants ("MIA").
e. Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

2.2 Chairman/Chairperson

The Chairman/Chairperson of the Committee shall be an Independent Director elected among the members of the Committee.

2.3 Meetings, Quorum and Secretary

a. The Committee shall meet at least four (4) times a year. Directors, management, employees and representatives of the External Auditors and Internal Auditors may attend meetings upon the invitation of the Committee. The Chairman/Chairperson of the Committee at his/her discretion may convene additional meeting of the Committee if so requested by any Member, Internal Auditors or External Auditors to consider any matter within the scope and responsibilities of the Committee. The Committee holds meetings with the External and Internal Auditors without the Management's presence twice a year.

b. Majority of members present for a meeting must be Independent Directors to constitute a quorum for a meeting of the Committee.

c. The Secretary of the Committee shall be the Company Secretary. Notice of Meeting and the Meeting Papers shall be made available to all members before the meeting. Minutes of each meeting shall be recorded by the Secretary, confirmed by the Chairman/Chairperson and kept by the Secretary.

2.4 Authorities

The Committee shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

a. Have authority to investigate any matter within its terms of reference.
b. Have the adequate resources, which are required to perform its duties.
c. Have full and unrestricted access to any information and documents pertaining to the Company.
d. Have direct communication channels with the External and Internal Auditors.
e. Have power to obtain independent professional and other advices.
f. Have power to convene meetings with the External Auditors and Internal Auditors, excluding the attendance of Executive Directors and management, whenever deemed necessary.

2.5 Responsibilities and Duties

The responsibilities and duties of the Committee shall be to assist the Board of Directors in fulfilling its responsibilities on Corporate Governance and the sufficiency of auditing relating thereto. To discharge its responsibilities and duties, the Committee shall, among others, perform the following duties:-

a. To review the following and report the same to the Board of Directors:-

(1) External Audit

- The external audit plan.
- The External Auditors' evaluation of the system of Internal Controls.
- The Audit Report and recommendations made by the External Auditors.
- The assistance given by the employees to the External Auditors.
- Any letter of resignation from the External Auditors of the Company.
- Whether there is reason to believe that the External Auditors are not suitable for re-appointment.
- To recommend the appointment of the External Auditors, taking into consideration the adequacy of the experience and resources of the firm and the persons assigned to the audit.

(2) Internal Audit

- The adequacy of scope, functions, competence and resources of the Internal Audit Functions and that it has the necessary authority to carry out its work.
- The Internal Audit Programme, processes, the audit findings, processes or investigation undertaken whether or not appropriate action is taken on the recommendations of the Internal Audit Function.

(3) Financial Reporting
- To review the quarterly announcements to Bursa Securities before submission to the Board of Directors.
- The quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
  - Changes in or implementation of new accounting policies.
  - Significant and unusual events.
  - Compliance with the applicable approved accounting standards and other legal and regulatory requirements.
- To ensure the Committee Report be prepared and published together with the Annual Report of the Company, stating among others:-
  - The composition of the Committee, with name, designation and directorship of the members.
  - The terms of reference.
  - Number of Committee meetings held during the year and details of attendance of each member.
  - Summary of the activities of the Committee to discharge its duties for the financial year.
  - Summary of the activities of the Internal Audit Function to discharge its functions and duties.

(4) Related Party Transactions
- Any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

b. To ensure the co-ordination of external audit with internal audit.

c. Such other matters and duties as the Committee considers appropriate or as authorised by the Board of Directors.

2.6 Vacancy and Review

In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements, the Board shall fill the vacancy within three (3) months from the date the post is left vacant.

The Board shall review and determine at least once every three (3) years whether the Committee and each of its members have carried out their duties in accordance with the terms of reference. The performance of the Committee with its members are appraised annually by the Nomination Committee and approved by the Board of Directors.

2.7 Reporting of Breaches to Bursa Securities

Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactory resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

3. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

In line with the terms of reference of the Committee, following activities were carried out during the financial year:-

3.1 Financial Reporting

a. Reviewed the quarterly unaudited/audited financial results of the Company and the Group with the Group Chief Executive Officer and Chief Financial Officer before recommending them for approval by the Board of Directors.
b. Reviewed the annual audited financial statements of the Group with the external auditors and the Group Chief Executive Officer and Chief Financial Officer prior to submission to the Board of Directors for approval.
c. Discussed and updated on the disclosure requirements of the new accounting standards and Listing Requirements.
d. Review of the Statement on Internal Control and Audit Committee Report prior to the Board's approval for inclusion in the Company's Annual Report.

3.2 Internal Audit

a. Reviewed the internal audit plans to ensure adequate scope and coverage on the key business processes of the Group.
b. Reviewed the internal audit reports which include audit findings, audit recommendations made and management responses to these recommendations.
c. Reviewed and monitored the implementation status of the audit recommendations made by auditors to ensure that key risks and controls have been addressed. This includes any improvement on the system of the internal controls and procedures.
d. To appoint internal auditor for the risk assessment exercise for the Group.
e. Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. Audit Committee obtained feedback from the management.

3.3 External Audit

a. Reviewed the auditors' scope of work and external audit plans. Prior to the annual audit, the Committee discussed and agreed with the external auditors on audit strategy, audit planning, review memorandum, audit approach and audit scope.
b. Reviewed with the external auditors any concerns raised without the presence of other directors and employees.
c. Assessment of the performance of the auditors and made recommendations to the Board of Directors for approval on their appointment and remuneration.
d. Update on the statutory and regulatory requirements including the implementation of the accounting standards applicable in the preparation of financial statements.

3.4 Related Party Transactions

Reviewed the related party transactions entered into by the Company and the Group on a quarterly basis.

3.5 Risk Management

Identified and reviewed the principal risk factors and controls existed to mitigate those risks pertaining to the key business processes of the Group.

4. INTERNAL AUDIT FUNCTION

On 18 April 2001, the Company established an internal audit function, which is independent from the activities of the Company and reports directly to the Committee, who in turn decides on the remit of the internal audit function.

In Year 2007, Ernst & Young was engaged to assist with a Strategic Planning ("SP") and Balanced Scorecard ("BSC") exercise for the Group.

To further improve the internal system of controls and risk control, in Year 2008, Ernst & Young Advisory Services Sdn Bhd was engaged to assist with a Risk Assessment Exercise with the following primary objectives:-

- to revisit YKGI Group's risk profile;
- to confirm and update the key business risks;
- to identify, assess and establish its risk priorities for the Group; and
- to provide the Board with a corporate risk profile to be used as a baseline for the development of the enterprise risk management framework.

The output of the exercise is also used as a basis for the development of YKGI Group's internal audit plan to align the review of internal system of controls with the risk management activities for the Group.

Report of Audit Committee [cont'd]

The Internal Audit Function of the Company is outsourced from Ernst & Young Advisory Services Sdn Bhd. During the financial year ended 31 December 2008, the Internal Auditors had carried out audits according to the internal audit plan, which included, *inter alia*, the following reports for the mega processes and status of follow up actions within the Group:-

Visit #	Date of Report	Companies Audited
1	22 July	Star Shine Marketing Sdn. Bhd. Star Shine Global Trading Sdn. Bhd. Star Shine Steel Products Sdn. Bhd. Star Shine Industries Sdn. Bhd.
2	22 July	Yung Kong Galvanising Industries Berhad (Kuching) Yung Kong Galvanising Industries Berhad (Klang) Integrated Coil Coating Industries Sdn. Bhd. Star Shine Marketing Sdn. Bhd. Star Shine Global Trading Sdn. Bhd. Magic Network Sdn. Bhd.
3	20 October	Yung Kong Galvanising Industries Berhad (Kuching) Yung Kong Galvanising Industries Berhad (Klang) Star Shine Marketing Sdn. Bhd. Star Shine Global Trading Sdn. Bhd. Star Shine Industries Sdn. Bhd.

The final internal audit reports undertaken during the financial year were forwarded to the Management for necessary corrective and preventive actions as recommended. The Management is responsible for ensuring that the agreed action plans are implemented within the required time frame.

The Partner-in-charge of the Internal Audit services of Ernst & Young Advisory Services Sdn Bhd was identified as the Head of Internal Audit who shall report directly to the Committee and shall be responsible for the regular review and/or appraisal of the effectiveness at the risk management, internal control, and governance processes within the Group.

The total costs incurred for the internal audit function in respect of the financial year ended 31 December 2008 were

Corporate Social Responsibilities

Our commitment to be a responsible company contributing positively to our communities and environment is enshrined in our mission statement: "Cultivate High Productivity and Conducive Workplace". We work together on a daily basis with employees, suppliers, customers and others to help create a more sustainable approach to high-quality steel production, to help build stronger local communities, to minimise our environmental footprint, to create a great workplace, to promote diversity and to be responsive to our communities' health and wellness needs.

Corporate Social Responsibilities [cont'd]

Corporate Responsibilities at Workplace

We strive to create the best possible workplace environment, to attract and retain talented individuals who will grow their careers along with our Company, and to be regarded by our employees as a great place to work. The following section provides an overview of the ways in which we try to ensure a great working environment, including:

a) Listening to Our Employees
b) Offering Benefits to Our Employees
c) Focusing on Health and Wellness
d) Recognizing Our Employees
e) Staffs Training and Career Development
f) Workplace Policies and Respecting Employees' Rights
g) Safety and Health
h) Provide Leisure and Recreation Activities

Three words that describe YKGI People
Professionalism, Quality and Jolly . . .

Expedition – Bau Cave, Kuching

Ping Pong – Dato' Dr. Peter Hii Challenge Shield

Sports Day – Shah Alam, Selangor

Expedition – Mt Kinabalu Challenge, Sabah

Corporate Social Responsibilities [cont'd]

Corporate Responsibilities at Marketplace

Working towards a more sustainable supply chain, we strive to apply sustainability principles in our own operations, where we would also like our suppliers to have the same focus. We know that we need to be clearer in setting our expectations around social and environmental responsibilities. To that end, we are about to commence working with some of our suppliers and partners to align our supply chain with our sustainability commitments. We want to work in partnership with suppliers to meet governance, environment and social principles. We will encourage them to do the same with their own supply chain.

Our intention is to highlight those practices we would like to promote as well as those we would like to avoid. Our approach to encourage sustainability action plans, generating business value for all involved.

Corporate Responsibilities at Communities

We place utmost importance on the social contribution activities of the Company by vigorously deploying volunteer service activities in cooperation with the communities, to help the communities in reaching out for sustainability.

We collaborate with local universities for internship and students placement to develop the field of study in metallurgy science, mechanical technology and manufacturing management and strategies and also aim for knowledge sharing. We exhibits metallurgy and material science to stimulate both children's and scholars' interest in science for industrial visit organised by schools, universities and local communities society. During industrial visits, we explain the history of YKGI and our direction on responsibilities to the communities. Our employees collect used apparel and shoes, in cooperation with an NPO, to send the collection to needy families.

Community Service - Kampung Duyoh, Bau

In the spirit to perpetuate the remembrance of our founder Dr. Hii Yii Ngiik, we support the charitable organisation of "The Hii Yii Ngiik and Wong Ai Lang Foundation". YKGI had made contribution to the Foundation since 1992.

Children Education Assistance

We are providing Children Education Assistance to employees' children annually to alleviate part of their education expenses and to encourage and motivate students for their academic achievements.

CEA –Academic Achievement Awards

Corporate Social Responsibilities [cont'd]


Present to the less fortunate children


Aids to the poor and needy family


Donation-Rehabilitation Centre


Assistance-Kuching Blind Centre


Donation-National Kidney Foundation


Recycling


Donation-Rehabilitation Centre


Blood Donation

Corporate Social Responsibilities [cont'd]

Corporate Responsibilities at Environment

Our environmental policy governs the activities being carried out at our offices and plants, both at Kuching and Klang.

Our environment is a vital factor in corporate management strategy. We fulfil our environmental responsibilities by harmonizing corporate activities with the protection of environment, the efficient use of resources, and the well being of our communities for sustainable growth.

YKGI TURNED GREEN

Understanding and Improving Our Environmental Footprint

We continually strive to better understand our environmental footprint and reduce our impact. We have launched and continued progress on several initiatives that we believe will help us achieve a consistent, high level of environmental performance across our operations and the lifecycle of our products.

For environmentally-friendly processes, we have developed handling method that can reduce the generation of CO_2 gases, one of the factor leading to greenhouse effect. By increasing the handling by electric powered conveyor and platform, it reduced the unnecessary handling by forklift and directly reduced the exhaustion of CO_2 gases. Extensive use of steel productions that are easily recycled and developing products with high durability also contribute to the reduction of waste matters and raw material usage and ultimately save energy and resources. Lastly, we are actively developing steel materials that do not include environmentally-unfriendly harmful substances to contribute to the prevention of environmental pollution and better safeness.

Gas emission test

Landscaping for surrounding compound

Corporate Social Responsibilities [cont'd]

Category	Details	Quantity
Environment Preservation	• Non-containment of environmental hazardous substances, isolation of substances • Reduction of noise (vibration) • Improvement of collision and safety properties	12 products
Water Saving	• Improvement of energy efficiency and streamline processes	37%
Electric Saving	• Improvement of energy efficiency and streamline processes	26%
Recycling Improvement	• Improved process and reduced waste water output to treatment plant	30%

Recycling, Reusing and Waste Reduction Initiatives

Reducing the volume of solid waste we generate is primarily accomplished through recycling and composting biodegradable materials.

Category	2006	2008
Schedule Waste from Kuching Plant	84.355 metric tonnes	8.573 metric tonnes

Summary of Contribution for the Year 2008

Category	Details	Contribution
Assistance Fund	- Children Education Assistance Fund - The HYN & WAL Foundation - National Kidney Foundation - Kuching Autistic Association - Persatuan Bagi Orang Buta Sarawak - PDK - Disable Rehabilitation Center - Sinar Harapan Kampung Duyoh - Sichuan Earthquake Fundraising –"Help to Rebuild Their Homes" - others	RM80,000 / annum
Blood Donation	- Blood Donation	62 pints
Collection Activities	- Old Clothes for Cheshire Home	200kgs
Volunteers	- Community Service at Kampung Duyoh	2,000 square metres
Green Purchase	- Lead Free Polyester Paint purchase	Lesser Lead (Pb) emission
Recycling Activities	- Schedule Waste Disposal Reduction 2006-2008	90%
Industrial Visit	- Primary Schools - University - Government Authorities	4 visits

Management

Group

SSM

Jolly People

YK2


YKGI


SSM & SSGT


SSP & SSI

SSI


YKGI

Launching of YK2

Management & Distinguished Guests

Guests .. 1

Guests .. 2

Celebration

Cheers

Fun

One for the Album

Appreciation

Birthdays

Housekeeping... 5S

Outings... Mt Kinabalu Challengers, Sabah

Outings... Gunong Gading, Bau

Sports... Shah Alam

Children's Event

Trainings... Kuching

Trainings... Lembah Azwen Resort, Selangor

FINANCIAL Statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Malaysian Companies Act, 1965 requires the Board of Directors to prepare financial statements for each financial year, which give a true and fair view of the state of the affairs of the Group and the Company at the end of the financial year, and of the results of their operations and cash flows for the financial year.

In preparing the financial statements, the Board are also responsible for the adoption of suitable accounting policies and their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

The Board of Directors hereby confirms that suitable accounting policies have been consistently applied in respect of preparation of the financial statements. The Board also confirms that the Group maintains adequate accounting records and sufficient internal controls to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities. These are described more fully in the Statement on Corporate Governance outlined on pages 12 to 18 of this Annual Report.

