YUNG KONG GALVANISING INDUSTRIES BERHAD

(Company No. 032939-U)

Annual Report 2009

A Leading Diversified Corporation
Creating And Delivering Excellent Value

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

FINANCIAL HIGHLIGHTS

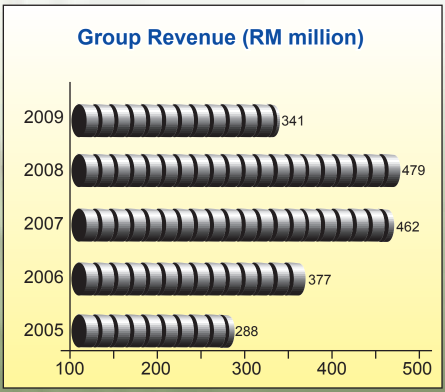
(RM'000)	2005	2006	2007	2008	2009
Revenue	287,501	377,107	461,882	479,278	341,483
Profit before tax	1,233	2,439	20,556	4,800	15,575
Profit attributable to equity holders of the Company	620	1,127	14,427	1,230	9,938
Issued and paid-up capital	65,178	65,178	65,178	97,767	97,767
Shareholders' funds	100,638	101,114	123,752	145,930	154,402
Total Assets	414,186	418,597	507,803	461,414	493,124
Weighted average number of ordinary share in issue* ('000 share)	149,694	149,910	149,910	172,722	195,535
Basic earnings per share (sen) - restated**	1	1	10	1	5
Net assets per share of RM0.50 (sen)	77	78	95	75	79

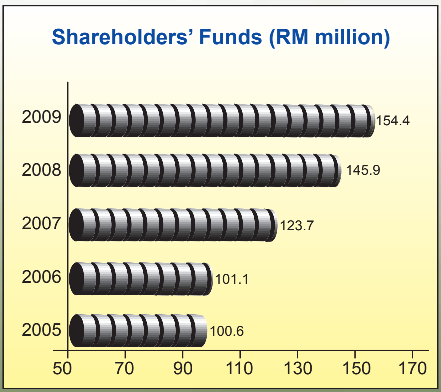
DIVIDENDS

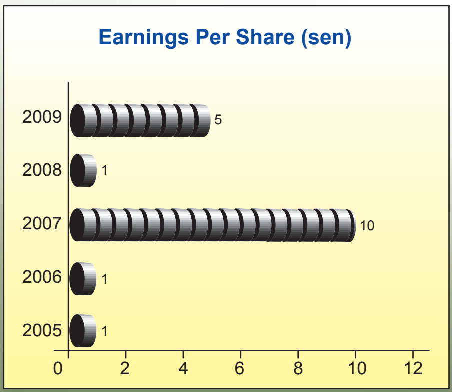
Rate	1% TE	1% TE	5% TE	2% Taxed	5% TE
Net Amount (RM'000)	651.8	651.8	3,258.9	1,466.5	4,888.4

* *The weighted average number of ordinary share in issue has been restated as a result of the share split and rights issue during year 2008.*

** *The basic earnings per share is recomputed after taking account of the effect of the share split and rights issue during year 2008.*







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

CONTENTS

Chairman's Statement

I wish to announce that I had relinquished my position as Managing Director / Chief Executive Officer with effect from 1 January 2010 and shall now remain as Executive Chairman of the Group.

Mr. Arthur Hii Lu Choon, who has been the Deputy Managing Director since Year 2003, has already assumed the position of Managing Director with effect from 1 January 2010.

We are embarking into a challenging new decade, leading Yung Kong Galvanising Industries Berhad (YKGI) into a new era with new ideas and direction headed by Mr. Arthur Hii, who commands strong support from the members of the Board of Directors and the management. Confidently, moving with a single force and mind, the management shall strive for excellent results in achieving our VISION with profits.

We will move forward to expand our horizon and elevate ourselves to the next level of achievement and tapping into other sectors relating to our industry, both within the Country and beyond.

PERFORMANCE

We had experienced another year of business volatility in our industry, which seems to be the norm of the steel business from here-on, when Year 2009 started off with a continued weak market situation carried over from the 4th quarter of Year 2008, thus causing a negative result in the first half of Year 2009. However, with improved sales in the second half of Year 2009 coupled with the savings from our cost-cutting initiatives, we achieved a Group's pretax profit (PBT) of RM15.57 million for our financial year ended 31 December 2009 as compared to RM4.80 million recorded in the previous financial year. However, due to lower cost of material input, the revenue of our Group has considerably reduced to RM341 million in comparison to RM479 million achieved in Year 2008.

DIVIDEND

Your Directors recommend the payment of a first and final tax-exempt dividend of 2.5 sen for the financial year ended 31 December 2009 for your approval at the forthcoming Annual General Meeting, and if approved, it will be payable on 31 May 2010.

INDUSTRY TREND

Moving forward, our businesses, in one way or another, will be affected by the implementation of new policies, where trade has been liberalized as a result of AFTA and ACFTA, which came into full force in Year 2010 for some steel products, with initiatives to buy Malaysian products, enforce product standards compliance and other factors beyond the control of our management. Furthermore, we may face possible set-backs due to a weaker global economy, as Malaysia's exports of manufactured goods generally depend largely on the economies of the developed nations.

On a positive viewpoint, our Government's push for a GDP growth of around 5% for Year 2010 is definitely good news for us. The stimulus packages initiated earlier will continue to reactivate and lubricate our domestic economy especially in the building and construction sectors, which directly or indirectly benefit our businesses.

With our Government's enthusiasm of moving towards high-income economy as being currently emphasized, we anticipate that the demand of quality steel will be increased as more value-added manufacturing activities will come online.

DEVELOPMENT/PROSPECTS

Staying clearly focused with the businesses which we know best and as always, with our proactive initiatives toward making corrective adjustments, we shall take prompt actions in managing the changing environment. We shall continue to expand both horizontally and vertically in the steel business sector which we have vested interest in.

With advanced technologies and fast communication nowadays, global business information is freely and

Chairman's Statement [cont'd]

quickly available to all players, thus making our business more competitive under liberalisation.

Capacity expenditures are carefully planned within the Group.

Currently, YKGI is planning to invest further on equipment and facilities which shall increase its production capacity mainly in the processing of hot rolled coil (HRC). New factory buildings shall be constructed to house the new facilities and which shall then commence production within the next two (2) years.

Similarly, our subsidiaries, Star Shine group of companies shall also invest on equipment and facilities. Its new factory extension is now in progress on its current location and expansion on its downstream value-added production is as planned and shall come online within Year 2010 and also by Year 2011.

The Group has planned to produce a wider range of steel products when the new facilities are in place. Better sales volume shall be generated by entering new market segments, thus creating more opportunities to enhance our profitability.

CORPORATE DEVELOPMENT

On 4 March 2010, the Company had announced the proposed issuance of 21,726,100 Redeemable Convertible Preference Shares (RCPS) to Nippon Steel Corporation, Japan (NSC) at 60 sen per RCPS and an Extraordinary General Meeting (EGM) will be convened to amend the Company's Memorandum and Articles of Association (M&A) to facilitate the creation and issuance of RCPS pursuant to the proposed RCPS issuance and to authorise the Directors to issue the RCPS.

The proposed RCPS issuance and proposed amendments to the M&A shall be implemented upon approvals of the shareholders and the relevant authorities are obtained. The proposed RCPS issuance and proposed amendments to the M&A are inter-conditional.

APPRECIATION

On behalf of the Directors, I would like to take this opportunity to register my sincere appreciation to our management team and our employees for contributing positively in achieving their Key Performance Indexes (KPIs) under trying times. Their commitment and ownership are unquestionable while discharging their capable responsibilities in carrying out their tasks.

Allow me to also express my gratitude to all our strategic partners and valued stakeholders, namely shareholders, bankers and financiers, customers, suppliers, business associates and advisors. Appreciation must also be accorded to various Government Departments, Authorities and Ministries for rendering their unwavering support in creating a conducive business scenario for our business operations.

Thank you.

Dato' Dr Hii Wi Sing
Executive Chairman

1 April 2010

新日鉄、マレーシアのＹＫＧＩ社に出資を決定

熱延鋼板の安定供給で合意

新日本製鉄は５日、マレーシアの有力リロールメーカーであるYung Kong Galvanising Industries Berhad（YKGI）との間で、同社に対する出資と原板となる熱延鋼板の安定供給について具体的な検討をすすめてきたが、2010年6月を目処に、ＹＫＧＩ社が新たに発行する優先株（転換権付、普通株の10%相当）を新日鉄が引き受けることで合意したと発表した。

調印式で握手をかわす新日鉄樋口執行役員（左）とYKGI社Dato' Dr.Hii Wi Sing代表（右）

Signing of agreement between YKGI & NSC in Tokyo, Japan on 4 March 2010

Corporate Information

BOARD OF DIRECTORS

Dato' Dr Hii Wi Sing *DIMP*
Executive Chairman

Mr Arthur Hii Lu Choon
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 Market
of Bursa Malaysia Securities Berhad
Sector: Industrial Products
Stock Code: ***7020***
Stock Name: ***YUNKONG***

CERTIFICATION

BS ISO 9001:2008
MS ISO 9001:2008

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

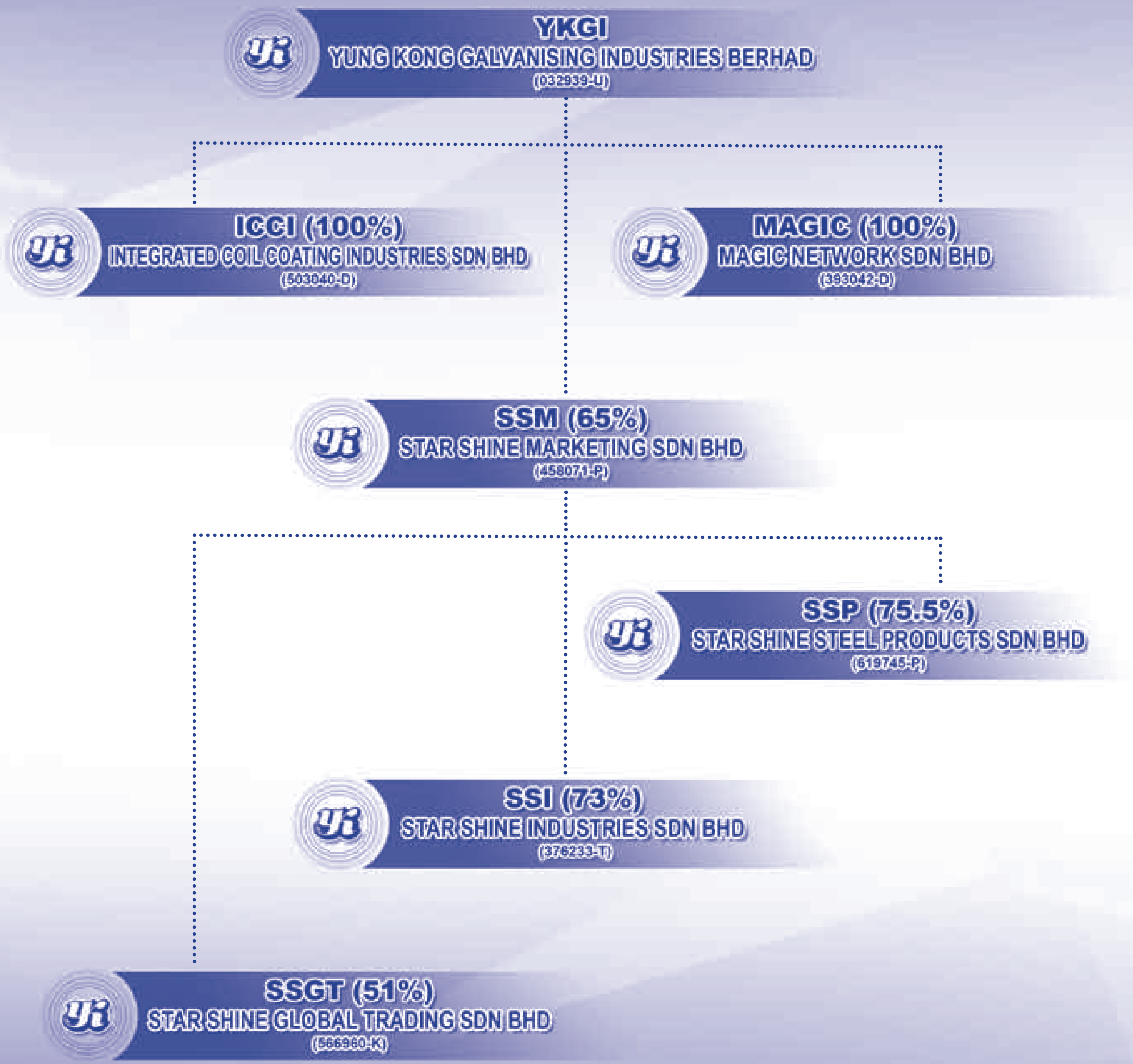
Tricor Investor Services Sdn Bhd
(formerly known as Tenaga Koperat Sdn Bhd)
Level 17 The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Phone : +60 3 2264 3883
Fax : +60 3 2282 1886

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***
*Website : **http://www.ykgi.com.my***

Corporate Structure



Directors' Profile

DATO' DR HII WI SING *DIMP*

60 Malaysian

Executive Chairman

Dato' Dr Hii was appointed to the Board on 10 April 1980 and was appointed as the Managing Director of the Company on 29 June 1981. He was also appointed as the Group Chief Executive Officer on 13 March 2001 and was then appointed as the Executive Chairman on 8 January 2008. However, he has subsequently resigned as the Managing Director and Group Chief Executive Officer on 1 January 2010. 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 in Swinburne Institute of Technology, Australia. He obtained the Bachelor of Commerce degree from University of Commerce and also holds Doctor of Philosophy (PhD) in Commerce for Business Administration. He also sits on the Boards of 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 40 years' experience in the steel industries since the early 1970s. He is the pioneer in Steel Sheet Galvanising in Sabah and Sarawak. Dato' Dr Hii is innovative and creative in the progression of the Group's growth.