Directors' report
for the year ended 31 December 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacture and sale of galvanised and coated steel products while the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit attributable to:		
Equity holders of the Company	1,230,246	1,200,529
Minority interest	1,452,483	-
	2,682,729	1,200,529

DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividends in respect of the year ended 31 December 2007:

a) an interim tax exempt dividend of 3.0 sen per ordinary share of RM1.00 each totalling RM1,955,349 on 4 February 2008, and

b) a final tax exempt dividend of 1.0 sen per ordinary share of RM0.50 each totalling RM1,303,566 on 30 May 2008.

The final dividend recommended by the Directors in respect of the year ended 31 December 2008 is 1.0 sen per ordinary share less tax at 25% totalling RM1,466,512, the payment of which is subject to approval by shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review, except as disclosed in the financial statements.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Director	Alternate
Dato' Dr. Hii Wi Sing	-
Ir. Michael Hii Ee Sing	-
Arthur Hii Lu Choon	Alexander Hii Lu Kwong
Tadashi Hamada	Yoshinori Kubo
Huong Hie Hee	-
Jee Hee Teck	-
Victor Hii Lu Thian	-
Philip Anak Dreba @ Philip Aso Dreba	-
Francis Hii Lu Sheng	-

Directors' report
for the year ended 31 December 2008 [cont'd]

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries of the Company) of the Directors (including where applicable the interests of their spouses or children who themselves are not Directors of the Company) at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares									
	Direct interests					Deemed interests				
	At 1.1.2008	Share split	Bought	Sold	At 31.12.2008	At 1.1.2008	Share split	Bought	Sold	At 31.12.2008
Interest in the Company										
Dato' Dr. Hii Wi Sing	4,423,374	4,564,374	7,864,200	-	16,851,948	20,611,042	20,669,842	21,229,897	-	62,510,781
Ir. Michael Hii Ee Sing	45,000	45,000	48,100	-	138,100	20,176,097	20,176,097	20,512,197	-	60,864,391
Arthur Hii Lu Choon	450,000	450,000	597,100	-	1,497,100	18,971,097	18,971,097	19,272,997	-	57,215,191
Alexander Hii Lu Kwong	402,000	402,000	962,100	-	1,766,100	18,962,097	18,962,097	19,278,597	-	57,202,791
Victor Hii Lu Thian	284,000	284,000	417,000	-	985,000	18,962,097	18,962,097	19,263,597	-	57,187,791
Huong Hie Hee	71,000	71,000	-	-	142,000	44,500	44,500	-	-	89,000
Francis Hii Lu Sheng	91,000	91,000	92,300	-	274,300	19,012,097	19,012,097	19,313,997	-	57,338,191
Interest in subsidiaries										
Star Shine Marketing Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	360,000	-	60,000	-	420,000	8,520,000	-	1,420,000	-	9,940,000
Ir. Michael Hii Ee Sing	-	-	-	-	-	8,280,000	-	1,380,000	-	9,660,000
Arthur Hii Lu Choon	360,000	-	60,000	-	420,000	7,800,000	-	1,300,000	-	9,100,000
Alexander Hii Lu Kwong	360,000	-	60,000	-	420,000	7,800,000	-	1,300,000	-	9,100,000
Victor Hii Lu Thian	360,000	-	60,000	-	420,000	7,800,000	-	1,300,000	-	9,100,000
Star Shine Steel Products Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	280,000	-	28,000	28,000	280,000	3,020,000	-	323,000	-	3,343,000
Ir. Michael Hii Ee Sing	200,000	-	20,000	-	220,000	3,020,000	-	302,000	-	3,322,000
Arthur Hii Lu Choon	-	-	7,000	-	7,000	3,020,000	-	302,000	-	3,322,000
Alexander Hii Lu Kwong	-	-	7,000	-	7,000	3,020,000	-	302,000	-	3,322,000
Victor Hii Lu Thian	-	-	7,000	-	7,000	3,020,000	-	302,000	-	3,322,000

Directors' report
for the year ended 31 December 2008 [cont'd]

DIRECTORS' INTERESTS [cont'd]

	Number of ordinary shares									
	Direct interests					Deemed interests				
	At 1.1.2008	Share split	Bought	Sold	At 31.12.2008	At 1.1.2008	Share split	Bought	Sold	At 31.12.2008
Interest in subsidiaries [cont'd]										
Star Shine Global Trading Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	80,000	-	-	-	80,000	1,140,000	-	-	-	1,140,000
Ir. Michael Hii Ee Sing	100,000	-	-	-	100,000	1,020,000	-	-	-	1,020,000
Arthur Hii Lu Choon	40,000	-	-	-	40,000	1,020,000	-	-	-	1,020,000
Alexander Hii Lu Kwong	40,000	-	-	-	40,000	1,020,000	-	-	-	1,020,000
Victor Hii Lu Thian	40,000	-	-	-	40,000	1,020,000	-	-	-	1,020,000
Star Shine Industries Sdn. Bhd.										
Dato' Dr. Hii Wi Sing	180,000	-	-	-	180,000	4,461,000	-	-	-	4,461,000
Ir. Michael Hii Ee Sing	180,000	-	-	-	180,000	4,380,000	-	-	-	4,380,000
Arthur Hii Lu Choon	27,000	-	-	-	27,000	4,380,000	-	-	-	4,380,000
Alexander Hii Lu Kwong	27,000	-	-	-	27,000	4,380,000	-	-	-	4,380,000
Victor Hii Lu Thian	27,000	-	-	-	27,000	4,380,000	-	-	-	4,380,000

Save as disclosed, none of the Directors had any interest in the ordinary shares of the Company and of its related corporations, either at the beginning of and/or end of the financial year.

The nominal value of the ordinary shares of the companies listed above is RM1.00 except that in the case of the Company, the nominal value of its ordinary shares was changed from RM1.00 per ordinary share to RM0.50 per ordinary share following a share split exercise on 13 May 2008.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business and certain Directors who are eligible to participate in the Company's retirement benefits scheme.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issuance of free warrants attached to the rights issue subscribed by certain Directors on 9 July 2008 (see details of the rights issue below).

ISSUE OF SHARES

The Company undertook a share split exercise on 13 May 2008 to reduce the par value of its ordinary shares from RM1.00 per ordinary share to RM0.50 per ordinary share. The 65,178,300 issued and paid-up ordinary shares of RM1.00 each then subsisting were sub-divided into 130,356,600 ordinary shares of RM0.50 each while the authorised share capital of RM500,000,000 was changed from 500,000,000 ordinary shares of RM1.00 each to 1,000,000,000 ordinary shares of RM0.50 each.

On 9 July 2008, the Company issued a renounceable two-call rights issue of 65,178,300 ordinary shares of RM0.50 each together with 65,178,300 free detachable warrants at an issue price of RM0.50 per ordinary share 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 rights issue was settled in the following manner:

- first call of RM0.35 per ordinary share, paid in cash.
- second call of RM0.15 per ordinary share, payable by way of capitalisation of RM5,400,000 from the Company's revaluation reserve account (see Note 15) and the remaining balance of RM4,376,745 from its retained earnings.

The proceeds received from the rights issue are allocated to the share capital account and warrant reserve account, determined based on the estimated fair value of the warrants immediately upon the listing and quotation thereof.

The expenses relating to the rights issue of RM561,155 have been recognised as a deduction from the following equity accounts:

	RM
Share premium	499,820
Retained earnings	61,335
	561,155

Save for the above, there were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

Save for the warrants mentioned above, no options were granted to any person to take up unissued shares of the Company during the year.

The number of outstanding warrants in issue as at 31 December 2008, exercisable at RM0.50 for each ordinary share in the Company over a period of five years to 8 July 2013, is 65,178,300. No warrants have been exercised during the year.

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) 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, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 as and when they fall due.

In the opinion of the Directors, except as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' report

for the year ended 31 December 2008 [cont'd]

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Dr. Hii Wi Sing

Tadashi Hamada

Kuching,

Date: 27 February 2009

Statement by Directors
pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 45 to 95 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2008 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Dato' Dr. Hii Wi Sing

Tadashi Hamada

Kuching,

Date: 27 February 2009

Statutory declaration
pursuant to Section 169(16) of the Companies Act, 1965

I, **Aw Chiew Lan**, the officer primarily responsible for the financial management of Yung Kong Galvanising Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 45 to 95 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the abovenamed
in Kuching in the State of Sarawak
on 27 February 2009

Aw Chiew Lan

Before me:

PETER. SIM HOI PENG
Pesuruhjaya Sumpah,
Lot 9891, 1st Floor,
Jalan Datuk Abang,
Abdul Rahim, 93450
Kuching, Sarawak.

PESURUHJAYA SUMPAH
NO. Q 078
PETER SIM HOI PENG
MALAYSIA

Independent Auditors' Report

To The Members of Yung Kong Galvanising Industries Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Yung Kong Galvanising Industries Berhad, which comprise the balance sheets of the Group and of the Company as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 45 to 95.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia. 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 judgement, 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 the 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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

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 have been properly kept in accordance with the provisions of the Act.

(b) 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.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

To The Members of Yung Kong Galvanising Industries Berhad [cont'd]

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.

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Chin Chee Kong
Approval Number: 1481/1/11 (J)
Chartered Accountant

Kuching,

Date: 27 February 2009

Balance Sheets
at 31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Assets					
Property, plant and equipment	3	273,568,639	265,556,937	217,681,584	219,073,357
Prepaid lease payments	4	3,660,204	3,740,143	2,867,089	2,930,541
Investment property	5	-	-	4,813,321	5,183,393
Investment in subsidiaries	6	-	-	17,872,500	16,572,500
Goodwill	7	1,437,871	1,437,871	-	-
Deferred tax assets	8	9,000	276,000	-	-
Quoted investments	9	23,515	23,515	-	-
Total non-current assets		278,699,229	271,034,466	243,234,494	243,759,791
Inventories	10	91,103,127	116,004,831	59,643,347	76,017,973
Property held for sale	11	487,810	2,758,038	-	-
Trade and other receivables	12	63,146,552	94,013,630	69,671,436	82,122,571
Current tax assets		2,263,681	1,185,224	1,219,654	1,005,883
Cash and bank balances	13	25,713,503	22,807,021	2,298,942	3,433,404
Total current assets		182,714,673	236,768,744	132,833,379	162,579,831
Total assets		461,413,902	507,803,210	376,067,873	406,339,622
Equity					
Share capital	14	90,923,729	65,178,300	90,923,729	65,178,300
Reserves	15	55,006,426	58,573,925	45,915,580	49,512,796
Total equity attributable to equity holders of the Company		145,930,155	123,752,225	136,839,309	114,691,096
Minority interest	2(a)(iii)	10,840,606	9,688,312	-	-
Total equity		156,770,761	133,440,537	136,839,309	114,691,096
Liabilities					
Loans and borrowings	16	102,957,015	112,010,703	80,700,940	93,862,250
Deferred tax liabilities	8	10,414,000	9,594,000	8,391,000	8,022,000
Employee benefits	17	2,284,568	2,168,855	2,284,568	2,168,855
Total non-current liabilities		115,655,583	123,773,558	91,376,508	104,053,105
Trade and other payables	18	10,798,424	26,344,616	2,680,625	12,217,291
Loans and borrowings	16	178,056,134	223,940,044	145,171,431	175,378,130
Current tax liabilities		133,000	304,455	-	-
Total current liabilities		188,987,558	250,589,115	147,852,056	187,595,421
Total liabilities		304,643,141	374,362,673	239,228,564	291,648,526
Total equity and liabilities		461,413,902	507,803,210	376,067,873	406,339,622

The notes on pages 53 to 95 are an integral part of these financial statements.

Income Statements
for the year ended 31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Revenue					
- sales of galvanised and coated steel products		479,277,674	461,882,504	369,408,847	365,544,110
Cost of sales		(424,878,860)	(405,031,845)	(343,184,967)	(331,233,908)
Gross profit		54,398,814	56,850,659	26,223,880	34,310,202
Other income		1,879,551	2,999,682	5,847,898	4,342,786
Selling and distribution expenses		(6,157,508)	(5,648,460)	(2,487,749)	(2,218,152)
Administrative expenses		(30,483,518)	(19,018,348)	(15,682,964)	(8,973,680)
Interest expense		(14,837,463)	(14,627,260)	(11,658,707)	(11,947,863)
Profit before taxation	19	4,799,876	20,556,273	2,242,358	15,513,293
Tax expense	21	(2,117,147)	(4,639,007)	(1,041,829)	(3,129,000)
Profit for the year		2,682,729	15,917,266	1,200,529	12,384,293
Attributable to:					
Equity holders of the Company		1,230,246	14,427,286	1,200,529	12,384,293
Minority interest		1,452,483	1,489,980	-	-
Profit for the year		2,682,729	15,917,266	1,200,529	12,384,293
Basic earnings per ordinary share (sen)	22	0.7	9.6		
Diluted earnings per ordinary share (sen)	22	0.5	9.6		
Dividend per ordinary share (sen)	23	1.0	4.0		

The notes on pages 53 to 95 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 31 December 2008

		Attributable to equity holders of the Company								
		Non-distributable				Distributable				
Group	Note	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
At 1 January 2007		65,178,300	-	499,820	690,660	1,792,700	32,952,425	101,113,905	5,826,211	106,940,116
Revaluation of land	3	-	-	-	10,818,166	-	-	10,818,166	870,225	11,688,391
Realisation of revaluation reserve		-	-	-	(34,000)	-	34,000	-	-	-
Profit for the year		-	-	-	-	-	14,427,286	14,427,286	1,489,980	15,917,266
Total recognised income and expense for the year		-	-	-	10,784,166	-	14,461,286	25,245,452	2,360,205	27,605,657
Shares issued by subsidiaries		-	-	-	-	-	-	-	2,930,000	2,930,000
Acquisition of additional interest in existing subsidiaries	30	-	-	-	-	-	-	-	(173,126)	(173,126)
Dividends paid to:										
- shareholders of the Company	23	-	-	-	-	-	(2,607,132)	(2,607,132)	-	(2,607,132)
- minority shareholders		-	-	-	-	-	-	-	(1,254,978)	(1,254,978)
At 31 December 2007		65,178,300	-	499,820	11,474,826	1,792,700	44,806,579	123,752,225	9,688,312	133,440,537
		(Note 14)	(Note 15)	(Note 15)	(Note 15)	(Note 15)				

Statements of Changes in Equity
for the year ended 31 December 2008 [cont'd]

Group [cont'd]	Note	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
		Attributable to equity holders of the Company								
		Non-distributable					*Distributable*			
At 1 January 2008		65,178,300	-	499,820	11,474,826	1,792,700	44,806,579	123,752,225	9,688,312	133,440,537
Shares issued										
- Rights issue		25,745,429	6,843,721	(499,820)	(5,400,000)	-	(4,438,080)	22,251,250	-	22,251,250
- Rights issue by subsidiaries		-	-	-	-	-	-	-	798,000	798,000
Realisation of revaluation reserve		-	-	-	(17,000)	-	17,000	-	-	-
Profit for the year		-	-	-	-	-	1,230,246	1,230,246	1,452,483	2,682,729
Total recognised income and expense for the year		-	-	-	(17,000)	-	1,247,246	1,230,246	1,452,483	2,682,729
Dividends paid to:										
- shareholders of the Company	23	-	-	-	-	-	(1,303,566)	(1,303,566)	-	(1,303,566)
- minority shareholders		-	-	-	-	-	-	-	(1,098,189)	(1,098,189)
At 31 December 2008		90,923,729	6,843,721	-	6,057,826	1,792,700	40,312,179	145,930,155	10,840,606	156,770,761
		(Note 14)	(Note 15)	(Note 15)	(Note 15)	(Note 15)				

Statements of Changes in Equity
for the year ended 31 December 2008 [cont'd]

Company	Note	Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	Retained earnings RM	Total RM
		Attributable to equity holders of the Company					
			Non-distributable			*Distributable*	
At 1 January 2007		65,178,300	-	499,820	690,660	29,343,121	95,711,901
Revaluation of land	3	-	-	-	9,202,034	-	9,202,034
Realisation of revaluation reserve		-	-	-	(34,000)	34,000	-
Profit for the year		-	-	-	-	12,384,293	12,384,293
Total recognised income and expense for the year		-	-	-	9,168,034	12,418,293	21,586,327
Dividends paid to shareholders of the Company	23	-	-	-	-	(2,607,132)	(2,607,132)
At 31 December 2007 / 1 January 2008		65,178,300	-	499,820	9,858,694	39,154,282	114,691,096
Shares issued		25,745,429	6,843,721	(499,820)	(5,400,000)	(4,438,080)	22,251,250
Realisation of revaluation reserve		-	-	-	(17,000)	17,000	-
Profit for the year		-	-	-	-	1,200,529	1,200,529
Total recognised income and expense for the year		-	-	-	(17,000)	1,217,529	1,200,529
Dividend paid to shareholders of the Company	23	-	-	-	-	(1,303,566)	(1,303,566)
At 31 December 2008		90,923,729	6,843,721	-	4,441,694	34,630,165	136,839,309
		(Note 14)	(Note 15)	(Note 15)	(Note 15)	(Note 15)	

The notes on pages 53 to 95 are an integral part of these financial statements.

Cash Flow Statements
for the year ended 31 December 2008

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Cash flows from operating activities				
Profit before taxation	4,799,876	20,556,273	2,242,358	15,513,293
Adjustments for:				
Amortisation of prepaid lease payments (Note 4)	79,939	79,939	63,452	63,452
Amortisation of investment property (Note 5)	-	-	370,072	370,072
Depreciation of property, plant and equipment (Note 3)	17,527,284	14,421,326	13,544,702	11,036,490
Dividend income	(450)	(1,080)	(5,092,000)	(2,287,500)
Gain on disposal of property, plant and equipment	(295,648)	(99,552)	(145,648)	(30,057)
Interest expense	14,837,463	14,627,260	11,658,707	11,947,863
Interest income	(1,057,901)	(703,187)	(150,379)	(70,803)
Negative goodwill recognised (Note 30)	-	(173,126)	-	-
Provision for retirement benefits (Note 17)	136,713	103,254	136,713	103,254
Unrealised foreign exchange loss/(gain)	1,524,820	(518,884)	1,524,820	(518,884)
Write-down of property held for sale (Note 11)	33,000	-	-	-
Operating profit before changes in working capital	37,585,096	48,292,223	24,152,797	36,127,180
Changes in working capital:				
Inventories	24,901,704	(23,209,595)	16,374,625	(11,421,522)
Property held for sale	2,237,228	-	-	-
Trade and other receivables	30,690,975	(21,876,121)	9,216,867	(8,283,551)
Trade and other payables	(13,590,840)	3,585,829	(7,581,318)	1,104,755
Cash generated from operations	81,824,163	6,792,336	42,162,971	17,526,862
Income tax (paid)/refunded	(2,280,059)	(533,461)	-	761,374
Interest paid	(7,954,457)	(10,844,685)	(5,955,013)	(8,920,103)
Interest received	804,645	400,982	-	29,686
Retirement benefits paid (Note 17)	(21,000)	-	(21,000)	-
Net cash from/(used in) operating activities	72,373,292	(4,184,828)	36,186,958	9,397,819
Cash flows from investing activities				
Increase in investment in existing subsidiaries (Note 30)	-	-	(1,300,000)	(4,030,000)
Acquisition of property, plant and equipment [Note (i)]	(19,631,120)	(13,932,311)	(6,067,061)	(7,861,217)
Proceeds from disposal of property, plant and equipment	421,398	114,338	174,000	33,008
Interest received	429,360	278,130	150,378	41,117
Dividends received	450	1,080	3,945,400	1,669,874
Increase in deposits pledged to banks	(2,761,776)	(553,287)	-	-
Net cash used in investing activities	(21,541,688)	(14,092,050)	(3,097,283)	(10,147,218)

Cash Flow Statements
for the year ended 31 December 2008 [cont'd]

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash flows from financing activities				
Proceeds from shares issued to:				
- shareholders of the Company	22,251,250	-	22,251,250	-
- minority shareholders	798,000	2,930,000	-	-
Repayment of term loans	(6,986,364)	(9,472,658)	(10,620,000)	(8,155,660)
Net (repayments of) / proceeds from bankers' acceptances and revolving credits	(45,467,452)	34,421,319	(29,006,640)	15,371,595
Repayment of finance leases	(5,704,852)	(2,266,775)	(4,249,061)	(1,110,132)
Dividends paid to:				
- shareholders of the Company	(3,258,915)	(2,607,132)	(3,258,915)	(2,607,132)
- minority shareholders	(1,098,189)	(1,254,978)	-	-
Interest paid	(6,883,006)	(3,782,575)	(5,703,694)	(3,027,760)
Net cash (used in)/from financing activities	(46,349,528)	17,967,201	(30,587,060)	470,911
Net increase/(decrease) in cash and cash equivalents	4,482,076	(309,677)	2,502,615	(278,488)
Cash and cash equivalents at beginning of year	2,506,428	2,816,105	(9,378,905)	(9,100,417)
Cash and cash equivalents at end of year [Note (ii)]	6,988,504	2,506,428	(6,876,290)	(9,378,905)

Notes

(i) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment as follows:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Paid in cash	19,631,120	13,932,311	6,067,061	7,861,217
Via finance lease	6,033,620	31,960,715	2,619,950	21,937,715
Payable on credit term	-	212,268	3,494,269	212,268
Total (see Note 3)	25,664,740	46,105,294	12,181,280	30,011,200

Cash Flow Statements

for the year ended 31 December 2008 [cont'd]

(ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Fixed deposits placed with banks	10,609,517	7,807,191	1,195,967	1,155,417
Cash and bank balances	15,103,986	14,999,830	1,102,975	2,277,987
Bank overdrafts	(9,311,449)	(13,648,819)	(9,175,232)	(12,812,309)
	16,402,054	9,158,202	(6,876,290)	(9,378,905)
Less: Deposits pledged	(9,413,550)	(6,651,774)	-	-
	6,988,504	2,506,428	(6,876,290)	(9,378,905)

The notes on pages 17 to 76 are an integral part of these financial statements.

Notes to the Financial Statements

Yung Kong Galvanising Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The addresses of the registered office and principal places of business of the Company are as follows:

Registered office
Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak.

Principal place of business

- Kuching branch Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak.

- Klang branch Lot 6479, Lorong Sg. Puluh, Batu 6, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the Group).

The Company is principally engaged in the manufacture and sale of galvanised and coated steel products while the other Group entities are primarily involved in the manufacture and sale of galvanised and other steel products, furniture hardware and accessories.

The financial statements were approved by the Board of Directors on 27 February 2009.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia.

The Group and the Company adopted FRS 107, *Cash Flow Statements;* FRS 112, *Income Taxes;* FRS 118, *Revenue* and FRS 137, *Provisions, Contingent Liabilities and Contingent Assets* during the current financial year.

The initial application of FRS 107, FRS 112, FRS 118 and FRS 137 did not have any material impact on the financial statements of the Group and of the Company.

The Group and the Company have not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRS / Interpretation	**Effective date**
FRS 4, *Insurance Contracts*	1 January 2010
FRS 7, *Financial Instruments: Disclosures*	1 January 2010
FRS 8, *Operating Segments*	1 July 2009
FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10, *Interim Financial Reporting and Impairment*	1 January 2010

The Group and the Company plan to adopt FRS 7, FRS 8, FRS 139 and IC Interpretation 10 from the annual period beginning on 1 January 2010.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*, is not disclosed by virtue of the exemption given in the respective FRSs.

1. BASIS OF PREPARATION [cont'd]

(a) Statement of compliance [cont'd]

FRS 8, effective for financial statements for the year ending 31 December 2010 and which replaces FRS 114, *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The initial application of FRS 8 is not expected to have any material impact on the financial statements of the Group, as the Group is principally involved in the manufacture and sale of galvanised and coated steel products in Malaysia (see Note 29).

IC Interpretation 10, which will be effective for financial statements for the year ending 31 December 2010, prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IC Interpretation 10 applies prospectively from the date the Group and the Company first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139 respectively. The adoption of IC Interpretation 10 does not have any impact to the financial statements as no reversal of such impairment loss has been made in the current or previous periods.

FRS 4 and IC Interpretation 9 are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

In August 2008, the MASB announced its plan to bring Malaysia to full convergence with International Financial Reporting Standards by 1 January 2012. The financial impact and effects on disclosures and measurement consequent on such convergence are currently still being assessed pending the issuance of such revised FRSs as necessary to effectuate the full convergence.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for a certain class of property, plant and equipment which is stated at valuation as explained in Note 2(c)(i).

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 7, measurement of the recoverable amounts of cash generating units.
- Note 12, valuation of trade receivables.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by Group entities to the periods presented in these financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Subsidiaries are consolidated using the purchase method of accounting where the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is held for sale.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statements.

When a group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at the exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Ringgit Malaysia at the exchange rates at that date. Non-monetary assets and liabilities denominated in foreign currencies, except those measured at fair value, are translated at the exchange rates at the transaction dates. Non-monetary assets and liabilities measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any.

The Group has since the last financial year adopted the policy to revalue its freehold land every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Surpluses arising from revaluation of freehold land are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statements.

It is the Group's policy to state the other property, plant and equipment at cost. However, certain buildings and prepaid lease payments were revalued in 1997 for the sole purpose of the listing of the Company on the Second Board of Bursa Malaysia. No later valuation has been performed for these assets.

Cost includes expenditures that are directly attributable to the acquisition of asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy [see Note 2(t)]. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within "other income" or "administrative expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(c) Property, plant and equipment [cont'd]

(iii) Depreciation

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Save for the above, depreciation is recognised in the income statements on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10, 20 and 50 years
Plant and machinery	10, 15 and 20 years
Furniture, fittings and equipment	5 and 10 years
Motor vehicles	5 and 7 years
Moulds, loose tools and implement	10 years

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(d) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset [see Note 2(c)]

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and the title of which is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payments made on acquiring a leasehold interest on land are accounted for as prepaid lease payments.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease.

(e) Intangible assets - goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(e) Intangible assets - goodwill [cont'd]

For business acquisitions beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Goodwill with indefinite useful lives are tested for impairment annually and whenever there is an indication that it may be impaired.

(f) Investment in equity securities

Investment in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investment in non-current equity securities other than investment in subsidiaries are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries, an allowance for the diminution in value is made and recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

a) the recognition of an asset on the day it is received by the entity, and

b) the derecognition of an asset and recognition of any gain or loss on disposal on the date it is delivered.

(g) Investment property

Investment property is a property which is owned to earn rental income or is for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment property is stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Depreciation on buildings is charged to the income statements on a straight-line basis over their estimated useful life of 50 years.

Determination of fair value

The Directors estimate the fair values of investment property without the involvement of independent valuers.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of raw materials, manufactured inventories and work-in-progress is determined using the weighted average basis. For trading inventories (comprising galvanised and coated industrial coils), cost is based on the specific identification basis.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(h) Inventories [cont'd]

The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policy. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification of the asset as held for sale and subsequent gains and losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

(j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or other financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment of assets

The carrying amounts of assets, except for inventories [Note 2(h)], deferred tax assets [Note 2(r)], non-current assets classified as held for sale [Note 2 (i)] and financial assets (excluding investment in subsidiaries that are not classified as held for sale or included in a disposal group that is classified as held for sale), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives, the recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(l) Impairment of assets [cont'd]

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

(m) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

Issue expense

Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from equity.

(n) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method, other than borrowing costs capitalised in accordance with Note 2(t).

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or other financial asset to another entity.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

The Group's contributions to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(p) Employee benefits [cont'd]

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. Any unrecognised past service costs and the fair value of any plan assets out of which the obligations are to be settled directly are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed every two years by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statements on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statements.

In calculating the Group's obligation in respect of the scheme, to the extent that any cumulative unrecognised actuarial gain or loss at the end of the previous reporting period exceeds the greater of ten percent of the present value of the defined benefit obligation and the fair value of any plan assets at that date, that excess portion is recognised in the income statements over the expected average remaining working lives of the directors and employees participating in the scheme. Actuarial gains and losses that fall within the range of ten percent are not recognised.

(q) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (or tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(r) Tax expense [cont'd]

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance are treated as a reduction of tax expense as and when they are utilised.

(s) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Dividend income

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

(iii) Rental income

Rental income is recognised in the income statements on a straight-line basis over the term of the lease.