He has attended all the five (5) Board meetings held in the financial year ended 31 December 2009. As at 22 March 2010, his shareholdings in the Company and Group are as follows:-

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad ("YKGI")	17,728,448	9.07	62,510,781*	31.97
Star Shine Marketing Sdn Bhd ("SSM")	540,000	3.00	12,780,000#	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 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 has no conflict of interests with the Company.

ARTHUR HII LU CHOON

38 Malaysian

Managing Director

Mr Arthur Hii was first appointed to the Board on 6 December 1999. He is a Professional Accountant. He was 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 and was subsequently appointed as the Managing Director of the Company with effect from 1 January 2010. 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 all the five (5) Board meetings. He is the member of the Strategic Management Committee and Risk Management Committee.

Directors' Profile [cont'd]

As at 22 March 2010, 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	540,000	3.00	11,700,000#	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 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 has no conflict of interests with the Company.

IR MICHAEL HII EE SING

55 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 four (4) out of five (5) 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 to the Audit, Nomination and Remuneration Committees.

As at 22 March 2010, 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	-	-	12,420,000#	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.*

Ir Michael Hii 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 has no conflict of interests with the Company.

Directors' Profile [cont'd]

VICTOR HII LU THIAN

34 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 four (4) out of five (5) Board meetings held during the financial year. As at 22 March 2010, 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	540,000	3.00	11,700,000#	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.*

Mr Victor Hii 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 has no conflict of interests with the Company.

TADASHI HAMADA

62 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 Year 1970. He does not hold any directorship in other public company.

He has attended all the five (5) Board meetings held during the financial year. As at 22 March 2010, 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 has no conflict of interests with the Company.

Directors' Profile [cont'd]

FRANCIS HII LU SHENG

47 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, United Kingdom 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 five (5) Board meetings, which were held during the financial year. As at 22 March 2010, 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	-	-	11,700,000#	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 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 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 has no conflict of interests with the Company.

HUONG HIE HEE

42 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. She was graduated from the University of South Australia in Year 1991. She worked in Malaysia and Singapore in the areas of audit and finance department.

She has attended all the five (5) Board meetings held during the financial year ended 31 December 2009. Ms Huong is the Chairperson of both the Audit and Remuneration Committees and is a member of the Nomination Committee.

Ms Huong does not hold directorship in any other public company.

Ms Huong Hie Hee has no family relationship with the Directors and major shareholders of the Company. She does not have any conflict of interests with the Company. As at 22 March 2010, 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.*

Directors' Profile [cont'd]

JEE HEE TECK
60 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 2009, he has attended all the five (5) 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 interests with the Company.

PHILIP ANAK DREBA @ PHILIP ASO DREBA
59 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 2009, he has attended all the five (5) 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 interests with the Company.

Note:-

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

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 assumes overall responsibility and is 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 Board Balance

The Board 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
- one (1) Managing Director
- three (3) 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 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 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.

The Board deems that it is effective with the mix of skills and experiences of all the Board members.

With effect from 1 January 2010, Mr. Arthur Hii Lu Choon has been officially appointed as the Managing Director of the Company. Hence, the roles of the Executive Chairman and Managing Director are now separated in line with the Code's recommendation.

Profile of the Directors, detailing their qualifications and working experiences are set out on pages 6 to10 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 ("MAP") within the stipulated period, if so required.

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the Articles of Association of the Company, one-third (1/3) of the Directors for the time being, including the Managing Director, together with 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.

Directors over seventy (70) years of age, if any, are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act, 1965.

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 five (5) times during the financial year ended 31 December 2009.

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, to allow sufficient time for the Directors to review and consider matters to be deliberated at the meeting for them to participate effectively in the Board decisions.

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

Topics for deliberation and decision-making, 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 do not have executive power 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.

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

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

Statement on Corporate Governance [cont'd]

The following Board Committees have been established to assist the Board in discharging its duties :-

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 ended 31 December 2009, the NC held two (2) meetings.

c) ***Remuneration Committee ("RC")***, formed on 13 March 2001, comprises solely of three (3) 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 three (3) times during the financial year ended 31 December 2009.

d) ***Strategic Management Committee ("SMC")*** was established on 19 October 2001. SMC gives counsel to the Managing Director on high level matters. It authored the Master Plan of the Group and oversees its implementation. During the financial year ended 31 December 2009, 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 ended 31 December 2009, 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 for each Board Committee as at 31 December 2009 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.

1.5 Directors' Training

All the Directors have attended the MAP as required by Bursa Malaysia Securities Berhad. The Board acknowledges that continuous training is important to broaden the Directors' perspective and to keep them abreast with regulatory and corporate governance developments. The details of training/seminar attended by the Directors during the financial year ended 31 December 2009 are as follows :-

Title of Training/Seminar

- CIMB - Bursa Market Chat Seminar
- YK2-Team Building Program
- Financial Reporting during Financial Turbulence Forum
- Taxation Seminar 2009
- Corporate Directors Training Programme
- Corporate Governance Guide : Towards Boardroom Excellence
- Briefing - Transfer Pricing
- Building an Effective & Synergistic Team (B.E.S.T.)
- Audit Committee Institute Roundtable discussion titled: Economic Downturn and Risk - Oversight: Reassessing Risk in the Wake of Market Turmoil
- National Seminar on Taxation 2009
- Strategic Marketing for Growth & Expansion
- Human Resource Transformation

There were also technical briefings/updates on statutory and regulatory requirements from time to time at the Board meetings.

All Directors will continue to attend further trainings/seminars as and when required from time to time to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast of developments in the marketplace.

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. RC ensures 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's operation effectively and 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-making 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; and
- The Directors are paid annual directors' fees and attendance allowances for Board meetings that they attend.

Statement on Corporate Governance [cont'd]

Meetings of the RC are held at least once a year, and as and when necessary. 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 fees and remuneration paid to the Directors during the financial year ended 31 December 2009, in aggregation and analysed into the respective bands of RM50,000, are as outlined below:-

	Executive Directors	Non-Executive Directors
	RM	RM
Fee	102,000	137,000
Salary	1,445,750	-
Bonus	502,000	-
Allowances	193,860	29,100
Benefits-in-kind	-	-
Commissions	-	-

	Executive Directors	Non-Executive Directors
	No.	No.
RM900,001 to RM950,000	1	-
RM650,001 to RM700,000	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	-	1
RM 50,000 and below	-	3

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 via announcements made through Bursa LINK.

Shareholders, investors and members of public can access to the Company's website at 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.

General Meetings

The Company uses the general meetings as principal forums 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 general meetings.

At the general meetings, the Directors welcome the opportunity to gather the views of shareholders. Notices of each general 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 the general meetings 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 before approval by the Board. In compliance with statutory requirements, the annual financial statements are subjected to audit by an independent external auditor.

The Statement of Directors' Responsibilities in respect of the preparation of the annual audited financial statements of the Company is set out on page 31 of this Annual Report.

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 this Annual Report.

4.3 Relationship With Auditors

The Board, via the 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 both the external and internal auditors twice a year excluding the attendance of the other Directors and employees. The auditors will present their audit plans and highlight important issues to the AC. After the final audit, the external auditors will highlight to the AC their audit findings, which require the AC's attention, for the financial year under review.

Details of the activities carried out by the external and internal auditors are set out in the Report of Audit Committee on page 22 of this Annual Report.

The total amount of audit/non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2009 by the Company's external auditors, Messrs. KPMG, and a firm or company affiliated to KPMG are set out below:-

	RM
• Audit fees	94,000
• Non-audit fees	34,500

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 Directors ("The Board") of Yung Kong Galvanising Industries Berhad ("YKGI") is pleased to present this Statement on Internal Control for the year ended 31 December 2009, 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 of management and financial information and records or against financial losses or fraud.

The Board has established a framework for identifying, evaluating and managing the principal risks of the Group and, with the support of the Risk Management Committee ("RMC") as well as the Audit Committee ("AC"), regularly reviews these risks and the actions taken to address them. The management teams of the various business units have been tasked to implement the risk management policies and procedures of the Group and assist in the design and monitoring of suitable internal controls to mitigate and control risks. The system of internal controls will be enhanced as and when necessary, particularly when there are changes to the business environment or regulatory requirements.

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 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 the remedial actions. 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.

The Group Risk Handbook summarises the governance structure, the risk management objectives, strategies, policies and procedures as well as the risk profiles associated with the Group's businesses.

INTERNAL AUDIT FUNCTION

The Group internal audit function is outsourced to Ernst & Young, 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.

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.

Statement on Internal Control (cont'd)

OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES

The other key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include, *inter alia:*

- Organisational structure defining the line of reporting within each business unit.
- Established standard operating procedures under ISO 9001:2000 Quality Management System that cover all major critical processes of the group entities. The relevant operation manuals and guidelines are updated from time to time. Surveillance audits are conducted twice a year by a third party on these entities to ensure that the system is adequately implemented.
- Monthly management reports received and reviewed by the Executive Directors and the key management personnel of the subsidiaries. The review by the latter covers annual and monthly budgets of revenue, expenses and production tonnage. Actual performances are assessed against approved budgets and explanations are provided for significant variances on a monthly or quarterly basis, as the case may be.
- Scheduled and ad-hoc meetings at the respective business units 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 controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. 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 Report of the Committee for the financial year ended 31 December 2009.

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 2009, the Committee met four (4) times. The details of the members and their attendance at Committee meetings held 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 Managing Director / 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. All proceedings, matters arising, deliberations, in terms of the issue discussed, and resolutions of the Committee's meetings are recorded in the minutes by the Company Secretary, confirmed by the Committee and signed by the Chairperson of the Committee. The Company Secretary attends all the Committee's meetings.

Upon invitation, Management representatives were present at the Committee's meetings to provide additional insight into matters to be discussed during the Committee's meetings. The Chairperson of the Committee reports on the main findings and deliberations of the Committee's meetings to the Board.

The details of training / seminar attended by each of the Committee members are set out on page 14 of this Annual Report.

2. COMPOSITION AND TERMS OF REFERENCE

The Committee has no executive power but 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 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").

Report of Audit Committee [cont'd]

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 excluding the attendance of the other Directors and employees at least 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 other Directors and employees, 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:-

(i) 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.

(ii) Internal Audit
- The adequacy of scope, functions, competence and resources of the Internal Audit Function 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.

Report of Audit Committee [cont'd]

(iii) 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, before 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.

(iv) Related Party Transactions
- Any related party transactions and conflict of interests 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 Managing Director / 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 Managing

Director / 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 therein.
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 recommend the re-appointment of internal auditors for the Group for the year 2009 to 2011.
e. Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function.

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.
e. Met with the external auditors excluding the attendance of the other Directors and employees.

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.

Ernst & Young Advisory Services Sdn Bhd was engaged as the internal auditors of the Group for a three (3) years period from Year 2009 to Year 2011. The 3-Year Internal Audit Plan was prepared based on the risk assessment exercise conducted by the internal auditors in order to determine the area of processes. The said plan was reviewed by the Committee and approved by the Board.

During the financial year ended 31 December 2009, the internal auditors had carried out three (3) audit visits according to the internal audit plan. The Committee has also met the internal auditors, excluding the attendance of the other Directors and employees, twice during the financial year under review.

The reports for internal audits undertaken during the financial year were forwarded to the Management for necessary

Report of Audit Committee [cont'd]

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 2009 were RM80,997.

Corporate Social Responsibilities

We are committed to being a responsible company socially and economically. Awareness and contributing towards environmental protection, welfare of employees, giving back to communities are part of our ongoing efforts.

At Workplace

We promote diversity in composition of employees, our policies are family-friendly, we encourage a balanced work and family life of employees, employees' health and well being, privacy, ongoing trainings which foster lifelong learning.

We provide safety training course, we identify and eliminate potential risks at work place. Through our efforts, the injury rate and lost time injury is improving. Follow up measures are put in place to prevent reduce risk.

Regular health checks are provided for all employees and "Health Signal" beaconing program for employees is in place. We monitor and help employees diagnosed with medical conditions.

To promote health and better life style, we organise annual Sports Day and competitions like badminton, ping pong, basketball, futsal, bowling and etc. All employees are encouraged to exercise regularly and live a healthy lifestyle.

Category	2008	2009
Lost Time Injury	23.5 Days	21.17 Days
Sports Activities	5 Days	7 Days

Human Development and Dialogue

Our human resource development program focuses on putting our Yung Kong culture into practice. On-the-job Training (OJT) is an essential element in passing down outstanding production skills to future generations and further developing them.

Employee Engagement Surveys was carried out by external consultant to identify and recommend measures to improve working environment

Dialogues are regularly carried out for better communication.