(t) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Financial Statements [cont'd]

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Note	Freehold land RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Furniture, fittings and equipment Outright purchase RM	Furniture, fittings and equipment Under finance lease RM	Motor vehicles Outright purchase RM	Motor vehicles Under finance lease RM	Moulds, loose tools and implement RM	Assets under construction RM	Total RM
Cost/Valuation												
At 1 January 2007		17,305,008	42,263,925	140,723,967	5,070,811	4,965,812	-	4,843,101	2,657,362	1,285,144	83,585,891	302,701,021
Revaluation of land	3.1	11,688,391	-	-	-	-	-	-	-	-	-	11,688,391
Additions		1,356,601	47,604	177,565	-	1,107,343	-	37,500	387,731	-	42,990,950	46,105,294
Disposals		-	-	-	-	(10,719)	-	(323,879)	-	-	-	(334,598)
Transfers		-	15,534,901	69,215,512	16,122,527	-	-	804,863	(804,863)	-	(100,872,940)	-
At 31 December 2007/ 1 January 2008		30,350,000	57,846,430	210,117,044	21,193,338	6,062,436	-	5,361,585	2,240,230	1,285,144	25,703,901	360,160,108
Additions		-	1,843,888	3,803,285	2,610,426	1,536,583	123,700	107,484	1,264,852	3,656	14,370,866	25,664,740
Disposals/Write-offs		-	-	(372,000)	-	(281,650)	-	(1,024,698)	-	-	(21,460)	(1,699,808)
Transfers		-	24,549,440	3,775,610	7,974,431	233,309	2,459,819	60,861	(60,861)	187,774	(39,180,383)	-
At 31 December 2008		30,350,000	84,239,758	217,323,939	31,778,195	7,550,678	2,583,519	4,505,232	3,444,221	1,476,574	872,924	384,125,040
Representing items at:												
Cost		-	84,239,758	217,323,939	31,778,195	7,550,678	2,583,519	4,505,232	3,444,221	1,476,574	872,924	353,775,040
Directors' valuation		30,350,000	-	-	-	-	-	-	-	-	-	30,350,000
At 31 December 2008		30,350,000	84,239,758	217,323,939	31,778,195	7,550,678	2,583,519	4,505,232	3,444,221	1,476,574	872,924	384,125,040

Notes to the Financial Statements [cont'd]

3. PROPERTY, PLANT AND EQUIPMENT [cont'd]

GROUP [cont'd]	Note	Freehold land RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Furniture, fittings and equipment Outright purchase RM	Furniture, fittings and equipment Under finance lease RM	Motor vehicles Outright purchase RM	Motor vehicles Under finance lease RM	Moulds, loose tools and implement RM	Assets under construction RM	Total RM
Depreciation												
At 1 January 2007		-	9,059,160	61,855,141	576,759	2,995,270	-	4,348,064	1,214,957	452,306	-	80,501,657
Depreciation for the year	19	-	2,224,982	10,219,085	584,761	526,972	-	331,363	409,667	124,496	-	14,421,326
Disposals		-	-	-	-	(5,165)	-	(314,647)	-	-	-	(319,812)
Transfers		-	-	-	-	-	-	575,427	(575,427)	-	-	-
At 31 December 2007/ 1 January 2008		-	11,284,142	72,074,226	1,161,520	3,517,077	-	4,940,207	1,049,197	576,802	-	94,603,171
Depreciation for the year	19	-	3,403,249	10,595,041	1,973,849	677,730	96,666	196,851	458,011	125,887	-	17,527,284
Disposals		-	-	(345,692)	-	(227,048)	-	(1,001,314)	-	-	-	(1,574,054)
Transfers		-	-	(2,211)	2,211	-	-	50,314	(50,314)	-	-	-
At 31 December 2008		-	14,687,391	82,321,364	3,137,580	3,967,759	96,666	4,186,058	1,456,894	702,689	-	110,556,401
Carrying amounts												
At 1 January 2007		17,305,008	33,204,765	78,868,826	4,494,052	1,970,542	-	495,037	1,442,405	832,838	83,585,891	222,199,364
At 31 December 2007 / 1 January 2008		30,350,000	46,562,288	138,042,818	20,031,818	2,545,359	-	421,378	1,191,033	708,342	25,703,901	265,556,937
At 31 December 2008		30,350,000	69,552,367	135,002,575	28,640,615	3,582,919	2,486,853	319,174	1,987,327	773,885	872,924	273,568,639

Notes to the Financial Statements [cont'd]

3. PROPERTY, PLANT AND EQUIPMENT [cont'd]

COMPANY	Note	Freehold land RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Furniture, fittings and equipment Outright purchase RM	Furniture, fittings and equipment Under finance lease RM	Motor vehicles Outright purchase RM	Motor vehicles Under finance lease RM	Assets under construction RM	Total RM
Cost/Valuation											
At 1 January 2007		12,397,966	33,466,944	119,980,372	-	3,157,484	-	3,353,280	1,357,511	79,313,218	253,026,775
Revaluation of land	3.1	9,202,034	-	-	-	-	-	-	-	-	9,202,034
Additions		-	-	158,907	-	842,086	-	2,500	-	29,007,707	30,011,200
Disposals		-	-	-	-	(4,500)	-	(100,000)	-	-	(104,500)
Transfers		-	15,534,901	69,215,512	16,122,527	-	-	-	-	(100,872,940)	-
At 31 December 2007 / 1 January 2008		21,600,000	49,001,845	189,354,791	16,122,527	3,995,070	-	3,255,780	1,357,511	7,447,985	292,135,509
Additions		-	4,983,725	3,453,340	2,610,426	708,002	11,700	-	284,500	129,587	12,181,280
Disposals		-	-	(66,000)	-	(7,720)	-	(560,000)	-	-	(633,720)
Transfers		-	207,342	(50,000)	7,240,642	-	-	-	-	(7,397,984)	-
At 31 December 2008		21,600,000	54,192,912	192,692,131	25,973,595	4,695,352	11,700	2,695,780	1,642,011	179,588	303,683,069
Representing items at:											
Cost		-	54,192,912	192,692,131	25,973,595	4,695,352	11,700	2,695,780	1,642,011	179,588	282,083,069
Directors' valuation		21,600,000	-	-	-	-	-	-	-	-	21,600,000
At 31 December 2008		21,600,000	54,192,912	192,692,131	25,973,595	4,695,352	11,700	2,695,780	1,642,011	179,588	303,683,069

Notes to the Financial Statements [cont'd]

3. PROPERTY, PLANT AND EQUIPMENT [cont'd]

COMPANY [cont'd]	Note	Freehold land RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Furniture, fittings and equipment Outright purchase RM	Furniture, fittings and equipment Under finance lease RM	Motor vehicles Outright purchase RM	Motor vehicles Under finance lease RM	Assets under construction RM	Total RM
Depreciation											
At 1 January 2007		-	7,051,614	49,664,673	-	1,885,944	-	3,087,258	437,722	-	62,127,211
Depreciation for the year	19	-	1,828,887	8,426,829	67,177	321,800	-	198,730	193,067	-	11,036,490
Disposals		-	-	-	-	(1,549)	-	(100,000)	-	-	(101,549)
At 31 December 2007 / 1 January 2008		-	8,880,501	58,091,502	67,177	2,206,195	-	3,185,988	630,789	-	73,062,152
Depreciation for the year	19	-	2,797,013	8,628,243	1,419,586	425,989	328	58,135	215,408	-	13,544,702
Disposals		-	-	(38,817)	-	(6,552)	-	(560,000)	-	-	(605,369)
At 31 December 2008		-	11,677,514	66,680,928	1,486,763	2,625,632	328	2,684,123	846,197	-	86,001,485
Carrying amounts											
At 1 January 2007		12,397,966	26,415,330	70,315,699	-	1,271,540	-	266,022	919,789	79,313,218	190,899,564
At 31 December 2007 / 1 January 2008		21,600,000	40,121,344	131,263,289	16,055,350	1,788,875	-	69,792	726,722	7,447,985	219,073,357
At 31 December 2008		21,600,000	42,515,398	126,011,203	24,486,832	2,069,720	11,372	11,657	795,814	179,588	217,681,584

3. PROPERTY, PLANT AND EQUIPMENT [cont'd]

3.1 Assets under revaluation model

The Group and the Company revalued their freehold land during the financial year ended 31 December 2007. The revaluation was performed by Mr. Tew Kok Huat, an independent registered professional valuer with Henry Butcher Malaysia (Sel) Sdn. Bhd. on the open market value method. The revaluation surplus amounting to RM11,688,391 and RM9,202,034 respectively were taken up in the revaluation reserve account of the Group and of the Company (see Note 15).

Certain buildings of the Company were also revalued during the financial year ended 31 December 1997 for the sole purpose of the listing exercise of the Company, based on independent valuation results which were determined using an open market value method.

Had the freehold land and buildings been carried under the cost model, their carrying amounts, net of accumulated depreciation where applicable, that would have been included in the financial statements at the end of the financial year are as follows:

	Group	
	2008	**2007**
	RM	**RM**
Carrying amounts		
Freehold land	18,661,609	18,661,609
Buildings	1,486,683	1,730,105
	20,148,292	20,391,714

3.2 Security

The following property, plant and equipment are pledged as security to secure bank borrowings (Note 16).

	Group	
	2008	**2007**
	RM	**RM**
Carrying amounts		
Fixed charge		
Freehold land	8,750,000	8,750,000
Buildings	1,231,932	1,257,551
Plant and equipment	4,951,750	-
	14,933,682	10,007,551
Debenture		
Plant and equipment	1,072,500	-
	16,006,182	10,007,551

3.3 Assets under construction

This comprises plant and machineries under installation and testing.

3.4 Borrowing costs

Assets under construction of the Group and of the Company include interest capitalised of RM416,558 (2007: RM1,902,545) and Nil (2007: RM1,619,092) respectively at the effective rate of 6.45% to 7.25% (2007: 4.40% to 7.25%) per annum.

4. PREPAID LEASE PAYMENTS

GROUP	Leasehold land (unexpired period less than 50 years) RM
Cost*	
At 1 January 2007, 31 December 2007/1 January 2008 and 31 December 2008	4,228,328
Representing items at:	
Cost	928,828
Directors' valuation	3,299,500
At 31 December 2008	4,228,328
Amortisation	
At 1 January 2007	408,246
Amortisation for the year (Note 19)	79,939
At 31 December 2007 / 1 January 2008	488,185
Amortisation for the year (Note 19)	79,939
At 31 December 2008	568,124
Carrying amounts	
At 1 January 2007	3,820,082
At 31 December 2007 / 1 January 2008	3,740,143
At 31 December 2008	3,660,204
COMPANY	
Cost*	
At 1 January 2007, 31 December 2007/1 January 2008 and 31 December 2008	3,299,500
Amortisation	
At 1 January 2007	305,507
Amortisation for the year (Note 19)	63,452
At 31 December 2007/ 1 January 2008	368,959
Amortisation for the year (Note 19)	63,452
At 31 December 2008	432,411
Carrying amounts	
At 1 January 2007	2,993,993
At 31 December 2007 / 1 January 2008	2,930,541
At 31 December 2008	2,867,089

4. PREPAID LEASE PAYMENTS [cont'd]

This represents prepaid lease payments for five (2007: five) parcels of land, the lease terms of which expire in 2052 and 2054. The prepaid lease payments are amortised to the income statements over the lease terms.

Security

Certain prepaid lease payments with carrying amount of RM793,115 (2007: RM809,602) are charged to banks as security for borrowings (Note 16).

* *Certain prepaid lease payments were revalued in 1997 [see Note 2(c)(i)] and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, Leases, in 2006.*

5. INVESTMENT PROPERTY - COMPANY

	Factory building RM
Cost	
At 1 January 2007, 31 December 2007/1 January 2008 and 31 December 2008	7,401,433
Amortisation	
At 1 January 2007	1,847,968
Amortisation for the year (Note 19)	370,072
At 31 December 2007/ 1 January 2008	2,218,040
Amortisation for the year (Note 19)	370,072
At 31 December 2008	2,588,112
Carrying amounts	
At 1 January 2007	5,553,465
At 31 December 2007 / 1 January 2008	5,183,393
At 31 December 2008	4,813,321
Estimated fair value	
At 1 January 2007	6,514,000
At 31 December 2007 / 1 January 2008	7,927,000
At 31 December 2008	7,927,000

This represents a unit of factory building leased by the Company to its subsidiaries.

6. INVESTMENT IN SUBSIDIARIES

	Company 2008 RM	Company 2007 RM
Unquoted shares, at cost	17,872,500	16,572,500

The principal activities of the subsidiaries, all of which are incorporated in Malaysia, and the Company's interest therein are as follows:

Subsidiaries	Principal activities	Effective ownership interest 2008 %	Effective ownership interest 2007 %
<u>Direct</u>			
Magic Network Sdn. Bhd.	Marketing and sale of galvanised products	100.00	100.00
Integrated Coil Coating Industries Sdn. Bhd.	Manufacture and sale of colour coated materials	100.00	100.00
Star Shine Marketing Sdn. Bhd. ("SSM")	Marketing and sale of galvanised products	65.00	65.00
Indirect through SSM			
Star Shine Global Trading Sdn. Bhd.	Marketing and sale of steel products, other building and construction materials	33.15	33.15
Star Shine Steel Products Sdn. Bhd.	Manufacture, marketing and sale of steel products and trading of other building and construction materials	49.08	49.08
Star Shine Industries Sdn. Bhd.	Manufacture and sale of furniture hardware and accessories, tubes and other steel products	47.45	47.45

7. GOODWILL - GROUP

	RM
Cost and carrying amounts	
At 1 January 2007, 31 December 2007/1 January 2008 and 31 December 2008	1,437,871

Goodwill arises on the acquisition of the minority interest in a subsidiary during the financial year ended 31 December 2005.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") acquired which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

7. GOODWILL - GROUP [cont'd]

Impairment testing for cash-generating units containing goodwill [cont'd]

The recoverable amount for the above is based on value in use calculations and is determined by discounting the future cash flows generated from the continuing use of the CGU and is based on the following key assumptions:

a) Cash flows are projected based on actual operating results achieved, projections for the next 5 years and expected demand for as well as cost and price fluctuations of steel products.

b) Revenue is projected at about RM144 million for the CGU in 2009, with an anticipated growth of 5% per annum for the remaining projection years.

c) Cost of raw materials is projected to grow at 5% per annum.

d) The corporate income tax rate is assumed to be 25% for the projection years.

e) A pre-tax discount rate of 5%, approximately the Group's effective borrowing rate, is applied in determining the recoverable amount of the CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

Sensitivity to changes in assumptions

The above estimates are particularly sensitive to the fluctuations in steel price and volume sold. With 5% and 10% downward variations in the projected selling price and projected sales volume of the manufactured steel products, however, the projected recoverable amounts of the CGU acquired are still greater than their carrying amounts.

8. DEFERRED TAX

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008	2007	2008	2007	2008	2007
GROUP	RM	RM	RM	RM	RM	RM
Property, plant and equipment	-	-	(21,765,000)	(19,260,000)	(21,765,000)	(19,260,000)
Revaluation reserve	-	-	(519,000)	(547,000)	(519,000)	(547,000)
Allowance for doubtful debts	12,000	12,000	-	-	12,000	12,000
Retirement benefits	576,000	543,000	-	-	576,000	543,000
Capital allowance carry-forwards	11,194,000	9,579,000	-	-	11,194,000	9,579,000
Tax loss carry-forwards	97,000	104,000	-	-	97,000	104,000
Other items	-	251,000	-	-	-	251,000
Tax assets / (liabilities)	11,879,000	10,489,000	(22,284,000)	(19,807,000)	(10,405,000)	(9,318,000)
Set off	(11,870,000)	(10,213,000)	11,870,000	10,213,000	-	-
Net tax assets / (liabilities)	9,000	276,000	(10,414,000)	(9,594,000)	(10,405,000)	(9,318,000)

8. DEFERRED TAX [cont'd]

COMPANY	Assets/(Liabilities) 2008 RM	2007 RM
Property, plant and equipment	(19,092,000)	(17,238,000)
Revaluation reserve	(519,000)	(547,000)
Retirement benefits	576,000	543,000
Capital allowance carry-forwards	10,644,000	9,220,000
Tax liabilities	(8,391,000)	(8,022,000)

Movements in deferred tax during the year are as follows:

GROUP	At 1.1.2007 RM	Recognised in income statement RM	At 31.12.2007/ 1.1.2008 RM	Recognised in income statement RM	At 31.12.2008 RM
Property, plant and equipment	(12,393,000)	(6,867,000)	(19,260,000)	(2,505,000)	(21,765,000)
Revaluation reserve	(599,000)	52,000	(547,000)	28,000	(519,000)
Allowance for doubtful debts	11,000	1,000	12,000	-	12,000
Retirement benefits	538,000	5,000	543,000	33,000	576,000
Capital allowance carry-forwards	6,325,000	3,254,000	9,579,000	1,615,000	11,194,000
Tax loss carry-forwards	104,000	-	104,000	(7,000)	97,000
Other items	109,200	141,800	251,000	(251,000)	-
	(5,904,800)	(3,413,200)	(9,318,000)	(1,087,000)	(10,405,000)
		(Note 21)		(Note 21)	

COMPANY	At 1.1.2007 RM	Recognised in income statement RM	At 31.12.2007/ 1.1.2008 RM	Recognised in income statement RM	At 31.12.2008 RM
Property, plant and equipment	(10,296,000)	(6,942,000)	(17,238,000)	(1,854,000)	(19,092,000)
Revaluation reserve	(599,000)	52,000	(547,000)	28,000	(519,000)
Retirement benefits	538,000	5,000	543,000	33,000	576,000
Capital allowance carry-forwards	5,028,000	4,192,000	9,220,000	1,424,000	10,644,000
	(5,329,000)	(2,693,000)	(8,022,000)	(369,000)	(8,391,000)
		(Note 21)		(Note 21)	

Unabsorbed capital allowance carry-forwards and unutilised tax loss carry-forwards do not expire under the current tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

9. QUOTED INVESTMENTS

	Group 2008 RM	Group 2007 RM
Non-current		
Quoted shares in Malaysia, at cost	42,200	42,200
Less: Allowance for diminution in value	(18,685)	(18,685)
	23,515	23,515
Market value of quoted shares (Note 24)	20,020	28,255

10. INVENTORIES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At cost				
Raw materials	7,129,994	45,733,206	5,635,133	33,775,037
Manufacturing work-in- progress	8,022,397	22,914,116	7,435,321	22,306,981
Manufactured inventories	7,387,565	25,594,140	3,319,227	15,743,267
Galvanised/Trading products	-	17,325,108	-	-
Consumables	17,062,429	2,423,543	9,917,034	2,215,648
	39,602,385	113,990,113	26,306,715	74,040,933
At net realisable value				
Raw materials	6,469,053	-	867,588	-
Manufacturing work-in-progress	12,020,084	-	12,020,084	-
Manufactured inventories	25,267,271	2,014,718	20,448,960	1,977,040
Galvanised/Trading products	7,744,334	-	-	-
	51,500,742	2,014,718	33,336,632	1,977,040
Total inventories	91,103,127	116,004,831	59,643,347	76,017,973

Due to the rapid decline in steel prices and weak market demand for steel products following the onset of the global financial crisis in the last quarter of 2008, the Group and the Company evaluated their inventories to determine if any of them would not be saleable at its carrying cost. Following the evaluation, the Group and the Company wrote down the affected inventories to their net realisable value by RM10,701,861 (2007: Nil) and RM6,564,305 (2007: Nil) respectively. The write down was included in the cost of sales for the year ended 31 December 2008.

11. PROPERTY HELD FOR SALE - GROUP

	Buildings RM
At 1 January 2007 and 31 December 2007/1 January 2008	2,758,038
Write-down (Note 19)	(33,000)
Disposal	(2,237,228)
At 31 December 2008	487,810

The property held for sale arose from settlement of trade receivables in kind. It is the Group's intention to realise the property for cash in due course.

The titles to the property have yet to be transferred to the Group as at the year end.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade				
Trade receivables	62,855,713	91,457,988	1,264,196	771,464
Less: Allowance for doubtful debts	(2,143,423)	(404,456)	(124,814)	(20,250)
	60,712,290	91,053,532	1,139,382	751,214
Amount due from subsidiaries	-	-	68,081,196	80,207,294
	60,712,290	91,053,532	69,220,578	80,958,508
Non-trade				
Other receivables	1,047,073	283,545	110,614	52,843
Deposits	650,374	2,036,613	252,969	848,081
Prepayments	736,815	639,940	87,275	263,139
	2,434,262	2,960,098	450,858	1,164,063
Total	63,146,552	94,013,630	69,671,436	82,122,571

12.1 Assessment of doubtful receivables

The Group's normal trade credit term ranges from 30 to 90 days. The main collectibility risk of trade receivables is customer insolvencies. Management determines allowance for doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. These include assessment of customers' past payment records, sales level and financial standing. The evaluation is however inherently judgemental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes.

Specific allowance is made for debts which are considered doubtful when the trade accounts become inactive or when the amounts are under litigation. Write-off of debts against specific allowance is made only when avenues of recovery have been exhausted and the amounts are considered to be irrecoverable. Although management considers the allowance for doubtful receivables to be adequate as at 31 December 2008 based on the information currently available, additional allowance may be necessary when information obtained subsequent to balance sheet date indicates a change in the expected future cash inflows from the debtors and/or change in economic and other events/conditions.

12. TRADE AND OTHER RECEIVABLES [cont'd]

12.1 Assessment of doubtful receivables [cont'd]

During the last financial year, doubtful debts written off against allowance for doubtful debts made previously amounted to RM431,758.

12.2 Deposits of the Group and of the Company include an amount of RM855,668 (2007: RM1,825,109) and RM138,940 (2007: RM728,266) paid for acquisition of plant and equipment respectively.

12.3 The amount due from the subsidiaries is unsecured and interest free.

12.4 Trade receivables denominated in a currency other than the functional currency include the following:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
U.S. Dollar (USD)	540,660	874,870	316,103	305,361

13. CASH AND BANK BALANCES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Fixed deposits placed with licensed banks	10,609,517	7,807,191	1,195,967	1,155,417
Cash and bank balances	15,103,986	14,999,830	1,102,975	2,277,987
	25,713,503	22,807,021	2,298,942	3,433,404

Included in fixed deposits of the Group is an amount of RM9,413,550 (2007: RM6,651,774) pledged for banking facilities granted to certain subsidiaries (Note 16).

Cash and bank balances denominated in a currency other than the functional currency comprise the following:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
USD	280,869	1,810,650	262,584	1,740,708

14. SHARE CAPITAL

	Group and Company			
	Amount		Number of shares	
	2008 RM	2007 RM	2008	2007
Ordinary shares				
Authorised				
Opening balance *	500,000,000	500,000,000	500,000,000	500,000,000
Share split	-	-	500,000,000	-
Closing balance ^	500,000,000	500,000,000	1,000,000,000	500,000,000

14. SHARE CAPITAL [cont'd]

	Group and Company			
	Amount		Number of shares	
	2008 RM	2007 RM	2008	2007
Ordinary shares				
Issued and fully paid up				
Opening balance *	65,178,300	65,178,300	65,178,300	65,178,300
Share split	-	-	65,178,300	-
Rights issue ^	25,745,429	-	65,178,300	-
Closing balance ^	90,923,729	65,178,300	195,534,900	65,178,300

* *Par value of RM1.00 per ordinary share.*
^ *Par value of RM0.50 per ordinary share.*

The Company undertook a share split exercise on 13 May 2008 to reduce the par value of its ordinary shares from RM1.00 per ordinary share to RM0.50 per ordinary share. The 65,178,300 issued and paid-up ordinary shares of RM1.00 each then subsisting were sub-divided into 130,356,600 ordinary shares of RM0.50 each while the authorised share capital of RM500,000,000 was changed from 500,000,000 ordinary shares of RM1.00 each to 1,000,000,000 ordinary shares of RM0.50 each.

On 9 July 2008, the Company issued a renounceable two-call rights issue of 65,178,300 ordinary shares of RM0.50 each together with 65,178,300 free detachable warrants at an issue price of RM0.50 per ordinary share 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 rights issue was settled in the following manner:

- first call of RM0.35 per ordinary share, paid in cash.
- second call of RM0.15 per ordinary share, payable by way of capitalisation of RM5,400,000 from the Company's revaluation reserve account (see Note 15) and the remaining balance of RM4,376,745 from its retained earnings.

RM25,745,429 out of the proceeds received from the rights issue are allocated to the share capital account (as above) and RM6,843,721 to the warrant reserve account (see Note 15), determined based on the estimated fair value of the warrants immediately upon the listing and quotation of thereof.

The expenses relating to the rights issue of RM561,155 have been recognised as a deduction from the following equity accounts:

	RM
Share premium	499,820
Retained earnings	61,335
	561,155

15. RESERVES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Share premium	-	499,820	-	499,820
Revaluation reserve	6,057,826	11,474,826	4,441,694	9,858,694
Capital reserve	1,792,700	1,792,700	-	-
Retained earnings	40,312,179	44,806,579	34,630,165	39,154,282
Warrant reserve (Note 14)	6,843,721	-	6,843,721	-
	55,006,426	58,573,925	45,915,580	49,512,796

Share premium

This represented premium arising from the issue of shares under the Company's Employee Share Option Scheme which expired on 29 November 2005, less the expenses relating to the rights issue on 9 July 2008 mentioned in Note 14.

Revaluation reserve

This comprises surplus from the revaluation of freehold land, buildings and prepaid lease payments (see Notes 3 and 4). A sum of RM5,400,000 was utilised for the rights issue as mentioned in Note 14.

Capital reserve

This consists of the Company's share of bonus issues by subsidiaries.

Warrant reserve

This represents the reserve arising from the rights issue with free detachable warrants effected on 9 July 2008 (see Note 14).

Retained earnings – Section 108 tax credit

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit and incentive-based exempt income (such as reinvestment allowance and investment tax allowance) at 31 December 2008 to distribute all of its retained earnings as franked dividends and normal exempt dividends, as the case may be.

The Company may however elect for early migration to the single-tier company income tax system enacted via the Finance Act 2007, under which retained earnings are distributable as single-tier exempt dividends. The system, which is effective from 1 January 2008, allows for a transitional period of six years. Unless so migrated to the system, the Section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon the expiry of the transitional period on 31 December 2013, whichever is earlier.

The incentive-based exempt income will be available to the Company until it is fully distributed as dividends.

Subject to agreement by the Inland Revenue Board, the Company has unutilised reinvestment allowance as at 31 December 2008 amounting to RM96,600,000 (2007: RM94,443,000) which can be offset against the future taxable income. The reinvestment allowance has not been not taken into account when computing the Group/Company's deferred taxation.

16. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group and the Company's interest bearing loans and borrowings. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see Note 24.

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-current				
Term loans	84,593,032	92,664,028	65,613,701	76,443,702
Finance lease liabilities	18,363,983	19,346,675	15,087,239	17,418,548
	102,957,015	112,010,703	80,700,940	93,862,250
Current				
Term loans	14,877,097	13,792,465	11,962,000	11,752,000
Finance lease liabilities	6,633,501	5,322,041	4,878,433	4,176,234
Bankers' acceptances and revolving credits	147,234,087	191,176,719	119,155,766	146,637,587
Bank overdrafts	9,311,449	13,648,819	9,175,232	12,812,309
	178,056,134	223,940,044	145,171,431	175,378,130
Total	281,013,149	335,950,747	225,872,371	269,240,380

Note

See the ensuing pages for the segregation between secured and unsecured loans and borrowings.

Terms and repayment schedules

GROUP	Year of maturity	Carrying amount RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	Over 5 years RM
2008						
Secured						
Bankers' acceptances	2009	16,712,320	16,712,320	-	-	-
Bank overdrafts	2009	128,581	128,581	-	-	-
Term loans	2010, 2013, 2014, 2020 and 2022	17,994,428	1,315,097	1,587,278	5,243,397	9,848,656
Finance lease liabilities	2009 - 2013	24,997,484	6,633,501	6,548,287	11,815,696	-
		59,832,813	24,789,499	8,135,565	17,059,093	9,848,656

16. LOANS AND BORROWINGS [cont'd]

Terms and repayment schedules [cont'd]

GROUP [cont'd]	Year of maturity	Carrying amount RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	Over 5 years RM
2008						
Unsecured						
Bankers' acceptances and revolving credits						
- Denominated in RM	2009	84,352,000	84,352,000	-	-	-
- Denominated in USD	2009	46,169,767	46,169,767	-	-	-
		130,521,767	130,521,767	-	-	-
Bank overdrafts	2009	9,182,868	9,182,868	-	-	-
Term loans	2009 – 2012 and 2014 – 2016	81,475,701	13,562,000	13,052,000	35,731,000	19,130,701
		221,180,336	153,266,635	13,052,000	35,731,000	19,130,701
Total		281,013,149	178,056,134	21,187,565	52,790,093	28,979,357
2007						
Secured						
Bankers' acceptances	2008	24,737,132	24,737,132	-	-	-
Bank overdrafts	2008	493,755	493,755	-	-	-
Term loans	2010 and 2022	12,760,791	440,465	1,134,888	3,687,780	7,497,658
Finance lease liabilities	2008 - 2012	24,668,716	5,322,041	5,521,897	13,824,778	-
		62,660,394	30,993,393	6,656,785	17,512,558	7,497,658
Unsecured						
Bankers' acceptances and revolving credits						
- Denominated in RM	2008	84,275,616	84,275,616	-	-	-
- Denominated in USD	2008	82,163,971	82,163,971	-	-	-
		166,439,587	166,439,587	-	-	-
Bank overdrafts	2008	13,155,064	13,155,064	-	-	-
Term loans	2011 and 2016	93,695,702	13,352,000	14,616,000	37,331,000	28,396,702
		273,290,353	192,946,651	14,616,000	37,331,000	28,396,702
Total		335,950,747	223,940,044	21,272,785	54,843,558	35,894,360

16. LOANS AND BORROWINGS [cont'd]

Terms and repayment schedules [cont'd]

COMPANY	**Year of maturity**	**Carrying amount RM**	**Under 1 year RM**	**1 – 2 years RM**	**2 – 5 years RM**	**Over 5 years RM**
2008						
Secured						
Finance lease liabilities	2009 – 2010 and 2012 – 2013	19,965,672	4,878,433	5,009,717	10,077,522	
Unsecured						
Bankers' acceptances and revolving credits						
- Denominated in RM	2009	72,986,000	72,986,000	-	-	-
- Denominated in USD	2009	46,169,766	46,169,766	-	-	-
		119,155,766	119,155,766	-	-	-
Bank overdraft	2009	9,175,232	9,175,232	-	-	-
Term loans	2012 and 2014 – 2016	77,575,701	11,962,000	11,752,000	34,731,000	19,130,701
		205,906,699	140,292,998	11,752,000	34,731,000	19,130,701
Total		225,872,371	145,171,431	16,761,717	44,808,522	19,130,701
2007						
Secured						
Finance lease liabilities	2009 - 2012	21,594,782	4,176,234	4,411,642	13,006,906	-
Unsecured						
Bankers' acceptances and revolving credits						
- Denominated in RM	2008	64,473,616	64,473,616	-	-	-
- Denominated in USD	2008	82,163,971	82,163,971	-	-	-
		146,637,587	146,637,587	-	-	-
Bank overdraft	2008	12,812,309	12,812,309	-	-	-
Term loans	2014 and 2016	88,195,702	11,752,000	13,016,000	35,031,000	28,396,702
		247,645,598	171,201,896	13,016,000	35,031,000	28,396,702
Total		269,240,380	175,378,130	17,427,642	48,037,906	28,396,702

16. LOANS AND BORROWINGS [cont'd]

Finance lease liabilities are payable as follows:

	2008 Minimum lease payments RM	2008 Interest RM	2008 Principal RM	2007 Minimum lease payments RM	2007 Interest RM	2007 Principal RM
GROUP						
Less than one year	7,955,372	1,321,871	6,633,501	6,634,904	1,312,863	5,322,041
Between one to five years	19,982,612	1,618,629	18,363,983	21,502,490	2,155,815	19,346,675
	27,937,984	2,940,500	24,997,484	28,137,394	3,468,678	24,668,716
COMPANY						
Less than one year	5,880,344	1,001,911	4,878,433	5,313,732	1,137,498	4,176,234
Between one to five years	16,346,329	1,259,090	15,087,239	19,308,978	1,890,430	17,418,548
	22,226,673	2,261,001	19,965,672	24,622,710	3,027,928	21,594,782

Security

Overdrafts, term loans and bankers' acceptances of subsidiaries

- Secured by a pledge of fixed deposits (see Note 13).
- Secured by fixed charges over subsidiaries' freehold land, prepaid lease payments, and buildings (see Notes 3 and 4).
- Secured by a debenture over certain plant and equipment (see Note 3).
- Covered by a negative pledge over subsidiaries' present and future assets.
- Covered by a corporate guarantee from the Company and one of its direct subsidiaries.