Family Day is held annually to encourage togetherness for all employees. In conjunction with appreciation of employees, we handout yearly Children Education Assistance Fund.

Category	2008	2009
Employee Engagement Survey	Nil	yes

Mt Kinabalu Challenge, Sabah

Corporate Social Responsibilities [cont'd]

榕光運動會促進情誼

（本报古晋11日讯）古晋榕光钢铁有限公司于今日主办2009年第七届运动会，吸引超过200名来自15间本地与沙巴及西马公司踊跃的参加。

活动筹委会主席许鲁天希望员工们都具有积极的态度，因为若自己不采取行动，就不会拥有胜利的机会。

他说，与自己竞争远比与别人竞争更加重要，因为若能打破自己之前所创下的记录，就说明了自己就是胜利者了。

与此同时，他亦称，今日的努力将造就日後的成功，同时正面的态本艰难的事变成顺利。

超过200名参赛者踊跃参加古晋榕光钢铁有限公司所举办的2009年第七届运动会。

Hamada proves age but a number at Yung Kong sports

KUCHING: Tadashi Hamada was the oldest competitor during the 7th Yung Kong Galvanising Industries Berhad (YKGI) Sports Day at Jubilee Stadium here yesterday.

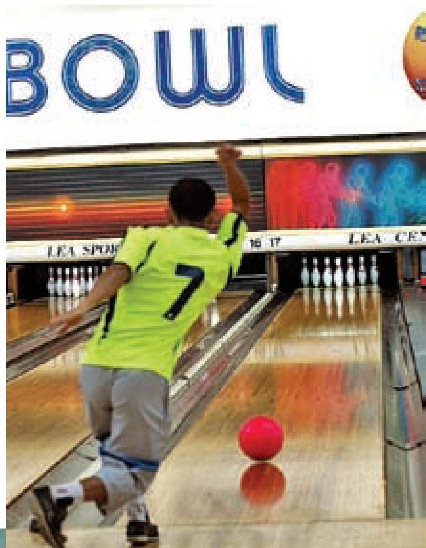
Being 61 however did not stop the gritty Japanese from finishing third in the senior management director 1,600m event which was won by YKGI chief executive officer and managing director Datuk Peter Hii. Hamada is an executive director of YKGI Kuching.

Second was Nicolos Ng of YKGI Klang.

A special event was also organised for senior management staff and directors in the 4x400m whereby each

WORTH THE SWEAT: Winners of the men's 4x400m pose with YKGI chief executive officer and managing director Datuk Peter Hii (#1001) after receiving their prizes. • Photo by Johnathan Bullet

The subsidiaries which saw action yesterday were YKGI Kuching, YKGI Klang, Tawau Suria Industries Sdn Bhd, Sandakan Wire Mesh Sdn Bhd, Chung Huat Industries Sdn Bhd, Star Shine Marketing Group of Companies, Asia Wire Steel Mesh Manufacturers Sdn Bhd, Yung Kong Company Bhd, Yung Kong Metal Works Company, Yung Kong Credit Corporation Bhd, Yung Kong Construction and Syarikat Perniagaan Perindustrian King Hong Sdn Bhd.



Corporate Social Responsibilities [cont'd]

Corporate Social Responsibilities [cont'd]

At Marketplace and Communities

We prefer to deal with manufacturers and vendors with strong environmental commitments – choosing products that are less toxic, conserve natural resources, reduce waste, and generally have a lessened environmental impact than other products.

We place high importance in contributing to society by deploying volunteer service activities in cooperation with the communities, to help the communities in reaching out for sustainability.

Our Sinar Harapan Program was launched in year 2007. We support "Gotong Royong" projects to improve their living conditions at remote villages. Apart from the community services, we also provide assistance to those villagers who are needy and deserving.

"Spring Clearing" is our campaign to collect used clothing, toys and tools which are still in usable conditions. These items are donated to charitable organisations such as the Cheshire Homes and victims of fire.

Donating blood is another worthy activity we advocate. In year 2009, we participated in organising four Blood Donation Campaigns. Employees are allowed to take off from duty to donate blood. Total blood donated increased to 49 pints last year.

Environment and Greener Move

We endeavour to harmonize corporate activities with the protection of environment, the efficient use of resources, and the well being of our communities for sustainable growth.

We are working to reduce environmental impact at all stages from steel production, use, disposal and recycling, while also promoting resource recycling. Towards this end, we are undertaking environmental activities in all our business areas, including housing and information technology to promote a Greener Environment.

Recycle, Reuse and Waste Reduction Initiatives

To turn our scrap steel into new products, we manage to increase steel reusing rate. Reducing the volume of solid waste we generate is primarily accomplished through recycling and composting biodegradable materials. We improved electrical saving by installing translucent roofing sheets across the warehouse, thus reduced lighting cost. We also reduced our total water consumption through steps that included filter and re-circulation of water to accommodate production volume, subsequently improving treatment plant processes.

Category	2008	2009
Non Lead Paint Usage	1,200 litres	3,000 litres
Recycling of Steel	367 metric tonnes	484 metric tonnes
Schedule Waste from Kuching Plant	8.573 metric tonnes	5.171 metric tonnes




Corporate Social Responsibilities [cont'd]

Category	Cases (From 2008 – 2009)	Quantity
Water Saving	• Improvement of energy efficiency and streamline processes	62%
Electric Saving	• Improvement of energy efficiency and streamline processes	32%
Recycling Improvement	• Improved process and reduced waste water output to treatment plant	30%

Summary of Activities for Year 2009

Category	Details	Contribution
Safety	- Lost Time Injury 2008-2009	Reduce 10%
Assistance Fund	- Children Education Assistance Fund - Lion-Parkson Foundation - National Kidney Foundation - Kuching Autistic Association - Pertubuhan Kebajikan & Pendidikan Pelajar - Persatuan Bagi Orang Buta Sarawak - Roman Catholic Church Foundation - Sinar Harapan Kampung Jambu - Hornet attack tragedy on Chen's Family - Majlis Kebajikan Sosial - others	RM103,748
Blood Donation	- Blood Donation	49 pints
Collection Activities	- Old Clothes for Cheshire Home	180 kgs
Volunteers	- Community Service at Kampung Jambu	2,200 square metres
Green Purchase	- Lead Free Polyester Paint Usage 2008-2009	Increase 250%
Recycling Activities	- Schedule Waste Disposal Reduction 2008-2009	Reduce 40%
Industrial Visit	- Primary Schools - Institut Pendidikan Guru Malaysia - Japanese Chamber of Trade and Industry	3 visits

Corporate Social Responsibilities [cont'd]

新辉集团周年庆不忘慈善 8000 元捐南洋基金
2010/01/30 7:57:20 PM
●南洋商报

（巴生 30 日讯）新辉集团（Star Shine Group）庆祝 12 周年庆不忘慈善，分别捐献 8000 令吉和一万令吉予南洋报业基金和巴生中华总商会的海地赈灾救济金。

该集团这次别开生面的在公司大厦前停车场办年宴，出席嘉宾除了新辉集团董事和员工，也包括供应商、同行及集团客户，场面热闹。

新辉集团董事经理拿督苏添来在会上移交一万令吉义款予巴生中华总商会会长梁家兴博士，作为海地赈灾救济金，另交 8000 令吉予南洋报业基金，由《南洋商报》巴生滨海区主任戴祖祥接领。

苏添来说，钢铁公司未来必须致力为产品加值，随着政府实行销售税，同业必须谨慎处理产品价格，以免掀起削价战。

他说，该公司今年的主题是"强健和持续"（Strong & Sustainable），在员工和客户支持下，虽然经济低迷，该集团仍得以稳健成长。

出席者包括该集团主席拿督许纬新和夫人拿汀陈珠娇、苏添来夫人拿汀黄美贞、拿督许我新、拿汀黄娇英、拿督谢国培、拿督华合、曹昌隆、萧健浩和许鲁春等。

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 is 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 11 to 16 of this Annual Report.

FINANCIAL

Directors' report
for the year ended 31 December 2009

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 2009.

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	9,938,273	10,907,453
Minority interest	419,249	-
	10,357,522	10,907,453

DIVIDENDS

Since the end of the previous financial year, the Company paid a final dividend of 1.0 sen per ordinary share less tax at 25% totalling RM1,466,512 in respect of the year ended 31 December 2008 on 29 May 2009.

The first and final dividend recommended by the Directors in respect of the year ended 31 December 2009 is 2.5 sen tax exempt per ordinary share totalling RM4,888,373, 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.

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 2009 [cont'd]

DIRECTORS' INTERESTS

The interests and deemed interests of the Directors (including where applicable the interests of their spouses or children who themselves are not Directors of the Company) in the shares of the Company and of its related corporations (other than wholly owned subsidiaries 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 1.1.2009	Bought	Sold	At 31.12.2009	At 1.1.2009	Bought	Sold	At 31.12.2009
Interest in the Company								
Dato' Dr. Hii Wi Sing	16,851,948	876,500	-	17,728,448	62,510,781	-	-	62,510,781
Ir. Michael Hii Ee Sing	138,100	-	-	138,100	60,864,391	-	-	60,864,391
Arthur Hii Lu Choon	1,497,100	-	-	1,497,100	57,215,191	-	-	57,215,191
Alexander Hii Lu Kwong	1,766,100	-	-	1,766,100	57,202,791	-	-	57,202,791
Victor Hii Lu Thian	985,000	-	-	985,000	57,187,791	-	-	57,187,791
Huong Hie Hee	142,000	-	-	142,000	89,000	-	-	89,000
Francis Hii Lu Sheng	274,300	-	-	274,300	57,338,191	-	-	57,338,191
Interest in subsidiaries								
Star Shine Marketing Sdn. Bhd.								
Dato' Dr. Hii Wi Sing	420,000	120,000	-	540,000	9,940,000	2,840,000	-	12,780,000
Ir. Michael Hii Ee Sing	-	-	-	-	9,660,000	2,760,000	-	12,420,000
Arthur Hii Lu Choon	420,000	120,000	-	540,000	9,100,000	2,600,000	-	11,700,000
Alexander Hii Lu Kwong	420,000	120,000	-	540,000	9,100,000	2,600,000	-	11,700,000
Victor Hii Lu Thian	420,000	120,000	-	540,000	9,100,000	2,600,000	-	11,700,000
Star Shine Steel Products Sdn. Bhd.								
Dato' Dr. Hii Wi Sing	280,000	-	-	280,000	3,343,000	-	-	3,343,000
Ir. Michael Hii Ee Sing	220,000	-	-	220,000	3,322,000	-	-	3,322,000
Arthur Hii Lu Choon	7,000	-	-	7,000	3,322,000	-	-	3,322,000
Alexander Hii Lu Kwong	7,000	-	-	7,000	3,322,000	-	-	3,322,000
Victor Hii Lu Thian	7,000	-	-	7,000	3,322,000	-	-	3,322,000

Directors' report
for the year ended 31 December 2009 [cont'd]

DIRECTORS' INTERESTS [cont'd]

	Number of ordinary shares							
	Direct interests				Deemed interests			
	At 1.1.2009	Bought	Sold	At 31.12.2009	At 1.1.2009	Bought	Sold	At 31.12.2009
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 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 per share except that in the case of the Company, the nominal value of its ordinary shares is RM0.50 per share.

Directors' report
for the year ended 31 December 2009 [cont'd]

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 certain companies which traded with 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.

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the current year.

The number of outstanding warrants, issued in conjunction with the rights issue undertaken by the Company on 9 July 2008 and 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 as at 31 December 2009 (2008: 65,178,300). None of the said warrants has been exercised during the current 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

OTHER STATUTORY INFORMATION (cont'd)

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, other than the write-down of property, plant and equipment of RM2,049,275 to their recoverable amount (see Note 19), the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 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.

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: 24 February 2010

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 40 to 90 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 financial position of the Group and of the Company at 31 December 2009 and of their financial performance and cash flows for the year then ended.

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: 24 February 2010

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 40 to 90 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 24 February 2010

Aw Chiew Lan

Before me:

PESURUHJAYA SUMPAH
NO. Q 019
TANG KING HUNG
MALAYSIA

Lots 164-166, (2nd Floor),
Jalan Song Thian Cheok,
93100 Kuching.

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 2009, 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 40 to 90.