The finance lease liabilities are secured on the respective finance lease assets of the Group and of the Company.

Significant covenants on loans and borrowings

The Company is required to maintain a gearing ratio not exceeding 3 times in respect of the bank overdraft, revolving credit, term loan and bankers' acceptances facilities granted by a licensed bank. The total outstanding loans and borrowings with the said bank as at 31 December 2008 is RM64,042,317 (2007: RM80,295,669).

17. EMPLOYEE BENEFITS

Retirement benefits

	Group and Company 2008 RM	Group and Company 2007 RM
Present value of unfunded obligations	2,582,460	2,470,450
Unrecognised actuarial loss	(297,892)	(301,595)
Recognised liability for defined benefit obligations	2,284,568	2,168,855

Liability for defined benefit obligations

The Group and the Company operate an unfunded defined benefit plan for eligible directors and employees. The benefits payable on retirement are based on length of service, input factor and base pay. The retirement age is 65 for directors and 55 for employees other than directors.

Movement in the liability for defined benefit obligations

	Group and Company 2008 RM	Group and Company 2007 RM
Liability for defined benefit obligations at beginning of year	2,168,855	2,065,601
Benefits paid by the plan	(21,000)	-
Current service costs and interest (see below)	133,010	98,564
Actuarial losses recognised (see below)	3,703	4,690
Liability for defined benefit obligations at end of year	2,284,568	2,168,855

Expenses recognised in the income statements (Note 19)

	Group and Company 2008 RM	Group and Company 2007 RM
Administrative expenses		
Current service costs	71,623	52,981
Interest on obligation	61,387	45,583
Actuarial losses	3,703	4,690
	136,713	103,254

Actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	Group and Company 2008	Group and Company 2007
Discount rate at 31 December	6	6
Average age of directors	44	44
Average years of service of directors	14	14
Average age of employees	31	31
Average years of service of employees other than directors	6	6

17. EMPLOYEE BENEFITS [cont'd]

Historical information

	2007 RM	2006 RM	2005 RM	2004 RM
Present value of the defined benefit obligation	2,470,450	2,371,886	1,913,405	1,742,369
Unrecognised actuarial loss	(301,595)	(306,285)	-	-

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade				
Trade payables	6,262,480	13,634,704	1,318,232	3,177,313
Non-trade				
Other payables	603,956	6,257,791	41,569	4,987,712
Accrued expenses	3,931,988	4,496,772	1,320,824	2,096,917
Dividend payable	-	1,955,349	-	1,955,349
	4,535,944	12,709,912	1,362,393	9,039,978
Total	10,798,424	26,344,616	2,680,625	12,217,291

Other payables of the Group/Company as at 31 December 2007 included retention sums of RM4,806,620 payable to contractors for property, plant equipment under construction.

19. PROFIT BEFORE TAXATION

		Group		Company	
	Note	2008 RM	2007 RM	2008 RM	2007 RM
Profit before taxation is arrived at after charging:					
Allowance for doubtful debts		1,738,967	21,632	104,564	-
Amortisation of prepaid lease payments	4	79,939	79,939	63,452	63,452
Amortisation of investment property	5	-	-	370,072	370,072
Auditors' remuneration:					
- Statutory audit		89,000	85,000	31,000	30,000
- Other services		31,100	27,700	16,900	14,900
Depreciation of property, plant and equipment	3	17,527,284	14,421,326	13,544,702	11,036,490
Foreign exchange loss					
- unrealised		1,524,820	-	1,524,820	-
- realised		4,270,937	-	4,354,650	-

19. PROFIT BEFORE TAXATION [cont'd]

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Profit before taxation is arrived at after charging: [cont'd]					
Interest expense on:					
- bank overdrafts		478,260	689,327	431,273	595,857
- term loans		5,374,092	3,265,739	4,541,582	2,699,678
- bankers' acceptances and revolving credits		6,859,319	10,137,465	4,911,571	8,306,353
- finance leases		1,508,914	516,836	1,162,112	328,082
- others		616,878	17,893	612,169	17,893
Write down of property held for sale (Note 11)		33,000	-	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		1,844,834	1,662,267	958,375	865,144
- Wages, salaries and others		19,632,563	17,774,448	10,351,218	9,018,165
- Expenses related to defined benefit plan	17	136,713	103,254	136,713	103,254
Rental of premises and land		510,176	497,277	480,240	426,988
and after crediting:					
Dividend income from:					
- subsidiaries (unquoted)		-	-	5,092,000	2,287,500
- shares quoted in Malaysia		450	1,080	-	-
Gain on disposal of:					
- property, plant and equipment		295,648	99,552	145,648	30,057
- property held for sale		155,600	-	-	-
Foreign exchange gain					
- realised		-	1,182,894	-	1,068,892
- unrealised		-	518,884	-	518,884
Interest income on:					
- overdue trade receivables		609,799	361,309	-	-
- fixed deposits		337,480	302,205	40,550	41,117
- others		110,622	39,673	109,829	29,686
Rental income from property subleases		93,500	103,828	420,500	366,650
Negative goodwill recognised	30	-	173,126	-	-

20. KEY MANAGEMENT PERSONNEL COMPENSATIONS

Compensations to key management personnel are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Directors of the Company				
- Fees	834,500	875,500	355,000	335,000
- Short term employee benefits	3,990,729	4,809,073	2,914,492	2,912,201
	4,825,229	5,684,573	3,269,492	3,247,201
Directors of the subsidiaries				
- Fees	425,500	244,500	-	-
- Short term employee benefits	2,567,854	1,653,920	-	-
	2,993,354	1,898,420	-	-
Other key management personnel				
- Short term employee benefits	864,138	619,170	864,138	619,170
Total	8,682,721	8,202,163	4,133,630	3,866,371

Other key management personnel comprises persons, other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

21. TAX EXPENSE

Recognised in the income statements

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Current tax expense				
Malaysian - current year	1,184,906	1,183,972	750,000	436,000
- prior years	(154,759)	41,835	(77,171)	-
Total current tax	1,030,147	1,225,807	672,829	436,000
Deferred tax expense (Note 8)				
- current year	1,300,000	3,840,200	493,000	3,192,000
- prior year	(213,000)	(427,000)	(124,000)	(499,000)
Total deferred tax	1,087,000	3,413,200	369,000	2,693,000
Total tax expense	2,117,147	4,639,007	1,041,829	3,129,000

21. TAX EXPENSE [cont'd]

Reconciliation of tax expense

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Profit for the year	2,682,729	15,917,266	1,200,529	12,384,293
Total tax expense	2,117,147	4,639,007	1,041,829	3,129,000
Profit excluding tax	4,799,876	20,556,273	2,242,358	15,513,293
Tax calculated using Malaysian tax rate of 26% (2007: 27%)	1,248,000	5,550,000	583,000	4,189,000
Effect of lower tax rate for certain subsidiaries ^	(60,000)	(104,000)	-	-
Effect of change in tax rate *	(20,000)	(527,200)	(2,000)	(507,000)
Double deduction for qualifying expenses	(6,000)	(84,000)	(6,000)	(84,000)
Non-deductible expenses	1,322,906	211,572	1,105,000	30,000
Tax exempt income	-	-	(437,000)	-
Utilisation of reinvestment allowance	-	(22,200)	-	-
	2,484,906	5,024,172	1,243,000	3,628,000
Over-provision in prior years	(367,759)	(385,165)	(201,171)	(499,000)
Tax expense	2,117,147	4,639,007	1,041,829	3,129,000

^ *With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000. The remaining chargeable income is subject to corporate tax at 26% (2007: 27%).*

* *The Malaysian corporate tax rate is 26% for year of assessment 2008 and will be reduced to 25% for year of assessment 2009, based on the announcement in the 2008 Budget. The Group and the Company provide deferred tax at 25% (2007: 26%).*

22. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2008 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the share split and rights issue mentioned in Note 14, as follows:

	2008 RM	**2007 RM**
Profit attributable to ordinary shareholders	1,230,246	14,427,286

22. EARNINGS PER ORDINARY SHARE - GROUP [cont'd]

Basic earnings per ordinary share [cont'd]

	2008	2007 *Restated*
Weighted average number of shares at 1 January	65,178,300	65,178,300
Share split (Note 14)	65,178,300	65,178,300
Non-cash portion of rights issue (capitalised from reserves) (Note 14)	19,553,490	19,553,490
	149,910,090	149,910,090
Cash portion of rights issue (Note 14)	22,812,405	-
Weighted average number of shares at 31 December	172,722,495	149,910,090
Basic earnings per ordinary share (sen)	0.7	9.6

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2008 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding [after adjusting for the effects of full exercise of the outstanding warrants attached to the rights issue mentioned in Note 14], calculated as follows:

	2008 RM	2007 RM
Profit attributable to ordinary shareholders	1,230,246	14,427,286

	2008	2007 *Restated*
Weighted average number of ordinary shares (basic)	172,722,495	149,910,090
Effect of warrants	65,178,300	-
Weighted average number of ordinary shares (diluted)	237,900,795	149,910,090
Diluted earnings per ordinary share (sen)	0.5	9.6

23. DIVIDENDS

Dividends recognised in the year by the Company comprise:

2008	Sen per share	Total RM	Date of payment
Final 2007 ordinary – tax exempt #	1.0	1,303,566	30 May 2008
2007			
First and final 2006 ordinary – tax exempt *	1.0	651,783	29 May 2007
Interim 2007 ordinary – tax exempt *	3.0	1,955,349	4 February 2008
		2,607,132	

23. DIVIDENDS [cont'd]

* *Based on issued and paid-up share capital of 65,178,300 ordinary shares of RM1.00 each (before the share split and rights issue).*

\# *Based on issued and paid-up share capital of 130,356,600 ordinary shares of RM0.50 each (after the share split and before rights issue).*

After the balance sheet date, the Director proposed a final dividend of 1.0 sen per ordinary share less tax at 25% totalling RM1,466,512 for the year ended 31 December 2008. The dividend will be paid and recognised in subsequent financial reports upon approval by the shareholders.

The dividend per ordinary share as disclosed in the income statements relates to the total dividends declared or proposed for the financial year.

24. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risk arises in the normal course of the Group business. The Group has established a Risk Management Committee (RMC) tasked with formulating and implementing management policies and guidelines which set out the overall business strategies, tolerance to risk and general risk management philosophy. Policies are reviewed annually by the Board of Directors and periodic reviews are undertaken by the RMC to ensure that the Group policies and guidelines are adhered to.

Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Collaterals are obtained from some customers to mitigate the credit risk exposure.

Cash equivalents are only placed with licensed banks.

Other than the amount due from the subsidiaries of RM68,081,196 (2007: RM80,207,294), there were no significant concentrations of credit risk at the balance sheet date. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is the U.S. Dollars (USD).

The Group maintains foreign currency bank accounts denominated in USD into which certain receipts from customers are deposited and from which payments are made to minimise foreign exchange risk. In addition, forward exchange contracts are occasionally used to hedge the Group's exposure to foreign currency risk.

Interest rate risk

Borrowings with floating interest rates expose the Group to certain elements of risk when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk on an on-going basis, working within an agreed framework, to ensure that there are no undue exposures to this risk. The management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the situation and the outlook of the financial market.

Interest rates are trending downwards in the face of the current worldwide financial and economic crisis which, in the context of the Group, will bring about lower borrowing costs to its existing borrowings.

24. FINANCIAL INSTRUMENTS [cont'd]

Effective interest rates and repricing analysis

In respect of interest bearing financial instruments, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

GROUP	Effective interest rate per annum %	Total RM	Less than 1 year RM	1 – 2 years RM	2 – 5 years RM
2008					
Fixed rate instruments					
Finance lease liabilities	3.26 – 9.03	24,997,484	6,633,501	6,548,287	11,815,696
Secured term loans	4.66 – 4.80	3,480,000	460,060	711,768	2,308,172
Floating rate instruments					
Fixed deposits with banks	3.20 – 4.01	10,609,517	10,609,517	-	-
Bankers' acceptances and revolving credits					
- unsecured					
denominated in RM	3.53 – 5.30	84,352,000	84,352,000	-	-
denominated in USD	3.70 – 4.65	46,169,767	46,169,767	-	-
- secured	3.16 – 6.25	16,712,320	16,712,320	-	-
Bank overdrafts					
- unsecured	7.00 – 7.75	9,182,868	9,182,868	-	-
- secured	8.50	128,581	128,581	-	-
Term loans					
- unsecured	4.40 – 9.75	81,475,701	81,475,701	-	-
- secured	5.26 – 9.20	14,514,428	14,514,428	-	-
2007					
Fixed rate instruments					
Finance lease liabilities	4.55 – 7.42	24,668,716	5,322,041	5,521,897	13,824,778
Floating rate instruments					
Fixed deposits with banks	3.10 – 4.00	7,807,191	7,807,191	-	-
Bankers' acceptances and revolving credits					
- unsecured					
denominated in RM	3.59 – 5.60	84,275,616	84,275,616	-	-
denominated in USD	5.36 – 6.58	82,163,971	82,163,971	-	-
- secured	4.30 – 6.25	24,737,132	24,737,132	-	-
Bank overdrafts					
- unsecured	7.25 – 8.00	13,155,064	13,155,064	-	-
- secured	8.75	493,755	493,755	-	-
Term loans					
- unsecured	4.40 – 10.25	93,695,702	93,695,702	-	-
- secured	4.63 – 9.00	12,760,791	12,760,791	-	-

24. FINANCIAL INSTRUMENTS [cont'd]

Effective interest rates and repricing analysis [cont'd]

COMPANY	Effective interest rate per annum %	Total RM	Less than 1 year RM	1 – 2 years RM	2 – 5 years RM
2008					
Fixed rate instruments					
Finance lease liabilities	3.26 – 7.07	19,965,672	4,878,433	5,009,717	10,077,522
Floating rate instruments					
Fixed deposits with banks	3.50	1,195,967	1,195,967	-	-
Bankers' acceptances and revolving credits					
- unsecured					
denominated in RM	3.53 – 5.30	72,986,000	72,986,000	-	-
denominated in USD	3.70 – 4.65	46,169,766	46,169,766	-	-
Bank overdrafts - unsecured	7.00 – 7.75	9,175,232	9,175,232	-	-
Term loans - unsecured	5.02 – 9.75	77,575,701	77,575,701	-	-
2007					
Fixed rate instruments					
Finance lease liabilities	4.70 – 7.07	21,594,782	4,176,234	4,411,642	13,006,906
Floating rate instruments					
Fixed deposits with banks	3.80	1,155,417	1,155,417	-	-
Bankers' acceptances and revolving credits					
- unsecured					
denominated in RM	3.90 – 5.05	64,473,616	64,473,616	-	-
denominated in USD	5.36 – 6.58	82,163,971	82,163,971	-	-
Bank overdrafts - unsecured	7.25 – 8.00	12,812,309	12,812,309	-	-
Term loans - unsecured	5.07 – 10.25	88,195,702	88,195,702	-	-

Liquidity risk

The Group monitors and maintains a level of bank facilities and cash and cash equivalents deemed adequate by management to finance the operations and to mitigate the effects of fluctuations in cash flows.