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 2009 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

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
Firm Number: AF 0758
Chartered Accountants

Wee Beng Chuan
Approval Number: 2677/12/10 (J)
Chartered Accountant

Kuching,

Date: 24 February 2010

Balance Sheets
at 31 December 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Assets					
Property, plant and equipment	3	267,867,181	273,568,639	202,744,483	217,681,584
Prepaid lease payments	4	3,433,862	3,660,204	2,803,637	2,867,089
Investment property	5	-	-	4,443,249	4,813,321
Investment in subsidiaries	6	-	-	20,472,500	17,872,500
Goodwill	7	1,437,871	1,437,871	-	-
Deferred tax assets	8	268,000	9,000	-	-
Quoted investments	9	23,515	23,515	-	-
Total non-current assets		273,030,429	278,699,229	230,463,869	243,234,494
Inventories	10	135,748,466	91,103,127	102,241,796	59,643,347
Property held for sale	11	322,810	487,810	-	-
Trade and other receivables	12	63,443,095	63,146,552	71,865,469	69,671,436
Current tax assets		869,349	2,263,681	370,695	1,219,654
Cash and bank balances	13	19,710,056	25,713,503	1,565,308	2,298,942
Total current assets		220,093,776	182,714,673	176,043,268	132,833,379
Total assets		493,124,205	461,413,902	406,507,137	376,067,873
Equity					
Share capital	14	90,923,729	90,923,729	90,923,729	90,923,729
Reserves	15	63,478,187	55,006,426	55,356,521	45,915,580
Total equity attributable to equity holders of the Company		154,401,916	145,930,155	146,280,250	136,839,309
Minority interest	2(a)(iii)	12,659,855	10,840,606	-	-
Total equity		167,061,771	156,770,761	146,280,250	136,839,309
Liabilities					
Loans and borrowings	16	88,478,784	102,957,015	64,498,372	80,700,940
Deferred tax liabilities	8	14,499,000	10,414,000	12,415,000	8,391,000
Employee benefits	17	2,569,151	2,284,568	2,569,151	2,284,568
Total non-current liabilities		105,546,935	115,655,583	79,482,523	91,376,508
Trade and other payables	18	23,258,666	10,798,424	11,398,260	2,680,625
Loans and borrowings	16	196,861,373	178,056,134	169,346,104	145,171,431
Current tax liabilities		395,460	133,000	-	-
Total current liabilities		220,515,499	188,987,558	180,744,364	147,852,056
Total liabilities		326,062,434	304,643,141	260,226,887	239,228,564
Total equity and liabilities		493,124,205	461,413,902	406,507,137	376,067,873

The notes on pages 48 to 90 are an integral part of these financial statements.

Income Statements
for the year ended 31 December 2009

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Revenue					
- sales of galvanised and coated steel products and building and construction materials		341,483,189	479,277,674	264,133,004	369,408,847
Cost of sales		(286,896,715)	(424,878,860)	(229,350,271)	(343,184,967)
Gross profit		54,586,474	54,398,814	34,782,733	26,223,880
Other income		909,371	1,879,551	3,786,255	5,847,898
Selling and distribution expenses		(4,564,220)	(6,157,508)	(1,968,540)	(2,487,749)
Administrative expenses		(24,566,116)	(30,483,518)	(12,864,121)	(15,682,964)
Interest expense		(10,790,856)	(14,837,463)	(8,146,640)	(11,658,707)
Profit before taxation	19	15,574,653	4,799,876	15,589,687	2,242,358
Tax expense	21	(5,217,131)	(2,117,147)	(4,682,234)	(1,041,829)
Profit for the year		10,357,522	2,682,729	10,907,453	1,200,529
Attributable to:					
Equity holders of the Company		9,938,273	1,230,246	10,907,453	1,200,529
Minority interest		419,249	1,452,483	-	-
Profit for the year		10,357,522	2,682,729	10,907,453	1,200,529
Basic/Diluted earnings per ordinary share (sen)	22	5.1	0.7		
Dividend per ordinary share (sen) - gross	23	2.5	1.0		

The notes on pages 48 to 90 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2009

		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 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 by the Company		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 expenses 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)				

The notes on pages 48 to 90 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 31 December 2009 [cont'd]

		Attributable to equity holders of the Company							
		Non-distributable				*Distributable*			
Group (cont'd)	**Note**	**Share capital RM**	**Warrant reserve RM**	**Revaluation reserve RM**	**Capital reserve RM**	**Retained earnings RM**	**Total RM**	**Minority interest RM**	**Total equity RM**
At 1 January 2009		90,923,729	6,843,721	6,057,826	1,792,700	40,312,179	145,930,155	10,840,606	156,770,761
Shares issued									
- Rights issue by subsidiaries		-	-	-	-	-	-	1,400,000	1,400,000
Profit for the year		-	-	-	-	9,938,273	9,938,273	419,249	10,357,522
Dividends paid to:									
- shareholders of the Company	23	-	-	-	-	(1,466,512)	(1,466,512)	-	(1,466,512)
At 31 December 2009		90,923,729	6,843,721	6,057,826	1,792,700	48,783,940	154,401,916	12,659,855	167,061,771
		(Note 14)	(Note 15)	(Note 15)	(Note 15)				

The notes on pages 48 to 90 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 31 December 2009 [cont'd]

Company	Note	*Non-distributable* Share capital RM	Warrant reserve RM	Share premium RM	Revaluation reserve RM	*Distributable* Retained earnings RM	Total RM
At 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 expenses 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 / 1 January 2009		90,923,729	6,843,721	-	4,441,694	34,630,165	136,839,309
Profit for the year		-	-	-	-	10,907,453	10,907,453
Dividend paid to shareholders of the Company	23	-	-	-	-	(1,466,512)	(1,466,512)
At 31 December 2009		90,923,729	6,843,721	-	4,441,694	44,071,106	146,280,250
		(Note 14)	(Note 15)		(Note 15)	(Note 15)	

The notes on pages 48 to 90 are an integral part of these financial statements.

Cash Flow Statements
for the year ended 31 December 2009

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from operating activities				
Profit before taxation	15,574,653	4,799,876	15,589,687	2,242,358
Adjustments for:				
Amortisation of prepaid lease payments (Note 4)	78,688	79,939	63,452	63,452
Amortisation of investment property (Note 5)	-	-	370,072	370,072
Depreciation of property, plant and equipment (Note 3)	18,512,358	17,527,284	13,490,277	13,544,702
Dividend income	-	(450)	(3,000,000)	(5,092,000)
Write-down of property plant and equipment	2,049,275	-	2,049,275	-
Gain on disposal of property, plant and equipment	(120,649)	(295,648)	(215,054)	(145,648)
Interest expense	10,790,856	14,837,463	8,146,640	11,658,707
Interest income	(660,105)	(1,057,901)	(136,130)	(150,379)
Provision for retirement benefits (Note 17)	338,583	136,713	338,583	136,713
Unrealised foreign exchange (gain)/loss	(246,004)	1,524,820	(246,004)	1,524,820
Write-down of property held for sale (Note 11)	-	33,000	-	-
Operating profit before changes in working capital	46,317,655	37,585,096	36,450,798	24,152,797
Changes in working capital:				
Inventories	(44,645,339)	24,901,704	(42,598,449)	16,374,625
Property held for sale	165,000	2,237,228	-	-
Trade and other receivables	(743,875)	30,690,975	(2,194,034)	9,216,867
Trade and other payables	12,460,241	(13,590,840)	8,717,635	(7,581,318)
Cash generated from operations	13,553,682	81,824,163	375,950	42,162,971
Income tax refunded/(paid)	265,662	(2,280,059)	565,723	-
Interest paid	(5,206,111)	(7,954,457)	(4,101,138)	(5,955,013)
Interest received	299,847	804,645	66,264	-
Retirement benefits paid (Note 17)	(54,000)	(21,000)	(54,000)	(21,000)
Net cash from/(used in) operating activities	8,859,080	72,373,292	(3,147,201)	36,186,958
Cash flows from investing activities				
Increase in investment in existing subsidiaries (Note 30)	-	-	(2,600,000)	(1,300,000)
Acquisition of property, plant and equipment [Note (i)]	(10,318,752)	(19,631,120)	(1,317,397)	(6,067,061)
Proceeds from disposal of property, plant and equipment	677,168	421,398	930,000	174,000
Interest received	373,392	429,360	69,866	150,378
Dividends received	-	450	2,625,000	3,945,400
Increase in deposits pledged to banks	(2,047,389)	(2,761,776)	-	-
Net cash used in investing activities	(11,315,581)	(21,541,688)	(292,531)	(3,097,283)

Cash Flow Statements
for the year ended 31 December 2009 [cont'd]

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash flows from financing activities				
Proceeds from shares issued to:				
- shareholders of the Company	-	22,251,250	-	22,251,250
- minority shareholders	1,400,000	798,000	-	-
Repayment of term loans	(12,763,072)	(6,986,364)	(11,937,000)	(10,620,000)
Net proceeds from/(repayment of) bankers' acceptances and revolving credits	20,413,264	(45,467,452)	26,213,009	(29,006,640)
Repayment of finance leases	(5,828,666)	(5,704,852)	(4,196,509)	(4,249,061)
Dividends paid to:				
- shareholders of the Company	(1,466,512)	(3,258,915)	(1,466,512)	(3,258,915)
- minority shareholders	-	(1,098,189)	-	-
Interest paid	(5,584,745)	(6,883,006)	(4,045,502)	(5,703,694)
Net cash (used in)/from financing activities	(3,829,731)	(46,349,528)	4,567,486	(30,587,060)
Net (decrease)/increase in cash and cash equivalents	(6,286,232)	4,482,076	1,127,754	2,502,615
Cash and cash equivalents at beginning of year	6,988,504	2,506,428	(6,876,290)	(9,378,905)
Cash and cash equivalents at end of year [Note (ii)]	702,272	6,988,504	(5,748,536)	(6,876,290)

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	
	2009 RM	2008 RM	2009 RM	2008 RM
Paid in cash	10,318,752	19,631,120	1,317,397	6,067,061
In the form of finance lease assets	4,516,088	6,033,620	-	2,619,950
Payable on credit term	-	-	-	3,494,269
Deposits paid in prior years	434,200	-	-	-
Total (see Note 3)	15,269,040	25,664,740	1,317,397	12,181,280

Cash Flow Statements
for the year ended 31 December 2009 [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	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Fixed deposits placed with banks	12,698,765	10,609,517	1,237,826	1,195,967
Cash and bank balances	7,011,291	15,103,986	327,482	1,102,975
Bank overdrafts	(7,546,845)	(9,311,449)	(7,313,844)	(9,175,232)
	12,163,211	16,402,054	(5,748,536)	(6,876,290)
Less: Deposits pledged	(11,460,939)	(9,413,550)	-	-
	702,272	6,988,504	(5,748,536)	(6,876,290)

[The rest of this page is intentionally left blank.]

The notes on pages 48 to 90 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 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 2009 comprise the Company and its subsidiaries (together referred to as the Group).

The Company and its major subsidiaries are 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 furniture hardware, accessories and other steel products as well as the trading of other building and construction materials (see Note 6).

The financial statements were approved by the Board of Directors on 24 February 2010.

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, accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group has not applied the following accounting standards, amendments and interpretations that have been issued by Malaysian Accounting Standards Board but are only effective for annual periods beginning on or after the respective dates indicated herein:

Standard / Amendment / Interpretation	**Effective date**
FRS 8, *Operating Segments*	1 July 2009
Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* and FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2010
Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*	1 January 2010
FRS 4, *Insurance Contracts*	1 January 2010
FRS 7, *Financial Instruments: Disclosures*	1 January 2010
Amendments to FRS 101, *Presentation of Financial Statements*	1 January 2010
FRS 123, *Borrowing Costs* (revised)	1 January 2010
FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
Amendments to FRS 139, *Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10, *Interim Financial Reporting and Impairment*	1 January 2010
IC Interpretation 11, FRS 2 - *Group and Treasury Share Transactions*	1 January 2010
IC Interpretation 13, *Customer Loyalty Programmes*	1 January 2010
IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2010

1. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

Standard / Amendment / Interpretation	Effective date
FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)	1 July 2010
FRS 3, *Business Combinations* (revised)	1 July 2010
FRS 127, *Consolidated and Separate Financial Statements* (revised)	1 July 2010
Amendments to FRS 2, *Share-based Payment*	1 July 2010
Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2010
Amendments to FRS 138, *Intangible Assets*	1 July 2010
Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 July 2010
IC Interpretation 12, *Service Concession Agreements*	1 July 2010
IC Interpretation 15, *Agreements for the Construction of Real Estate*	1 July 2010
IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*	1 July 2010
IC Interpretation 17, *Distribution of Non-cash Assets to Owners*	1 July 2010

The Group plans to apply:

- from the annual period beginning on 1 January 2010 those standards, amendments and interpretations as listed above that are effective for annual periods beginning on or before 1 January 2010, except for Amendments to FRS 1 and FRS 127, Amendments to FRS 2, FRS 4, and IC Interpretations (ICI) 9, ICI 11, ICI 13 and ICI 14 which are not applicable to the Group; and

- from the annual period beginning on 1 January 2011 those standards, amendments and interpretations as listed above that are effective for annual periods beginning on or after 1 July 2010, except for FRS 1 (revised), Amendments to FRS 2, Amendments to FRS 5, Amendments to FRS 138, Amendments to ICI 9, ICI 12, ICI 15, ICI 16 and ICI 17 which are not applicable to the Group.

The initial application of a standard, an amendment or an interpretation, which is to be applied prospectively, is not expected to have any financial impacts to the financial statements for the current and prior periods upon their first adoption.

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.

FRS 8 replaces FRS 114, *Segment Reporting* and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker of the Group 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).

FRS 101 aims to improve user's ability to analyse and compare the information given in financial statements. It requires information in financial statements to be aggregated on the basis of shared characteristics to enable readers to analyse transactions between the Company and shareholders separately from transactions with external parties. FRS 101 also changes the titles of the financial statements to reflect their functions more clearly, for example, balance sheet is renamed as statement of financial position, amongst others.

FRS 123 (revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset and removes the option of immediately recognising the borrowing costs as an expense. As the Group's current capitalisation policy for borrowing costs [see Note 2(t)] is consistent with FRS 123 (revised), the adoption thereof is not expected to have a material impact on the Group.

1. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

IC Interpretation 10 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 measurement criteria of FRS 136, *Impairment of Assets* and FRS 139 respectively were first applied. The adoption of IC Interpretation 10 does not have any impact to the financial statements of the Group as no reversal of such impairment loss has been made in the current or previous periods.