Fair values

Recognised financial instruments

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

It is impracticable to estimate the fair value of the balances with subsidiaries, principally due to the absence of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received.

24. FINANCIAL INSTRUMENTS [cont'd]

Recognised financial instruments [cont'd]

The Company provides financial guarantees of RM74,579,000 (2007: RM71,060,000) to banks for credit facilities extended to certain subsidiaries (see Note 25). The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The fair value of other financial asset of the Group, together with the carrying amount shown in the balance sheets, is as follows:

	2008		2007	
GROUP	**Carrying amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Financial asset				
Quoted shares (Note 9)	23,515	20,020	23,515	28,255

Fair value of quoted shares is based on quoted market prices at the balance sheet date without any deduction for transaction costs. The quoted shares have not been written down to their fair value as at 31 December 2008 because the Directors are of the view that the apparent diminution in value is immaterial.

Unrecognised financial instruments

Financial derivative instruments are used to hedge foreign exchange risks associated with certain purchase transactions. The contracted principal amount of the derivatives and the corresponding fair value changes not recognised in the balance sheet as at 31 December 2007 was analysed below:

	Contracted amount RM	**Fair value changes RM**
Forward foreign exchange contract falling due within a year	24,025,000	95,000

There were no outstanding forward foreign exchange contracts as at 31 December 2008.

25. CONTINGENCIES - UNSECURED

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Corporate guarantees granted:				
- to suppliers of a subsidiary	2,500,000	2,500,000	-	-
- for banking facilities of direct subsidiaries	-	-	74,579,000	71,060,000
	2,500,000	2,500,000	74,579,000	71,060,000

26. CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Property, plant and equipment				
- Contracted but not provided for/payable within one year	5,197,000	11,923,000	-	2,084,000

27. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Company	
	2008 RM	2007 RM
Less than one year	420,000	372,000
Between one and five years	2,673,000	2,553,000
More than five years	135,000	675,000
	3,228,000	3,600,000

The Company leases land from a related party under an operating lease. The lease will expire in March 2015. At the expiration of the lease, the Company has the option to purchase the land at a price to be negotiated with the lessor.

28. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Company has a related party relationship with:

(i) its subsidiaries as disclosed in Note 6;
(ii) substantial shareholders of the Company;
(iii) companies connected to certain Directors of the Company; and
(iv) companies/organisations in which certain Directors and their close families members have or are deemed to have substantial interests.

28. RELATED PARTIES [cont'd]

Significant related party transactions of the Group and of the Company, other than key management personnel compensations (as disclosed in Note 20) and those disclosed elsewhere in the financial statements, are as follows:

Transactions with its subsidiaries

	Company	
	2008 RM	2007 RM
Nature of transactions		
Sales of galvanised and coated steel products	(348,040,644)	(339,157,622)
Income from rental of premises	(372,000)	(360,000)
Rental of equipment	(30,000)	-
Shearing charges - income	(13,697)	(132,394)
Slitting charges - expense	10,149	268,299
Purchase of steel related products	833,295	352,750
Purchase of property, plant and equipment	3,494,268	-
Commission paid	2,840	-

Transaction with a member of the key management personnel of the Group

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Nature of transaction				
Secretarial fees paid	25,000	23,000	12,000	12,000

Transactions with substantial shareholders of the Company

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Nature of transactions				
Purchase of consumables and raw materials	57,481,575	38,776,278	57,481,575	38,776,278
Freight and handling charges	497,800	377,002	497,800	377,002
Sales of galvanised and coated steel products	(5,223,627)	(7,318,703)	-	(294,696)

28. RELATED PARTIES [cont'd]

Transactions with companies/organisations in which certain Directors and close members of their families have or are deemed to have substantial interests

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<u>Nature of transactions</u>				
Donations	-	30,000	-	30,000
Insurance premium paid	1,625,245	1,623,170	1,530,048	1,534,299
Purchase of consumables and raw materials	3,357,388	2,233,049	3,271,031	2,056,350
Purchase of machinery and parts	2,856,000	-	2,856,000	-
Repair and maintenance services	445,263	153,825	445,263	153,825
Sale of galvanised and coated steel products	(41,190,513)	(45,926,697)	(8,649,710)	(13,921,712)
Sales of property, plant and equipment	-	(30,000)	-	(30,000)
Secretarial service rendered	-	10,000	-	10,000
Rental of premises and land	432,000	334,200	432,000	324,000
Income from rental of premises	(7,200)	-	(7,200)	-
Repayment of finance leases for acquisition of property, plant and equipment *	475,921	244,141	300,000	80,562

* *Interest is charged at fixed rates of 2.90% to 4.00% (2007: 2.90% to 6.00%) flat per annum.*

The amount due from subsidiaries is disclosed in Note 12 to the financial statements. The outstanding balances with other related parties are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Amount due from	1,380,181	6,945,276	653,323	270,603
Amount due to	(216,607)	(162,801)	(323,356)	(330,171)

The above transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to be settled in cash.

29. SEGMENT REPORTING

Segment reporting is not necessary as the Group is principally involved in the manufacture and sale of galvanised and other steel related products in Malaysia. Minimal sales are made to oversea customers.

30. INCREASE IN INVESTMENT IN EXISTING SUBSIDIARIES

30.1 Rights issues by subsidiaries

During the year, the Company and one of its subsidiaries, Star Shine Marketing Sdn. Bhd. ("SSM"), subscribed for their entitlement to the rights issues by subsidiaries, satisfied in cash, as follows:

Subsidiary	Date of allotment	Number of shares issued	Total consideration RM
Direct subsidiary of the Company			
2008			
SSM	14.1.2008	1,300,000	1,300,000
2007			
SSM	15.5.2007	422,500	422,500
	15.6.2007	1,007,500	1,007,500
	15.8.2007	1,300,000	1,300,000
	14.12.2007	1,300,000	1,300,000
		4,030,000	4,030,000
Indirect subsidiaries held through SSM			
2008			
Star Shine Steel Products Sdn.Bhd. ("SSP")	19.6.2008	302,000	302,000
2007			
SSP	18.9.2007	255,000	255,000
Star Shine Global Trading Sdn. Bhd.	18.9.2007	255,000	255,000
Star Shine Industries Sdn. Bhd. ("SSI")	26.7.2007	330,000	330,000
		840,000	840,000

30.2 Special issues by subsidiaries

On 20 November 2007, SSI effected a special issue of 2,400,0000 new ordinary shares of RM1.00 each to SSM for a cash consideration of RM2,400,000. The resultant equity interest in the said subsidiary held by SSM increased from 55.00% to 73.00%. In the same month, SSM also acquired an additional 24.5% equity interest in SSP for RM2,500,000 in cash, increasing its ownership from 51.00% to 75.50%. The carrying amount of the net assets of SSI and SSP attributable to the additional equity interest acquired by SSM on the date of the acquisition was RM5,073,126. This had led to a negative goodwill of RM173,126 which was immediately recognised in the income statement for the year ended 31 December 2007 (see Note 19). The Group also recognised a decrease in minority interest of RM173,126.

Analysis Of Shareholdings
as at 18 March 2009

There is only one class of share, i.e. ordinary share of RM0.50 each.
The voting rights is 1 vote per ordinary share.
Total number of ordinary shareholders was 2,346.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

Holding	No. of Holders	Total Holdings	Percentage of Issued Capital
Less than 100 shares	21	1,125	0.00*
100 - 1,000 shares	203	78,810	0.04
1,001 - 10,000 shares	1,154	6,222,128	3.18
10,001 - 100,000 shares	831	24,286,393	12.42
100,001 to less than 5% of issued shares	134	59,638,808	30.50
5% and above of issued shares	3	105,307,636	53.86
	2,346	195,534,900	100.00

** Less than 0.01%.*

TOP THIRTY SECURITIES ACCOUNTS HOLDERS (ORDINARY SHARES)

	Accounts Holders	Shareholding	Percentage
1	Yung Kong Co Bhd	51,889,194	26.54
2	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	35,999,994	18.41
3	Hii Wi Sing	17,418,448	8.91
4	Ting Chuo Kiew	3,931,690	2.01
5	Hu Ik Ming @ Rose Hii Ik Ming	3,116,364	1.59
6	Quarry Lane Sdn Bhd	3,006,000	1.54
7	Hii Ngo Sing	2,938,473	1.50
8	Hii Brothers Enterprises Sdn Bhd	2,766,900	1.42
9	Mt Sungai Sdn Bhd	2,404,800	1.23
10	Lee Sze Ming	1,844,848	0.94
11	Arthur Hii Lu Choon	1,497,100	0.77
12	Alexander Hii Lu Kwong	1,479,100	0.76
13	Christopher Hii Lu Ming	1,391,300	0.71
14	Nor Ashikin Binti Khamis	1,226,800	0.63
15	Elizabeth Hii Lu Yen	1,226,100	0.63
16	Yung Kong Holdings Berhad	1,100,000	0.56
17	Wung Neng Liing @ Wung Neng Lung @ Ung Neng Lung	1,098,000	0.56
18	Hii Lu Foong	1,005,400	0.51
19	Victor Hii Lu Thian	985,000	0.50
20	Jane Hii Lu Yea	914,797	0.47
21	Ling Eng Leh	857,400	0.44
22	CHeng Ta Yar	856,598	0.44
23	Hii Siew Kew	843,000	0.43
24	Meshes Holding Sdn Nhd	762,000	0.39
25	Hii Hua Sing	603,297	0.31
26	Amy Lee @ Lien Keow	588,600	0.30
27	Lim Jit Hai	563,400	0.29
28	Aw Chiew Lan	558,000	0.29
29	Luke Hii Luu Wee	538,461	0.28
30	Then Siaw Phin	505,800	0.26
	Total	143,916,864	73.60

Analysis Of Shareholdings
as at 18 March 2009 [cont'd]

SUBSTANTIAL SHAREHOLDERS

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Yung Kong Co Bhd	51,889,194	26.54	-	-
2	Marubeni-Itochu Steel Inc.	35,999,994	18.41	-	-
3	Dato' Hii Ngo Sing	2,938,473	1.50	57,187,791(1)	29.25
4	Dato' Dr Hii Wi Sing	17,418,448	8.91	57,187,791(1)	29.25
5	Michael Hii Ee Sing	138,100	0.07	60,451,991(2)	30.92
6	Arthur Hii Lu Choon	1,497,100	0.77	57,187,791(1)	29.25
7	Victor Hii Lu Thian	985,000	0.50	57,187,791(1)	29.25
8	Francis Hii Lu Sheng	274,300	0.14	57,187,791(1)	29.25
9	Alexander Hii Lu Kwong	1,766,100(3)	0.90	57,187,791(1)	29.25

Notes
(1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.
(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd.
(3) 287,000 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

DIRECTORS' SHAREHOLDINGS

In the Company

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	17,418,448	8.91	62,510,781(1)	31.97
2	Michael Hii Ee Sing	138,100	0.07	60,864,391(2)	31.13
3	Arthur Hii Lu Choon	1,497,100	0.77	57,215,191(3)	29.26
4	Victor Hii Lu Thian	985,000	0.50	57,187,791(4)	29.25
5	Francis Hii Lu Sheng	274,300	0.14	57,338,191(3)	29.32
6	Huong Hie Hee	142,000	0.07	89,000(5)	0.05
7	Jee Hee Teck	-	-	-	-
8	Philip Anak Dreba @ Philip Aso Dreba	-	-	-	-
9	Tadashi Hamada	-	-	-	-
10	Yoshinori Kubo (Alternate to Hamada)	-	-	-	-
11	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	1,766,100(6)	0.90	57,202,791(3)	29.25

Notes
(1) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and the interests of his spouse and children in the Company.
(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.
(3) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd and the interests of their spouses in the Company.
(4) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.
(5) Deemed interested by virtue of the interest of her spouse in the Company.
(6) 287,000 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

Analysis Of Shareholdings
as at 18 March 2009 [cont'd]

Star Shine Marketing Sdn Bhd ("SSM") (65% Owned Subsidiary)

		No. of Ordinary Shares of RM1.00 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	420,000	3.00	9,940,000(6)	71.00
2	Michael Hii Ee Sing	-	-	9,660,000(7)	69.00
3	Arthur Hii Lu Choon	420,000	3.00	9,100,000(8)	65.00
4	Victor Hii Lu Thian	420,000	3.00	9,100,000(8)	65.00
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	420,000	3.00	9,100,000(8)	65.00

Notes
(6) Deemed interested by virtue of family substantial interests in YKGI and the interests of his children in the Company.
(7) Deemed interested by virtue of family substantial interests in YKGI and Mt Sungai Sdn Bhd.
(8) Deemed interested by virtue of family substantial interests in YKGI.

Star Shine Global Trading Sdn Bhd (Deemed Subsidiary)

		No. of Ordinary Shares of RM1.00 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	80,000	4.00	1,140,000 (9)	57.00
2	Michael Hii Ee Sing	100,000	5.00	1,020,000(10)	51.00
3	Arthur Hii Lu Choon	40,000	2.00	1,020,000(10)	51.00
4	Victor Hii Lu Thian	40,000	2.00	1,020,000(10)	51.00
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	40,000	2.00	1,020,000(10)	51.00

Notes
(9) Deemed interested by virtue of family substantial interests in SSM through YKGI and the interests of his children in the Company.
(10) Deemed interested by virtue of family substantial interests in SSM through YKGI.

Star Shine Steel Products Sdn Bhd (Deemed Subsidiary)

		No. of Ordinary Shares of RM1.00 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	280,000	7.00	3,343,000(11)	83.58
2	Michael Hii Ee Sing	220,000	5.50	3,322,000(11)	83.05
3	Arthur Hii Lu Choon	-	-	3,322,000(11)	83.05
4	Victor Hii Lu Thian	-	-	3,322,000(11)	83.05
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	-	-	3,322,000(11)	83.05

Notes
(11) Deemed interested by virtue of family substantial interests in SSM through YKGI.

Star Shine Industries Sdn Bhd (Deemed Subsidiary)

		No. of Ordinary Shares of RM1.00 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	180,000	3.00	4,461,000(12)	74.35
2	Michael Hii Ee Sing	180,000	3.00	4,380,000(13)	73.00
3	Arthur Hii Lu Choon	27,000	0.45	4,380,000(13)	73.00
4	Victor Hii Lu Thian	27,000	0.45	4,380,000(13)	73.00
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	27,000	0.45	4,380,000(13)	73.00

Notes
(12) Deemed interested by virtue of family substantial interests in SSM through YKGI and the interests of his children in the Company.
(13) Deemed interested by virtue of family substantial interests in SSM through YKGI.