FRS 3 (revised), which is to be applied prospectively, incorporates the following changes to the existing FRS 3:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debts issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

The amendments to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders. Currently, changes in group composition are accounted for in accordance with the accounting policies as described in Note 2(a)(ii).

The amendments to FRS 127 further require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest. Currently, such losses are accounted for in accordance with the accounting policies as described in Note 2(a)(iii).

The above changes in FRS 127 are not expected to have material impacts to the Group.

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. These amendments are not expected to have a material impact to the Group.

Financial Reporting Standards will be fully converged with International Financial Reporting Standards by 1 January 2012. The financial impact and effects on disclosures and measurement consequent on such convergence are dependent on the issuance of such new or revised standards, amendments and interpretations by Malaysian Accounting Standards Board are 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.

1. BASIS OF PREPARATION (cont'd)

(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; and
- Note 12, valuation of trade receivables.

2. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of the Group which have been applied consistently to the periods presented in the financial statements, unless otherwise stated.

(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 is 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.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(a) Basis of consolidation (cont'd)

(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 holders 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 there is evidence of impairment to the underlying assets.

(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 revalues 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 Bursa Malaysia Securities Berhad. No later valuation has been performed for these assets.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

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

(i) Recognition and measurement (cont'd)

Cost includes expenditures that are directly attributable to the acquisition of an 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 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.

(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.

Notes to the Financial Statements [cont'd]

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(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 in terms of which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets, other than prepaid lease payments, 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.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of cost of 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.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(f) Investment in equity securities (cont'd)

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.

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 on remeasurement are not recognised in excess of any cumulative impairment losses.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(j) Receivables (cont'd)

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 statements, 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(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 (see Note 25), 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES [cont'd]

(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.

[The rest of this page is intentionally left blank.]

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 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/ 1 January 2009		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
Additions		-	803,169	463,483	-	477,480	-	100,000	264,950	27,382	13,132,576	15,269,040
Disposals/Write-offs		-	(255,544)	(15,000)	(162,000)	(62,388)	-	(296,806)	-	-	-	(791,738)
Transfers		-	-	3,176,438	4,363,506	600,919	-	374,027	(374,027)	-	(8,140,863)	-
Write down	19	-	-	(2,049,275)	-	-	-	-	-	-	-	(2,049,275)
At 31 December 2009		30,350,000	84,787,383	218,899,585	35,979,701	8,566,689	2,583,519	4,682,453	3,335,144	1,503,956	5,864,637	396,553,067
Representing items at:												
Cost		-	84,787,383	218,899,585	35,979,701	8,566,689	2,583,519	4,682,453	3,335,144	1,503,956	5,864,637	366,203,067
Directors' valuation		30,350,000	-	-	-	-	-	-	-	-	-	30,350,000
At 31 December 2009		30,350,000	84,787,383	218,899,585	35,979,701	8,566,689	2,583,519	4,682,453	3,335,144	1,503,956	5,864,637	396,553,067

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 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/Write-offs		-	-	(345,692)	-	(227,048)		(1,001,314)	-	-	-	(1,574,054)
Transfers		-	-	(2,211)	2,211	-	-	50,314	(50,314)	-	-	-
At 31 December 2008/ 1 January 2009		-	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
Depreciation for the year	19	-	3,645,132	10,918,766	2,169,666	774,000	193,239	190,886	477,407	143,262	-	18,512,358
Disposals/Write-offs		-	(45,922)	(15,000)	(20,250)	(37,368)	-	(264,333)	-	-	-	(382,873)
Transfers		-	-	506,550	(506,550)	-	-	-	-	-	-	-
At 31 December 2009		-	18,286,601	93,731,680	4,780,446	4,704,391	289,905	4,112,611	1,934,301	845,951	-	128,685,886
Carrying amounts												
At 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 / 1 January 2009		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
At 31 December 2009		30,350,000	66,500,782	125,167,905	31,199,255	3,862,298	2,293,614	569,842	1,400,843	658,005	5,864,637	267,867,181

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 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 / 1 January 2009		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
Additions		-	464,895	370,033	-	379,168	-	100,000	-	3,301	1,317,397
Disposals		-	-	(2,145,239)	(162,000)	(48,319)	-	(173,593)	-	-	(2,529,151)
Write down	19	-	-	(2,049,275)	-	-	-	-	-	-	(2,049,275)
Transfers		-	-	(886,000)	886,000	-	-	85,376	(85,376)	-	-
At 31 December 2009		21,600,000	54,657,807	187,981,650	26,697,595	5,026,201	11,700	2,707,563	1,556,635	182,889	300,422,040
Representing items at:											
Cost		-	54,657,807	187,981,650	26,697,595	5,026,201	11,700	2,707,563	1,556,635	182,889	278,822,040
Directors' valuation		21,600,000	-	-	-	-	-	-	-	-	21,600,000
At 31 December 2009		21,600,000	54,657,807	187,981,650	26,697,595	5,026,201	11,700	2,707,563	1,556,635	182,889	300,422,040

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 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 / 1 January 2009		-	11,677,514	66,680,928	1,486,763	2,625,632	328	2,684,123	846,197	-	86,001,485
Depreciation for the year	19	-	2,822,479	8,665,202	1,266,140	418,004	563	132,968	184,921	-	13,490,277
Disposals		-	-	(1,591,204)	(20,250)	(29,158)	-	(173,593)	-	-	(1,814,205)
At 31 December 2009		-	14,499,993	73,754,926	2,732,653	3,014,478	891	2,643,498	1,031,118	-	97,677,557
Carrying amounts											
At 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 / 1 January 2009		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
At 31 December 2009		21,600,000	40,157,814	114,226,724	23,964,942	2,011,723	10,809	64,065	525,517	182,889	202,744,483

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 an independent professional valuer using 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 accounts 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 of the Company on Bursa Malaysia Securities Berhad, based on an independent valuation determined using the 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	
	2009	**2008**
	RM	**RM**
Carrying amounts		
Freehold land	18,661,609	18,661,609
Buildings	1,243,261	1,486,683
	19,904,870	20,148,292

3.2 Security

The following property, plant and equipment are charged as security for certain bank borrowings (Note 16).

	Carrying amounts	
	2009	**2008**
Group	**RM**	**RM**
Fixed charges		
Freehold land	8,750,000	8,750,000
Buildings (including those under construction)	27,594,139	1,231,932
	36,344,139	9,981,932
Debentures		
Plant and equipment	5,965,439	3,439,834
	42,309,578	13,421,766

3.3 Assets under construction

These comprise buildings under construction as well as plant and machineries under installation and testing.

3.4 Borrowing costs

Additions to assets under construction of the Group for the year ended 31 December 2008 included interest capitalised of RM416,558 at the rate of 6.45% to 7.25% per annum.

4. PREPAID LEASE PAYMENTS

GROUP	Leasehold land (unexpired period less than 50 years) RM
Cost*	
At 1 January 2008, 31 December 2008/1 January 2009	4,228,328
Disposal	(180,000)
At 31 December 2009	4,048,328
Amortisation	
At 1 January 2008	488,185
Amortisation for the year (Note 19)	79,939
At 31 December 2008/1 January 2009	568,124
Amortisation for the year (Note 19)	78,688
Disposal	(32,346)
At 31 December 2009	614,466
Carrying amounts	
At 1 January 2008	3,740,143
At 31 December 2008/1 January 2009	3,660,204
At 31 December 2009	3,433,862

COMPANY	
Cost*	
At 1 January 2008, 31 December 2008/1 January 2009 and 31 December 2009	3,299,500
Amortisation	
At 1 January 2008	368,959
Amortisation for the year (Note 19)	63,452
At 31 December 2008/1 January 2009	432,411
Amortisation for the year (Note 19)	63,452
At 31 December 2009	495,863
Carrying amounts	
At 1 January 2008	2,930,541
At 31 December 2008/1 January 2009	2,867,089
At 31 December 2009	2,803,637

This represents prepaid lease payments for four (2008: 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.

4. PREPAID LEASE PAYMENTS [cont'd]

Security

Certain prepaid lease payments with a carrying amount of RM630,225 (2008: RM793,115) 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 2008, 31 December 2008/1 January 2009 and 31 December 2009	7,401,433
Amortisation	
At 1 January 2008	2,218,040
Amortisation for the year (Note 19)	370,072
At 31 December 2008/1 January 2009	2,588,112
Amortisation for the year (Note 19)	370,072
At 31 December 2009	2,958,184
Carrying amounts	
At 1 January 2008	5,183,393
At 31 December 2008/1 January 2009	4,813,321
At 31 December 2009	4,443,249
Estimated fair value	
At 1 January 2008	7,927,000
At 31 December 2008/1 January 2009	7,927,000
At 31 December 2009	7,927,000

This represents a factory building leased by the Company to its subsidiary.

6. INVESTMENT IN SUBSIDIARIES

	Company 2009 RM	Company 2008 RM
Unquoted shares, at cost	20,472,500	17,872,500

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 2009 %	Effective ownership interest 2008 %
Direct			
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

	Group 2009 RM	Group 2008 RM
Cost and carrying amounts		
Opening and closing balances	1,437,871	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 goodwill 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 RM151 million for the CGU in 2010, 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 of steel products sold. With 10% and 20% downward variations in the projected selling price and projected sales volume of the steel products respectively, however, the projected recoverable amounts of the CGU acquired are still greater than its carrying amount.

8. DEFERRED TAX

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

GROUP	Assets 2009 RM	Assets 2008 RM	Liabilities 2009 RM	Liabilities 2008 RM	Net 2009 RM	Net 2008 RM
Property, plant and equipment	-	-	(23,833,000)	(21,765,000)	(23,833,000)	(21,765,000)
Revaluation reserve	-	-	(490,000)	(519,000)	(490,000)	(519,000)
Allowance for doubtful debts	-	12,000	-	-	-	12,000
Retirement benefits	642,000	576,000	-	-	642,000	576,000
Capital allowance carry-forwards	9,017,000	11,194,000	-	-	9,017,000	11,194,000
Tax loss carry-forwards	165,000	97,000	-	-	165,000	97,000
Other items	268,000	-	-	-	268,000	-
Tax assets/(liabilities)	10,092,000	11,879,000	(24,323,000)	(22,284,000)	(14,231,000)	(10,405,000)
Set off	(9,824,000)	(11,870,000)	9,824,000	11,870,000	-	-
Net tax assets/ (liabilities)	268,000	9,000	(14,499,000)	(10,414,000)	(14,231,000)	(10,405,000)

8. DEFERRED TAX [cont'd]

***Recognised deferred tax** (cont'd)*

COMPANY	Assets/(Liabilities) 2009 RM	2008 RM
Property, plant and equipment	(20,727,000)	(19,092,000)
Revaluation reserve	(490,000)	(519,000)
Retirement benefits	642,000	576,000
Capital allowance carry-forwards	8,160,000	10,644,000
Tax liabilities	(12,415,000)	(8,391,000)

Movements in deferred tax during the year are as follows:

GROUP	At 1.1.2008 RM	Recognised in income statement RM	At 31.12.2008/ 1.1.2009 RM	Recognised in income statement RM	At 31.12.2009 RM
Property, plant and equipment	(19,260,000)	(2,505,000)	(21,765,000)	(2,068,000)	(23,833,000)
Revaluation reserve	(547,000)	28,000	(519,000)	29,000	(490,000)
Allowance for doubtful debts	12,000	-	12,000	(12,000)	-
Retirement benefits	543,000	33,000	576,000	66,000	642,000
Capital allowance carry-forwards	9,579,000	1,615,000	11,194,000	(2,177,000)	9,017,000
Tax loss carry-forwards	104,000	(7,000)	97,000	68,000	165,000
Other items	251,000	(251,000)	-	268,000	268,000
	(9,318,000)	(1,087,000)	(10,405,000)	(3,826,000)	(14,231,000)
		(Note 21)		(Note 21)	

COMPANY	At 1.1.2008 RM	Recognised in income statement RM	At 31.12.2008/ 1.1.2009 RM	Recognised in income statement RM	At 31.12.2009 RM
Property, plant and equipment	(17,238,000)	(1,854,000)	(19,092,000)	(1,635,000)	(20,727,000)
Revaluation reserve	(547,000)	28,000	(519,000)	29,000	(490,000)
Retirement benefits	543,000	33,000	576,000	66,000	642,000
Capital allowance carry-forwards	9,220,000	1,424,000	10,644,000	(2,484,000)	8,160,000
	(8,022,000)	(369,000)	(8,391,000)	(4,024,000)	(12,415,000)
		(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 2009 RM	Group 2008 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)	19,135	20,020

10. INVENTORIES

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
At cost				
Raw materials	56,624,370	7,129,994	48,338,944	5,635,133
Manufacturing work-in-progress	27,000,337	8,022,397	22,969,628	7,435,321
Manufactured inventories	28,953,311	7,387,565	19,777,077	3,319,227
Galvanised/Trading products	9,914,032	-	-	-
Consumables	9,222,776	17,062,429	9,097,385	9,917,034
	131,714,826	39,602,385	100,183,034	26,306,715
At net realisable value				
Raw materials	44,047	6,469,053	-	867,588
Manufactured inventories	3,989,593	25,267,271	2,058,762	20,448,960
Manufacturing work-in-progress	-	12,020,084	-	12,020,084
Galvanised/Trading products	-	7,744,334	-	-
	4,033,640	51,500,742	2,058,762	33,336,632
Total inventories	135,748,466	91,103,127	102,241,796	59,643,347

The Group and the Company evaluated their inventories as at balance sheet date 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 (comprising mainly low-grade inventories) to their net realisable value by RM1,430,243 (2008: RM10,701,861) and RM595,090 (2008: RM6,564,305) respectively. The write down was included in the cost of sales for the year.

11. PROPERTY HELD FOR SALE - GROUP

	Buildings RM
At 1 January 2008	2,758,038
Write-down (Note 19)	(33,000)
Disposal	(2,237,228)
At 31 December 2008/1 January 2009	487,810
Disposal	(165,000)
At 31 December 2009	322,810

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

The title(s) to one (2008: two) units of the property(ies) has (have) yet to be transferred to the Group as at the year end.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade				
Trade receivables	60,959,107	62,855,713	1,144,057	1,264,196
Less: Allowance for doubtful debts	(2,749,180)	(2,143,423)	(124,814)	(124,814)
	58,209,927	60,712,290	1,019,243	1,139,382
Amount due from subsidiaries	-	-	67,049,460	68,081,196
	58,209,927	60,712,290	68,068,703	69,220,578
Non-trade				
Other receivables	238,867	1,047,073	45,435	110,614
Deposits	4,683,921	650,374	3,318,094	252,969
Prepayments	310,380	736,815	65,253	87,275
Subsidiary	-	-	367,984	-
	5,233,168	2,434,262	3,796,766	450,858
Total	63,443,095	63,146,552	71,865,469	69,671,436

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. This includes 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.

12. TRADE AND OTHER RECEIVABLES [cont'd]

12.1 Assessment of doubtful receivables (cont'd)

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 2009 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.

During the year, doubtful debts written off against allowance for doubtful debts made previously amounted to RM783,519 (2008: RM431,758) for the Group.

12.2 Deposits of the Group and of the Company include an amount of RM3,922,765 (2008: RM855,668) and RM3,256,973 (2008: RM138,940) respectively paid for the purchase of materials, plant and equipment.

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

12.4 The non-trade balance with a subsidiary of RM367,984 (2008: Nil) represents the remaining consideration owing for machineries disposed of during the current financial year. The amount is recoverable over 24 installments commencing from January 2009 and bears interest at 4% per annum.

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
U.S. Dollar (USD)	135,087	540,660	-	316,103

13. CASH AND BANK BALANCES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposits placed with licensed banks	12,698,765	10,609,517	1,237,826	1,195,967
Cash and bank balances	7,011,291	15,103,986	327,482	1,102,975
	19,710,056	25,713,503	1,565,308	2,298,942

Included in fixed deposits of the Group is an amount of RM11,460,939 (2008: RM9,413,550) 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	
	2009 RM	2008 RM	2009 RM	2008 RM
USD	267,191	280,869	267,191	262,584

14. SHARE CAPITAL

	Group and Company			
	Amount		Number of shares	
	2009 RM	2008 RM	2009	2008
Ordinary shares				
Authorised				
Opening balance	500,000,000 ^	500,000,000 *	1,000,000,000 ^	500,000,000 *
Share split	-	-	-	500,000,000
Closing balance	500,000,000 ^	500,000,000 ^	1,000,000,000 ^	1,000,000,000 ^
Issued and fully paid up				
Opening balance	90,923,729 ^	65,178,300 *	195,534,900 ^	65,178,300 *
Share split	-	-	-	65,178,300
	90,923,729 ^	65,178,300 ^	195,534,900 ^	130,356,600 ^
Rights issue	-	25,745,429 ^	-	65,178,300 ^
Closing balance	90,923,729 ^	90,923,729 ^	195,534,900 ^	195,534,900 ^

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

15. RESERVES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Revaluation reserve	6,057,826	6,057,826	4,441,694	4,441,694
Capital reserve	1,792,700	1,792,700	-	-
Retained earnings	48,783,940	40,312,179	44,071,106	34,630,165
Warrant reserve	6,843,721	6,843,721	6,843,721	6,843,721
	63,478,187	55,006,426	55,356,521	45,915,580

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 undertaken on 9 July 2008.

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 on 9 July 2008. The warrant reserve amount is determined based on the estimated fair value of the warrants immediately upon the listing and quotation of thereof.

15. RESERVES (cont'd)

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 2009 to distribute all of its retained earnings as franked dividends and normal tax 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 2009 amounting to RM102,228,000 (2008: RM96,600,000) which can be offset against the Company's 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	
	2009 RM	**2008 RM**	**2009 RM**	**2008 RM**
Non-current				
Term loans	72,366,040	84,593,032	53,886,701	65,613,701
Finance lease liabilities	16,112,744	18,363,983	10,611,671	15,087,239
	88,478,784	102,957,015	64,498,372	80,700,940
Current				
Term loans	14,334,014	14,877,097	11,752,000	11,962,000
Finance lease liabilities	7,333,162	6,633,501	5,157,492	4,878,433
Bankers' acceptances and revolving credits	167,647,352	147,234,087	145,122,768	119,155,766
Bank overdrafts	7,546,845	9,311,449	7,313,844	9,175,232
	196,861,373	178,056,134	169,346,104	145,171,431
Total	285,340,157	281,013,149	233,844,476	225,872,371

<u>Note</u>

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

16. LOANS AND BORROWINGS [cont'd]

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 2009 is RM60,496,934 (2008: RM64,042,317).

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
2009						
Secured						
Bankers' acceptances	2010	16,104,584	16,104,584	-	-	-
Term loans	2010, 2013, 2014, 2020-2022	19,061,352	1,582,014	2,380,912	7,209,446	7,888,980
Finance lease liabilities	2010 – 2014	23,445,906	7,333,162	7,117,939	8,994,805	-
		58,611,842	25,019,760	9,498,851	16,204,251	7,888,980
Unsecured						
Bankers' acceptances and revolving credits						
- Denominated in RM	2010	127,597,000	127,597,000	-	-	-
- Denominated in USD	2010	23,945,768	23,945,768	-	-	-
		151,542,768	151,542,768	-	-	-
Bank overdrafts	2010	7,546,845	7,546,845	-	-	-
Term loans	2012 – 2016	67,638,702	12,752,000	12,752,000	34,016,000	8,118,702
		226,728,315	171,841,613	12,752,000	34,016,000	8,118,702
Total		285,340,157	196,861,373	22,250,851	50,220,251	16,007,682
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 (cont'd)						
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

COMPANY	Year of maturity	Carrying amount RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	Over 5 years RM
2009						
Secured						
Finance lease liabilities	2010 - 2013	15,769,163	5,157,492	5,393,433	5,218,238	-
Unsecured						
Bankers' acceptances and revolving credits						
- Denominated in RM	2010	121,177,000	121,177,000	-	-	-
- Denominated in USD	2010	23,945,768	23,945,768	-	-	-
		145,122,768	145,122,768	-	-	-
Bank overdraft	2010	7,313,844	7,313,844	-	-	-
Term loans	2012 and 2014 – 2016	65,638,701	11,752,000	11,752,000	34,016,000	8,118,701
		218,075,313	164,188,612	11,752,000	34,016,000	8,118,701
Total		233,844,476	169,346,104	17,145,433	39,234,238	8,118,701

16. LOANS AND BORROWINGS [cont'd]

Terms and repayment schedules [cont'd]

COMPANY (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						
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

Finance lease liabilities are payable as follows:

	2009			2008		
GROUP	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Less than one year	8,605,601	1,272,439	7,333,162	7,955,372	1,321,871	6,633,501
Between one to five years	17,469,157	1,356,413	16,112,744	19,982,612	1,618,629	18,363,983
	26,074,758	2,628,852	23,445,906	27,937,984	2,940,500	24,997,484

16. LOANS AND BORROWINGS [cont'd]

	2009			2008		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
COMPANY						
Less than one year	5,898,836	741,344	5,157,492	5,880,344	1,001,911	4,878,433
Between one to five years	11,218,306	606,635	10,611,671	16,346,329	1,259,090	15,087,239
	17,117,142	1,347,979	15,769,163	22,226,673	2,261,001	19,965,672

Security

Overdrafts, term loans and bankers' acceptances

Subsidiaries

- Secured by a pledge of fixed deposits (see Note 13).
- Secured by fixed charges over subsidiaries' freehold land, prepaid lease payments and buildings (erected or to be erected thereon) [see Notes 3 and 4].
- Secured by debentures 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.

Finance leases

Company and subsidiaries

The finance lease liabilities are secured on the respective finance lease assets. Certain finance lease liabilities of indirect subsidiaries amounting to RM4,187,082 (2008: RM2,099,634) are also guaranteed by a direct subsidiary.

17. EMPLOYEE BENEFITS

Retirement benefits

	Group and Company	
	2009 RM	2008 RM
Present value of unfunded obligations	3,068,372	2,582,460
Unrecognised actuarial loss	(499,221)	(297,892)
Recognised liability for defined benefit obligations	2,569,151	2,284,568

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.

17. EMPLOYEE BENEFITS [cont'd]

Movement in the liability for defined benefit obligations

	Group and Company 2009 RM	Group and Company 2008 RM
Liability for defined benefit obligations at beginning of year	2,284,568	2,168,855
Benefits paid by the plan	(54,000)	(21,000)
Current service costs and interest (see below)	335,940	133,010
Actuarial losses recognised (see below)	2,643	3,703
	338,583	136,713
Liability for defined benefit obligations at end of year	2,569,151	2,284,568

Expenses recognised in the income statements *(Note 19)*

	Group and Company 2009 RM	Group and Company 2008 RM
Administrative expenses		
Current service costs	180,992	71,623
Interest on obligation	154,948	61,387
Actuarial losses	2,643	3,703
	338,583	136,713

Actuarial assumptions

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

	Group and Company 2009	Group and Company 2008
Discount rate at 31 December	6	6
Average age of directors	47	44
Average years of service of directors	11	14
Average age of employees	31	31
Average years of service of employees other than directors	5	6

Historical information

	2008 RM	2007 RM	2006 RM	2005 RM
Present value of the defined benefit obligation	2,586,460	2,470,450	2,371,886	1,913,405
Unrecognised actuarial loss	(297,892)	(301,595)	(306,285)	-

18. TRADE AND OTHER PAYABLES

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Trade				
Trade payables	18,611,631	6,262,480	9,223,578	1,318,232
Non-trade				
Other payables	1,112,082	603,956	74,114	41,569
Accrued expenses	3,534,953	3,931,988	2,100,568	1,320,824
	4,647,035	4,535,944	2,174,682	1,362,393
Total	23,258,666	10,798,424	11,398,260	2,680,625

19. PROFIT BEFORE TAXATION

	Note	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Profit before taxation is arrived at after charging:					
Allowance for doubtful debts		1,389,276	1,738,967	-	104,564
Amortisation of prepaid lease payments	4	78,688	79,939	63,452	63,452
Amortisation of investment property	5	-	-	370,072	370,072
Auditors' remuneration:					
- Statutory audit		94,000	89,000	34,000	31,000
- Other services		34,500	31,100	18,500	16,900
Bad debts written off		43,574	-	-	-
Depreciation of property, plant and equipment	3	18,512,358	17,527,284	13,490,277	13,544,702
Foreign exchange loss					
- unrealised		-	1,524,820	-	1,524,820
- realised		870,433	4,270,937	884,632	4,354,650
Interest expense on:					
- bank overdrafts		472,060	478,260	407,704	431,273
- term loans		4,202,104	5,374,092	3,004,897	4,541,582
- bankers' acceptances and revolving credits		4,424,326	6,859,319	3,383,716	4,911,571
- finance leases		1,382,641	1,508,914	1,040,605	1,162,112
- others		309,725	616,878	309,718	612,169
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		2,022,806	1,844,834	916,413	958,375
- Wages, salaries and others		20,794,830	19,632,563	10,928,766	10,351,218
- Expenses related to defined benefit plan	17	338,583	136,713	338,583	136,713
Rental of premises and land		521,174	510,176	495,980	480,240
Rental of equipment		6,798	-	-	-
Write down of property, plant and equipment	3	2,049,275	-	2,049,275	-

Notes to the Financial Statements [cont'd]

19. PROFIT BEFORE TAXATION (cont'd)

		Group		Company	
		2009	2008	2009	2008
	Note	RM	RM	RM	RM
Profit before taxation is arrived at after charging: (cont'd)					
Write down of property held for sale (Note 11)		-	33,000	-	-
and after crediting:					
Dividend income from:					
- subsidiaries (unquoted)		-	-	3,000,000	5,092,000
- shares quoted in Malaysia		-	450	-	-
Gain on disposal of:					
- property, plant and equipment		120,649	295,648	215,054	145,648
- property held for sale		-	155,600	-	-
Foreign exchange gain					
- unrealised		246,004	-	246,004	-
Interest income on:					
- overdue trade receivables		261,131	609,799	66,264	-
- fixed deposits		398,974	337,480	47,174	40,550
- others		-	110,622	22,692	109,829
Rental income from property subleases		46,310	93,500	415,910	420,500