Analysis of Warrant Holdings
as at 18 March 2009

Total number of Warrants issued : 65,178,300
Total number of Warrants holders : 1,008
Exercise price of the Warrants : RM0.50
Expiry date of the Warrants : 8 July 2013

DISTRIBUTION SCHEDULE OF WARRANTS

Holdings	No. of Holders	Total Holdings	Percentage of Issued Warrants
Less than 100 warrants	7	644	0.00*
100 - 1,000 warrants	75	57,297	0.09
1,001 - 10,000 warrants	563	2,592,535	3.98
10,001 - 100,000 warrants	304	10,801,411	16.57
100,001 to less than 5% of issued warrants	56	17,817,517	27.34
5% and above of issued warrants	3	33,908,896	52.02
	1,008	65,178,300	100.00

** Less than 0.01%.*

TOP THIRTY WARRANT ACCOUNTS HOLDERS

	Name of Warrant Holders	No. of Warrants	Percentage
1	Yung Kong Co Bhd	17,296,398	26.54
2	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	11,999,998	18.41
3	Hii Wi Sing	4,612,500	7.08
4	Tai Choon Min	1,900,000	2.92
5	Ting Chuo Kiew	1,320,200	2.03
6	Quarry Lane Sdn Bhd	1,002,000	1.54
7	Hii Ngo Sing	979,491	1.50
8	Hii Brothers Enterprises Sdn Bhd	922,300	1.42
9	Hu Ik Ming @ Rose Hii Ik Ming	852,688	1.31
10	Mt Sungai Sdn Bhd	804,800	1.23
11	Siet Hieng Ung	600,000	0.92
12	Ling Eng Leh	483,600	0.74
13	Yung Kong Holdings Berhad	400,000	0.61
14	Wung Neng Liing @ Wung Neng Lung @ Ung Neng Lung	366,000	0.56
15	Loh Ing Kiong	358,900	0.55
16	Tan Pak Nang	300,000	0.46
17	Yap Suet Moey	300,000	0.46
18	HLG Nominee (Tempatan) Sdn Bhd Hong Leong Bank Bhd For Goh Wei Yang	290,000	0.44
19	Ong Swee Siong	275,000	0.42
20	Meshes Holding Sdn Nhd	262,000	0.40
21	Arthur Hii Lu Choon	250,000	0.38
22	Lim Jit Hai	241,400	0.37
23	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chang Mui Lin @ Chang Mui Ling	239,800	0.37
24	AIBB Nominees (Tempatan) Sdn Bhd Andrew Yap Hoong Yee	225,500	0.35
25	Ong Eng Heng @ Ong Eng Peng	219,200	0.34
26	Lau Ngie Shing	214,400	0.33
27	Yung Lieng Berhad	200,000	0.31
28	Tan Kok Keat	200,000	0.31
29	Christopher Hii Lu Ming	200,000	0.31
30	Ling Siiun Tien	200,000	0.31
	Total	47,516,175	72.90

Analysis of Warrant Holdings
as at 18 March 2009 [cont'd]

DIRECTORS' WARRANT HOLDINGS

		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	4,612,500	7.08	20,611,297[(1)]	31.62
2	Michael Hii Ee Sing	48,100	0.07	20,339,697[(2)]	31.21
3	Arthur Hii Lu Choon	250,000	0.38	19,100,497[(3)]	29.30
4	Victor Hii Lu Thian	-	-	19,091,097[(4)]	29.29
5	Francis Hii Lu Sheng	-	-	19,091,097[(4)]	29.29
6	Huong Hie Hee	-	-	-	-
7	Jee Hee Teck	-	-	-	-
8	Philip Anak Dreba @ Philip Aso Dreba	-	-	-	-
9	Tadashi Hamada	-	-	-	-
10	Yoshinori Kubo (Alternate to Hamada)	-	-	-	-
11	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	-	-	19,096,097[(3)]	29.30

Notes

(1) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and the interests of his spouse and children in the Company.

(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.

(3) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd and the interests of their spouses in the Company.

(4) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.

Additional Information

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2008

Location	Tenure	Land Area/ Built-Up Area	Brief Description	Date of Acquisition/ Revaluation	Average Age of building (Year)	Net Book Value (RM'000)
Lot 712 Section 7 Muara Tebas Land District Kuching	Leasehold (60 years) expiring on 8 Jan 2052	3.40 Ha/ 2.48 Ha	Industrial Land and Buildings	Jan 1992 acquired Aug 1996 revalued	14	8,139
7D2 , Village Grove Condominium, Taman Satria Jaya, BDC, Stampin Kuching	Leasehold (60 years) expiring on 24 Mar 2048	-/159 M^2	Condominium	Apr 1999 acquired	10	193
* GM2333, Lot 817, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan.	Freehold	-/11520 M^2	Industrial Building	Dec 2001 Completed	7	4,813
Lot 6479 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	10.04 Ha/ 3.89 Ha	Industrial Land and Buildings	July 2002 acquired Nov 2007 revalued	4	54,599
Lot 6472 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	3.695 Ha/ 1.296 Ha	Industrial Land and Buildings	Dec 2005 acquired Nov 2007 revalued	1	29,722
No.22 & 24, Persiaran Perindustrian Silibin 2, Silibin Light Industrial Park, Ipoh Perak	Leasehold (60 years) expiring on 28 Dec 2054	892 M^2 per unit	2 adjoining units of 1 1/2 storey semi-detached factories	Jun 1996 acquired Mar 2004 revalued	14	1,010
No.23, Persiaran Perindustrian Silibin 2, Silibin Light Industrial Park, Ipoh Perak	Leasehold (60 years) expiring on 28 Dec 2054	892 M^2	1 1/2 storey semi-detached factory	Apr 1999 acquired	14	362
No.20, Persiaran Perindustrian Silibin 2, Silibin Light Industrial Park, Ipoh Perak	Leasehold (60 years) expiring on 28 Dec 2054	892 M^2	1 1/2 storey semi-detached factory	Jun 2006 acquired	14	654
No.16, Jln Aman Perdana 7Q/KU5, Taman Aman Perdana, 41050 Klang, Selangor DE	Freehold	348 M^2	Double Storey Bungalow house	Jul 2007 completed	1	552
<u>**Properties held for sale**</u>						
No.69 & 69-01, Jalan Masai Utama 2, Taman Masai Utama, Masai, Johor	Leasehold (99 years) expiring on 26 Nov 2100	143 M^2	Double Storey Shop office	Oct 2005 acquired	7	323
No.05, Storey No.03 of Building No.C, Taman Bayu Puteri (1), Mukim Plentong, Johor	Leasehold (99 years) expiring on 21 Jan 2097	123 M^2	Apartment	Dec 2006 acquired	10	165

* This property is built on a piece of land rented by YKGI from a related corporation, Asia Wire Steel Mesh Manufacturers Sdn Bhd for a period of 15 years expiring on 31 March 2015.

Note : The revaluation policy on landed properties is disclosed under note 2(c)(i) of the notes to the financial statements.

2. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

During the financial year ended 31 December 2008, a total gross proceeds of RM22.812 million was raised from the renounceable two-call rights issue of 65,178,300 new ordinary shares of RM0.50 each. These proceeds have been fully utilised as at 31 December 2008.

3. MATERIAL CONTRACTS

Apart from the related party transactions as disclosed in Note 28 of the Notes to the Financial Statements, there are no other material contracts of the Company or its subsidiaries involving the Directors and major shareholders interest subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

4 RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE ("RRPT")

The significant RRPTs entered into during the financial year are disclosed in Note 28 to the Financial Statements. A breakdown of the aggregate value of the RRPTs conducted pursuant to the shareholders' mandates during the financial year, where the aggregate value is equal to or exceeds the applicable prescribed threshold under paragraph 2.1 of Practice Note 12/2001, are set out below :-

Nature of RRPT with YKGI Group	Name of Related Party(ies)	Relationship of Related Party(ies) with YKGI Group	Actual value of RRPT as at 31 December 2008 (RM)
Purchase of YKGI Products from YKGI, ICCI and SSP	Star Shine Marketing Sdn Bhd ("SSM")	Subsidiary where certain Directors have substantial interests	230,527,702
	Star Shine Global Trading Sdn Bhd ("SSGT")	Deemed subsidiary where certain Directors have substantial interests	33,498,553
		Total	**264,026,255**
Purchase of YKGI Products from SSM and SSGT	Star Shine Steel Products Sdn Bhd ("SSP")	Deemed subsidiary where certain Directors have substantial interests	19,966,803
	Star Shine Industries Sdn Bhd ("SSI")	Deemed subsidiary where certain Directors have substantial interests	10,666,619
		Total	**30,633,422**
Purchase of YKGI Products from MN	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	4,972,159
	Yung Kong Metal Works Co Bhd ("YKMW")	Company connected to YKC and certain Directors	17,080,401
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	8,649,606
	Chuanmeng Design & Décor Sdn Bhd	Company connected to certain Directors	1,828,944
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	167,181
	Eastern Advance Sdn Bhd	Company connected to certain Directors	701,153
	Hiromina Sdn Bhd	Company connected to certain Directors	91,383
	Tawau Suria Industries Sdn Bhd	Company connected to certain Directors	843,684
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	416,355
		Total	**34,750,866**
Purchase of raw materials	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	27,379,576
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd ("MISM")	Company connected to MISI	30,035,446
		Total	**57,415,022**
Purchase of YKGI Products from YKGI Group	Continental Strength Sdn Bhd	Company connected to certain Directors	10,130,325
	MISM	Company connected to MISI	251,468
		Sub-total	**10,381,793**
Insurance premium paid	Yung Kong Services Sdn Bhd	Company connected to certain Directors	639,384
	YK Central Agencies Sdn Bhd	Company connected to YKC and certain Directors	985,860
		Total	**1,625,244**

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Second Annual General Meeting of the Company will be held at the Company's premises at Lot 712 Block 7 Demak Laut Industrial Park, 93050 Kuching, Sarawak on Friday, 8 May 2009 at 11:30 am for the following purposes :-

AGENDA

a. To receive the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors thereon. **Resolution 1**

b. To declare a first and final dividend of 2% per share, less income tax at 25%, in respect of the financial year ended 31 December 2008. **Resolution 2**

c. To re-elect following directors retiring pursuant to Article 103 of the Company's Articles of Association :-

i. Mr Arthur Hii Lu Choon **Resolution 3**
ii. Mr Victor Hii Lu Thian **Resolution 4**
iii. Mr Tadashi Hamada **Resolution 5**

d. To appoint Messrs KPMG as auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 6**

As Special Businesses

e. *To consider and, if thought fit, pass the following ordinary resolution :-*

- **Authority to issue shares pursuant to Section 132D of the Companies Act, 1965** **Resolution 7**
  "THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the Company's Articles of Association and approvals of the relevant authorities, the Directors be hereby empowered to issue shares in the Company from time to time 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 issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be hereby empowered to obtain approval for the listing and quotation of the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

f. *To consider and, if thought fit, pass the following ordinary resolution :-*

- **Proposed renewal of and new shareholders' mandates for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandates")** **Resolution 8**
  "THAT approval be hereby given to the Company and/or its subsidiaries ("YKGI Group") to enter into any of the category of recurrent related party transactions of a revenue or trading nature as outlined in point 3(b) (pages 4 to 10) of the Circular to Shareholders dated 16 April 2009 ("Circular"), with the specific related parties mentioned therein which are necessary for the YKGI Group's day-to-day operations subject further to the following :-

  (a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders; and

  (b) disclosure is made in the annual report a breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandates during the financial year where the aggregate value is equal to or exceeds the applicable prescribed threshold under Paragraph 2.1 of the Practice Note 12/2001, and amongst others, based on the following information :-

  - the type of the recurrent transactions made; and
  - the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company.

AND THAT such approval shall continue to be in force until :-

(a) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the "Act") [but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandates.

AND THAT the estimated value given on the recurrent related party transactions specified in point 3(b) of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in point 3(e) of the Circular."

g. To consider any other business that may be transacted at an annual general meeting, due notice of which shall have been previously received with the relevant guidelines and authorities.

By Order of the Board,

Ms Voon Jan Moi
Ir Michael Hii Ee Sing
Company Secretaries

Kuching, Sarawak
Dated : 16 April 2009

Notice Of Annual General Meeting [cont'd]

Explanatory Notes on Special Businesses :-

(a) Ordinary resolution in relation to authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution No. 7 in relation to authority to issue shares pursuant to Section 132D of the Companies Act, 1965, if passed, will empower the Directors to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interests of the Company. This authority unless revoked or varied at a general meeting will expire at the next annual general meeting. With this authority, the Company will be able to raise capital from the equity market in a shorter period of time and the costs to be incurred will also be lower as the need to convene an extraordinary general meeting will be dispensed with.

(b) Ordinary resolution in relation to proposed renewal of and new shareholders' mandates for recurrent related party transactions of a revenue or trading nature

Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad states that with regard to related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations, the public listed company may seek a shareholders' mandate.

The proposed Resolution No. 8 if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties as identified in point 3(b) (pages 4 to 10) of the Circular, which are necessary for the YKGI Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders.

By obtaining the shareholders' mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of the YKGI Group or adversely affecting the business opportunities available to the YKGI Group.

Please refer to the Circular for further information.

Notes :-

1. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.*
2. *Where a member appoints more than one proxy to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the registered address of the Company at Lot 712 Block 7 Demak Laut Industrial Park, 93050 Kuching, Sarawak, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

Notice Of Dividend Entitlement And Payment

NOTICE IS ALSO HEREBY GIVEN that the first and final dividend of 2% per share, less income tax at 25%, in respect of the financial year ended 31 December 2008, if approved at the Thirty-Second Annual General Meeting, will be payable on 29 May 2009 to depositors whose names appear in the Record of Depositors on 15 May 2009.

A depositor shall qualify for entitlement only in respect of :-

(a) Shares transferred into the Depositor's Securities Account before 4:00 pm on 15 May 2009 in respect of transfer; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,

Ms Voon Jan Moi
Ir Michael Hii Ee Sing
Company Secretaries

Kuching, Sarawak
Dated : 16 April 2009

YUNG KONG GALVANISING INDUSTRIES BERHAD

(Company No. 032939-U)
(Incorporated in Malaysia)

FORM OF PROXY

I/We .... (Name in full)

.... (IC/Passport/Company No.) of ....

.... (Address) being a

member/members of the abovenamed Company hereby appoint ....

.... (Name in full) of

.... (Address)
or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at the Company's premises at Lot 712 Block 7 Demak Laut Industrial Park, 93050 Kuching, Sarawak on Friday, 8 May 2009 at 11.30 am and any adjournment thereof.

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors thereon.		
2.	Declaration of first and final dividend.		
3.	Re-election of Mr Arthur Hii Lu Choon as director.		
4.	Re-election of Mr Victor Hii Lu Thian as director.		
5.	Re-election of Mr Tadashi Hamada as director.		
6.	Appointment of Messrs KPMG as auditors.		
7.	**Special Businesses** Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Renewal of and new shareholders' mandates for recurrent related party transactions of a revenue or trading nature.		

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Shareholding Represented by Proxy	

Dated this .... day of 2009

....
Signature of shareholder(s)/common seal

Notes :-

1. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company, the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.*
2. *Where a member appoints more than one proxy to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the registered address of the Company at Lot 712 Block 7 Demak Laut Industrial Park, 93050 Kuching, Sarawak, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

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STAMP

YUNG KONG GALVANISING INDUSTRIES BERHAD
Lot 712 Block 7
Demak Laut Industrial Park
93050 Kuching, Sarawak
Malaysia.

Fold here


China
Japan
U.S.A.
BURMA
LAOS
Hanoi
Thailand
Rangoon
Bangkok
Vietnam
South
China
Sea
Manila
Turkey
and
Middle
Eastern
Countries
CAMBODIA
PHILIPPINES
Brunei
MALAYSIA
Klang
Papua
New Guinea
Kuching
Pacific Ocean
Sri Lanka
Indonesia
Singapore
Congo
Jakarta
Australia
New
Zealand

榕光钢铁有限公司

YUNG KONG GALVANISING INDUSTRIES BERHAD

(Company No. 032939-U)
Lot 712 Block 7 Demak Laut Industrial Park
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