20. KEY MANAGEMENT PERSONNEL COMPENSATIONS

Compensations to key management personnel are as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Directors of the Company				
- Fees	316,500	834,500	239,000	355,000
- Short term employee benefits	3,831,167	3,990,729	2,442,680	2,521,572
	4,147,667	4,825,229	2,681,680	2,876,572
Directors of subsidiaries				
- Fees	61,000	425,500	-	-
- Short term employee benefits	2,262,816	2,567,854	-	-
	2,323,816	2,993,354	-	-
Other key management personnel				
- Short term employee benefits	1,047,146	864,138	1,444,646	1,257,058
Total	7,518,629	8,682,721	4,126,326	4,133,630

Other key management personnel comprise 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 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Current tax expense				
Malaysian - current year	1,075,500	1,184,906	202,000	750,000
- prior years	315,631	(154,759)	456,234	(77,171)
Total current tax	1,391,131	1,030,147	658,234	672,829
Deferred tax expense (Note 8)				
- current year	3,611,000	1,300,000	3,785,000	493,000
- prior year	215,000	(213,000)	239,000	(124,000)
Total deferred tax	3,826,000	1,087,000	4,024,000	369,000
Total tax expense	5,217,131	2,117,147	4,682,234	1,041,829

Reconciliation of tax expense

	Group 2009 RM	Group 2008 RM	Company 2009 RM	Company 2008 RM
Profit for the year	10,357,522	2,682,729	10,907,453	1,200,529
Total tax expense	5,217,131	2,117,147	4,682,234	1,041,829
Profit excluding tax	15,574,653	4,799,876	15,589,687	2,242,358
Tax calculated using Malaysian tax rate of 25% (2008: 26%)	3,894,000	1,248,000	3,898,000	583,000
Non-deductible expenses	723,500	1,322,906	395,000	1,105,000
Tax exempt income	-	-	(375,000)	(437,000)
Double deduction for qualifying expenses	(9,000)	(6,000)	(9,000)	(6,000)
Effect of lower tax rate for certain subsidiaries ^	-	(60,000)	-	-
Effect of change in tax rate	-	(20,000)	-	(2,000)
	4,608,500	2,484,906	3,909,000	1,243,000
Under/(Over)-provision in prior years	608,631	(367,759)	773,234	(201,171)
Tax expense	5,217,131	2,117,147	4,682,234	1,041,829

^ *Certain subsidiaries, which previously qualified as small medium enterprises, have ceased to be so in the current financial year. Consequent on a change of status of these subsidiaries, they are subject to corporate tax at 25% on all their chargeable income in the current financial year. In contrast, they were each subject to corporate tax at 20% on the first RM500,000 and 26% on the remainder of their respective chargeable income in the last financial year.*

22. EARNINGS PER ORDINARY SHARE - GROUP

Basic/Diluted earnings per ordinary share

The calculation of basic/diluted earnings per ordinary share at 31 December 2009 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, as follows:

	2009 RM	2008 RM
Profit attributable to ordinary shareholders	9,938,273	1,230,246

	2009	2008
Weighted average number of shares at 1 January	195,534,900	65,178,300
Share split	-	65,178,300
Non-cash portion of rights issue (capitalised from reserves)	-	19,553,490
	195,534,900	149,910,090
Cash portion of rights issue	-	22,812,405
Weighted average number of shares at 31 December	195,534,900	172,722,495
Basic/Diluted earnings per ordinary share (sen)	5.1	0.7

Effect of outstanding warrants

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

23. DIVIDENDS

Dividends recognised in the year by the Company comprise:

	Sen per share	Total RM	Date of payment
2009			
Final 2008 ordinary – taxable	0.75, net of tax	1,466,512	29 May 2009
2008			
Final 2007 ordinary – tax exempt #	1.0	1,303,566	30 May 2008

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

The Directors are proposing a first and final dividend of 2.5 sen tax exempt per ordinary share totalling RM4,888,373 for the year ended 31 December 2009. The dividend will be paid when approved by shareholders at the forthcoming annual general meeting and recognised in subsequent financial reports.

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's 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 RM67,049,460 (2008: RM68,081,196), 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.

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.

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.

The world economy is gradually recovering from the economic and financial crisis started in September 2008, exerting upward pressure on interest rates. The Group is expected to pay interest at higher rates on borrowings going forward.

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
2009					
Fixed rate instruments					
Finance lease liabilities	4.19 – 9.03	23,445,906	7,333,162	7,117,939	8,994,805
Secured term loans	3.80, 4.00 and 4.66	5,442,161	674,397	1,177,705	3,590,059
Floating rate instruments					
Fixed deposits with banks	1.90 – 3.00	12,698,765	12,698,765	-	-
Bankers' acceptances and revolving credits					
- unsecured					
denominated in RM	2.64 – 4.67	127,597,000	127,597,000	-	-
denominated in USD	1.20 – 2.20	23,945,768	23,945,768	-	-
- secured	3.16 – 6.25	16,104,584	16,104,584	-	-
Bank overdrafts					
- unsecured	6.05 – 7.50	7,546,845	7,546,845	-	-
Term loans					
- unsecured	3.97 – 8.55	67,638,702	67,638,702	-	-
- secured	6.05 – 7.80	13,619,191	13,619,191	-	-
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	-	-

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
2009					
Fixed rate instruments					
Finance lease liabilities	4.55 – 7.07	15,769,163	5,157,492	5,393,433	5,218,238
Amount due from a subsidiary	4.00	367,984	367,984	-	-
Floating rate instruments					
Fixed deposits with banks	2.15	1,237,826	1,237,826	-	-
Bankers' acceptances and revolving credits - unsecured					
denominated in RM	2.64 – 3.98	121,177,000	121,177,000	-	-
denominated in USD	1.20 – 2.20	23,945,768	23,945,768	-	-
Bank overdrafts - unsecured	6.05 – 6.55	7,313,844	7,313,844	-	-
Term loans - unsecured	3.97 – 8.55	65,638,701	65,638,701	-	-
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	-	-

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. The carrying amount of the non-current portion of term loans bearing interest at fixed rates also approximates fair value, which approximate the prevailing rates.

The Company provides financial guarantees of RM82,379,000 (2008: RM74,579,000) 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.

24. FINANCIAL INSTRUMENTS [cont'd]

Recognised financial instruments [cont'd]

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

	2009		2008	
GROUP	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial asset				
Quoted shares (Note 9)	23,515	19,135	23,515	20,020

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 2009 because the Directors are of the view that the apparent diminution in value is immaterial.

Financial derivative instruments are occasionally 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 2009 are analysed below:

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

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	
	2009 RM	2008 RM	2009 RM	2008 RM
Corporate guarantees granted:				
- to suppliers of a subsidiary	1,000,000	2,500,000	-	-
- for banking facilities of direct subsidiaries	-	-	82,379,000	74,579,000
	1,000,000	2,500,000	82,379,000	74,579,000

26. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Company	
	2009	**2008**
	RM	**RM**
Less than one year	513,000	420,000
Between one and five years	2,295,000	2,673,000
More than five years	-	135,000
	2,808,000	3,228,000

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.

27. CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment				
- Contracted but not provided for and payable within one year	24,952,000	5,197,000	9,257,000	-
- Authorised but not contracted for	20,649,000	-	8,743,000	-
	45,601,000	5,197,000	18,000,000	-

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 parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties 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	
	2009	**2008**
	RM	**RM**
Nature of transaction		
Sales of galvanised and other steel products	(246,102,858)	(348,040,644)
Income from rental of premises	(384,000)	(372,000)
Rental of equipment	-	(30,000)
Shearing charges - income	(3,247)	(13,697)
Slitting charges - expense	27,171	10,149
Purchase of steel related products	1,396,082	833,295
Purchase of property, plant and equipment	-	3,494,268
Commission paid	-	2,840
Sales of property, plant and equipment	(720,000)	-
Interest income	(88,648)	-

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Secretarial fees paid	-	25,000	-	12,000

Transactions with substantial shareholders of the Company

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Purchase of consumables and raw materials	152,673,811	57,481,575	152,673,811	57,481,575
Freight and handling charges	375,890	497,800	375,890	497,800
Sales of galvanised and other steel products	(3,513,115)	(5,223,627)	-	-

28. RELATED PARTIES [cont'd]

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Nature of transactions				
Insurance premium paid	1,467,470	1,625,245	1,383,268	1,530,048
Purchase of consumables and raw materials	1,520,624	3,357,388	1,331,972	3,271,031
Purchase of machinery and parts	-	2,856,000	-	2,856,000
Repair and maintenance services	-	445,263	-	445,263
Sale of galvanised and coated steel products	(42,554,066)	(41,190,513)	(5,810,576)	(8,649,710)
Purchase of property, plant and equipment	100,000	-	100,000	-
Secretarial service rendered	10,000	-	10,000	-
Rental of premises and land	509,340	432,000	509,340	432,000
Income from rental of premises	(25,900)	(7,200)	(25,900)	(7,200)
Repayment of finance leases for acquisition of property, plant and equipment*	458,812	475,921	340,000	300,000

* *Interest is charged at fixed rates of 2.90% to 4.00% (2008: 2.90% to 4.00%) 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	
	2009	**2008**	**2009**	**2008**
	RM	**RM**	**RM**	**RM**
Amount due from	8,149,983	1,380,181	657,651	653,323
Amount due to	(5,247,941)	(216,607)	(5,247,941)	(323,356)

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

During the current year, the Company subscribed for its entitlement to the rights issue of Star Shine Marketing Sdn. Bhd. ("SSM") for a consideration of RM2,600,000 (2008: RM1,300,000) satisfied in cash.

SSM subscribed for its entitlement to the rights issues by Star Shine Steel Products Sdn. Bhd. for a cash consideration of RM302,000 during the last financial year.

Analysis Of Shareholdings
as at 22 March 2010

There is only one class of share, i.e. ordinary share of RM0.50 each.
The voting rights is one (1) vote per ordinary share.
Total number of ordinary shareholders was 2,316.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

Holdings	No. of Holders	Total Holdings	Percentage of Issued Capital
Less than 100 shares	36	2,429	0.00 *
100 - 1,000 shares	202	81,211	0.04
1,001 - 10,000 shares	1,126	6,254,475	3.20
10,001 - 100,000 shares	835	25,156,215	12.87
100,001 to less than 5% of issued shares	114	58,117,934	29.72
5% and above of issued shares	3	105,922,636	54.17
Total	2,316	195,534,900	100.00

* Less than 0.01%.

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS (ORDINARY SHARES)

	Accounts Holders	Shareholding	Percentage
1	Yung Kong Co Bhd	52,044,194	26.62
2	Cartaban Nominees (Asing) Sdn Bhd		
	Marubeni-Itochu Steel Inc.	35,999,994	18.41
3	Hii Wi Sing	17,878,448	9.14
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	AIBB Nominees (Tempatan) Sdn Bhd		
	Andrew Yap Hoong Yee	1,732,495	0.89
11	Lee Sze Ming	1,724,848	0.88
12	Arthur Hii Lu Choon	1,497,100	0.77
13	Alexander Hii Lu Kwong	1,479,100	0.76
14	Ling Eng Leh	1,410,000	0.72
15	Christopher Hii Lu Ming	1,391,300	0.71
16	Tan Pak Nang	1,300,000	0.66
17	Elizabeth Hii Lu Yen	1,226,100	0.63
18	Yung Kong Holdings Berhad	1,100,000	0.56
19	Yong Ai Ting	1,098,000	0.56
20	Hii Lu Foong	1,005,400	0.51
21	Victor Hii Lu Thian	985,000	0.50
22	Jane Hii Lu Yea	914,797	0.47
23	Cartaban Nominees (Tempatan) Sdn Bhd		
	Axa Affin General Insurance Berhad	900,000	0.46
24	Hii Siew Kew	800,000	0.41
25	Meshes Holding Sdn Bhd	762,000	0.39
26	Hii Hua Sing	603,297	0.31
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	Abdul Radzim Bin Abdul Rahman	518,700	0.27
	Total	146,194,861	74.77

Analysis Of Shareholdings
as at 22 March 2010 [cont'd]

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' interests in shares in the Company as per the Register of Substantial Shareholders as at 22 March 2010 are as follows:-

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Yung Kong Co Bhd	52,044,194	26.62	-	-
2	Marubeni-Itochu Steel Inc.	35,999,994	18.41	-	-
3	Dato' Hii Ngo Sing	2,938,473	1.50	57,342,791(1)	29.33
4	Dato' Dr Hii Wi Sing	17,878,448	9.14	57,342,791(1)	29.33
5	Ir. Michael Hii Ee Sing	138,100	0.07	60,606,991(2)	31.00
6	Arthur Hii Lu Choon	1,497,100	0.77	57,342,791(1)	29.33
7	Victor Hii Lu Thian	985,000	0.50	57,342,791(1)	29.33
8	Francis Hii Lu Sheng	274,300	0.14	57,342,791(1)	29.33
9	Alexander Hii Lu Kwong	1,766,100(3)	0.90	57,342,791(1)	29.33

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' INTERESTS

The directors' interests in shares in the Company and the related corporations as per the Register of Directors' Shareholdings as at 22 March 2010 are as follows:-

In the Company

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	17,878,448	9.14	62,665,781(1)	32.05
2	Ir. Michael Hii Ee Sing	138,100	0.07	61,019,391(2)	31.21
3	Arthur Hii Lu Choon	1,497,100	0.77	57,370,191(3)	29.34
4	Victor Hii Lu Thian	985,000	0.50	57,342,791(4)	29.33
5	Francis Hii Lu Sheng	274,300	0.14	57,493,191(3)	29.40
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	57,357,791(3)	29.33

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 22 March 2010 [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	540,000	3.00	12,780,000(6)	71.00
2	Ir. Michael Hii Ee Sing	-	-	12,420,000(7)	69.00
3	Arthur Hii Lu Choon	540,000	3.00	11,700,000(8)	65.00
4	Victor Hii Lu Thian	540,000	3.00	11,700,000(8)	65.00
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	540,000	3.00	11,700,000(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	Ir. 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	6.36	3,343,000(11)	75.98
2	Ir. Michael Hii Ee Sing	220,000	5.00	3,322,000(12)	75.50
3	Arthur Hii Lu Choon	7,000	0.16	3,322,000(12)	75.50
4	Victor Hii Lu Thian	7,000	0.16	3,322,000(12)	75.50
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	7,000	0.16	3,322,000(12)	75.50

Notes
(11) Deemed interested by virtue of family substantial interests in SSM through YKGI and the interests of his children in the Company.
(12) 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(13)	74.35
2	Ir. Michael Hii Ee Sing	180,000	3.00	4,380,000(14)	73.00
3	Arthur Hii Lu Choon	27,000	0.45	4,380,000(14)	73.00
4	Victor Hii Lu Thian	27,000	0.45	4,380,000(14)	73.00
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	27,000	0.45	4,380,000(14)	73.00

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

Analysis Of Warrant Holdings
as at 22 March 2010

No. of Warrants issued : 65,178,300
Exercise price of the Warrants : RM0.50
Expiry date of the Warrants : 8 July 2013

DISTRIBUTION SCHEDULE OF WARRANTS

Size of Holdings	No. of Holders	Total Holdings	Percentage of warrants Issued
Less than 100 warrants	15	1,177	0.00*
100 - 1,000 warrants	74	52,995	0.08
1,001 - 10,000 warrants	479	2,211,664	3.39
10,001 - 100,000 warrants	294	10,814,188	16.59
100,001 to less than 5% of issued warrants	62	19,842,778	30.44
5% and above of issued warrants	3	32,255,498	49.49
Total	927	65,178,300	100.00

** Less than 0.01%.*

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS (WARRANTS)

	Name of Warrant Holders	No. of Warrants Held	Percentage
1	Yung Kong Co Bhd	15,643,000	24.00
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	Ting Chuo Kiew	1,320,200	2.03
5	Low Suan Kong	1,300,000	1.99
6	Seng Shun Mun	1,200,000	1.84
7	Hii Ngo Sing	979,491	1.50
8	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account For Hiew Seek Ling	930,000	1.43
9	Hii Brothers Enterprises Sdn Bhd	922,300	1.42
10	Hu Ik Ming @ Rose Hii Ik Ming	852,688	1.31
11	Mt Sungai Sdn Bhd	804,800	1.23
12	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For James A/K Tiam (Kuching)	700,000	1.07
13	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ling Sew Sing (E-KLG / PDA)	568,000	0.87
14	Chan Ah Luan	520,000	0.80
15	Yung Kong Holdings Berhad	400,000	0.61
16	Zamanhuri Bin Abdul Jamil	395,000	0.61
17	Yong Ai Ting	366,000	0.56
18	Ting Kee Wei	354,000	0.54
19	Chan Eng Hock	350,000	0.54
20	Lim Ai Choo	300,000	0.46
21	Ong Beng Kee	300,000	0.46
22	Tan Pak Nang	300,000	0.46
23	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Ai Leng	293,000	0.45
24	Lee Leh Hong	270,000	0.41
25	Meshes Holding Sdn Bhd	262,000	0.40
26	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account For Hee Yuen Sang	260,000	0.40
27	Arthur Hii Lu Choon	250,000	0.38
28	Christopher Hii Lu Ming	200,000	0.31
29	Chua Chee Tong	200,000	0.31
30	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chee Peng Wai	200,000	0.31
	Total	47,052,977	72.19

Analysis Of Warrant Holdings
as at 22 March 2010 [cont'd]

DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 22 March 2010 are as follows:-

		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	4,612,500	7.08	18,957,899(1)	29.09
2	Ir. Michael Hii Ee Sing	48,100	0.07	18,686,299(2)	28.67
3	Arthur Hii Lu Choon	250,000	0.38	17,447,099(3)	26.77
4	Victor Hii Lu Thian	-	-	17,437,699(4)	26.75
5	Francis Hii Lu Sheng	-	-	17,437,699(4)	26.75
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)	-	-	17,442,699(3)	26.76

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, 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 his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Bhd, 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 and Kwong Yung Co Pte Ltd.

[The rest of this page is intentionally left blank.]

Additional Information

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2009

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	15	7,380
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	11	174
* GM2333, Lot 817, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan.	Freehold	-/11520 M^2	Industrial Building	Dec 2001 Completed	8	4,443
Lot 6479 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	10.04 Ha/ 3.89 Ha	Industrial Land and Buildings	Jul 2002 acquired Nov 2007 revalued	5	53,194
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	2	29,651
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	Mar 2004 acquired	15	989
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	15	640
No.16, Jln Aman Perdana 7Q/KU5, Taman Aman Perdana, 41050 Klang, Selangor Darul Ehsan.	Freehold	348 M^2	Double Storey Bungalow house	Jul 2007 completed	2	536
Properties held for sale 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	8	323

* This property is built on a piece of land rented by YKGI from a related party, 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.

Additional Information [cont'd]

2. 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' interests, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

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

The significant RRPTs entered into during the financial year ended 31 December 2009 are disclosed in Note 28 to the Financial Statements. A breakdown of the aggregate value of the RRPTs conducted pursuant to the shareholder mandate during the financial year, where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09 (1) of the Main Market Listing Requirements are set out below :-

Type 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 2009 (RM)
Purchase of YKGI Products from YKGI, ICCI and SSP	Star Shine Marketing Sdn Bhd ("SSM")	Subsidiary where certain Directors have substantial interests	150,771,800
		Total	**150,771,800**
Purchase of YKGI Products from YKGI, ICCI and SSM	Star Shine Steel Products Sdn Bhd ("SSP")	Deemed subsidiary where certain Directors have substantial interests	7,210,338
		Total	**7,210,338**
Purchase of YKGI Products from YKGI, ICCI, SSM and SSP	Star Shine Global Trading Sdn Bhd ("SSGT")	Deemed subsidiary where certain Directors have substantial interests	21,020,908
		Total	**21,020,908**
Purchase of YKGI Products from SSM and SSGT	Star Shine Industries Sdn Bhd ("SSI")	Deemed subsidiary where certain Directors have substantial interests	16,506,687
		Total	**16,506,687**
Purchase of steel and metal products from SSM & SSGT	SSP	Deemed subsidiary where certain Directors have substantial interests	25,267,090
	SSI	Deemed subsidiary where certain Directors have substantial interests	1,425,743
		Total	**26,692,833**
Purchase of YKGI Products from MN	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	3,513,115
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	6,312,252
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	17,672,330
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	144,188
	Eastern Advance Sdn Bhd	Company connected to certain Directors	1,162,393
	Tawau Suria Industries Sdn Bhd	Company connected to certain Directors	2,128,404
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	159,316
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	6,044,056
	Golden Shogun Sdn Bhd	Company connected to certain Directors	1,085,377
		Total	**38,221,431**
Purchase of raw materials	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	134,028,806
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd ("MISM")	Company connected to MISI	18,609,195
		Total	**152,638,001**
Purchase of YKGI Products from YKGI Group	Continental Strength Sdn Bhd	Company connected to certain Directors	6,975,454
	MISM	Company connected to MISI	50,765
		Total	**7,026,219**

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 - Peninsular 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 - Sabah & Sarawak)

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 - Peninsular 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

Website: http://www.starshinegroup.com
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

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Third Annual General Meeting of the Company will be held at Function Room 1, Level 2, Four Points by Sheraton Kuching, Lot 3186 - 3187 Block 16, KCLD, Jalan Lapangan Terbang Baru, 93350 Kuching, Sarawak on Friday, 14 May 2010 at 11:00 am to transact the following business:-

AGENDA

Ordinary Business

a. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2009 and the Reports of the Directors and Auditors thereon. **Resolution 1**

b. To declare a first and final dividend of 2.5 sen per share, tax exempt, in respect of the financial year ended 31 December 2009. **Resolution 2**

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

i. Ms Huong Hie Hee **Resolution 3**
ii. Mr Philip anak Dreba @ Philip Aso Dreba **Resolution 4**
iii. Mr Francis Hii Lu Sheng **Resolution 5**

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

Special Business

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

Proposed renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature ("Shareholder Mandate") **Resolution 7**

"THAT approval be hereby given to the Company and/or its subsidiaries ("YKGI Group") to enter into any of the category of related party transactions which are recurrent, of a revenue or trading nature and are necessary for day-to-day operations of YKGI Group as outlined in point 3(b) (pages 4 to 13) of the Circular to Shareholders dated 22 April 2010 ("Circular"), with the specific related parties mentioned therein 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 detrimental to the interest of the minority shareholders; and

(b) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, 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;

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the "Act") [but must 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 Shareholder Mandate.

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 methods or procedures set out in point 3(e) of the Circular."

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

Proposed amendments to the Company's Articles of Association **Resolution 8**

"(i) THAT the existing Article 144 of the Company's Articles of Association be deleted in its entirety.

(ii) THAT the existing Article 145(a) of the Company's Articles of Association be deleted in its entirety and replaced with the following new Article 145(a):-

Dividend payable ~~by cheque or warrant~~

Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant, sent through the post directed to the registered address or through crediting of funds or such other mode of electronic means into a nominated bank account of the ~~M~~members or person entitled thereto, or ~~are~~ person entitled thereto in consequence of the death or bankruptcy of the holder, to any one (1) of such persons and to such address or into such nominated bank account as such person may in writing direct. Every such cheque or warrant or funds crediting into a nominated bank account or through such other mode of electronic means shall be made payable to the order of the person to whom it is sent or person or persons entitled to the share in consequence of death or bankruptcy of the holder may in writing direct and the payment of any such cheque or warrant or through crediting of funds or such other mode of electronic means into a nominated bank account shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged or that there is discrepancy in the details of the bank account(s) given by the member or person entitled to the dividend. Every such cheque ~~and~~or warrant or funds crediting into a nominated bank account or through such other mode of electronic means shall be sent or credited at the risk of the person entitled to the money thereby represented. Any such dividend, interest or other monies may be paid by any bank through direct transfer or other funds transfer systems or such other means to or through such persons as the member or person entitled thereto in consequence of the death or bankruptcy of the holder may in writing direct, and the Company shall have no responsibility for any sums lost or delayed in the course of any such transfer or where the Company has acted on any such directions. "

g. To transact any other business of which, due notice have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board,

Ms Voon Jan Moi
Ir Michael Hii Ee Sing
Company Secretaries

Kuching, Sarawak
Dated : 22 April 2010

Notice Of Annual General Meeting [cont'd]

Explanatory Notes on Special Business :-

(a) ***Ordinary resolution in relation to proposed renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature***
Paragraph 10.09 of the Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.

The proposed Resolution No. 7 if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in point 3(b) (pages 4 to 13) 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 detrimental to the interest of the minority shareholders.

By obtaining the shareholder mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT 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.

(b) ***Special resolution in relation to proposed amendments to the Company's Articles of Association***
The proposed resolution No. 8 is to allow the Company the flexibility to make payment of its dividend to its shareholders by direct credit into the shareholders' bank account or any other form of electronic transfer, which would reduce cost and increase efficiency of the Company. This is also in line with the Electronic Dividend Payment ("eDividend") to be implemented pursuant to a directive issued by Bursa Malaysia Securities Berhad.

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 and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
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 2.5 sen per share, tax exempt, in respect of the financial year ended 31 December 2009, if approved at the Thirty-Third Annual General Meeting, will be payable on 31 May 2010 to depositors whose names appear in the Record of Depositors on 21 May 2010.

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

(a) shares transferred into the depositor's securities account before 4:00 pm on 21 May 2010 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 : 22 April 2010

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) .... (IC/Passport No.) 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-Third Annual General Meeting of the Company to be held at Function Room 1, Level 2, Four Points by Sheraton Kuching, Lot 3186 - 3187 Block 16, KCLD, Jalan Lapangan Terbang Baru, 93350 Kuching, Sarawak on Friday, 14 May 2010 at 11:00 am and any adjournment thereof.

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

NO.	RESOLUTIONS	FOR	AGAINST
Ordinary Business			
1.	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2009 and the Reports of the Directors and Auditors thereon.		
2.	Declaration of first and final dividend.		
3.	Re-election of Ms Huong Hie Hee as director.		
4.	Re-election of Mr Philip anak Dreba @ Philip Aso Dreba as director.		
5.	Re-election of Mr Francis Hii Lu Sheng as director.		
6.	Appointment of Messrs KPMG as auditors.		
Special Business			
7.	Ordinary Resolution - Renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature.		
8.	Special Resolution - Amendments to the Company's Articles of Association		

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 2010

....
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 and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
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.*

Fold here

STAMP

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

Fold here

Export markets of YKGI Group

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
93050 Kuching Sarawak, Malaysia
Tel: +6082 433 888 Fax: +6082 433 889
Email: ykgi@ykgi.com.my
Homepage: http://www.ykgi.com.my

Designed & Printed by BAHAGIA PRESS SDN BHD (86546-K) Tel: 082-238 900 Fax: 082-231 939 Email: bhgpress@tm.net.my